

The China-India Relationship and the Asian Century

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Agenda

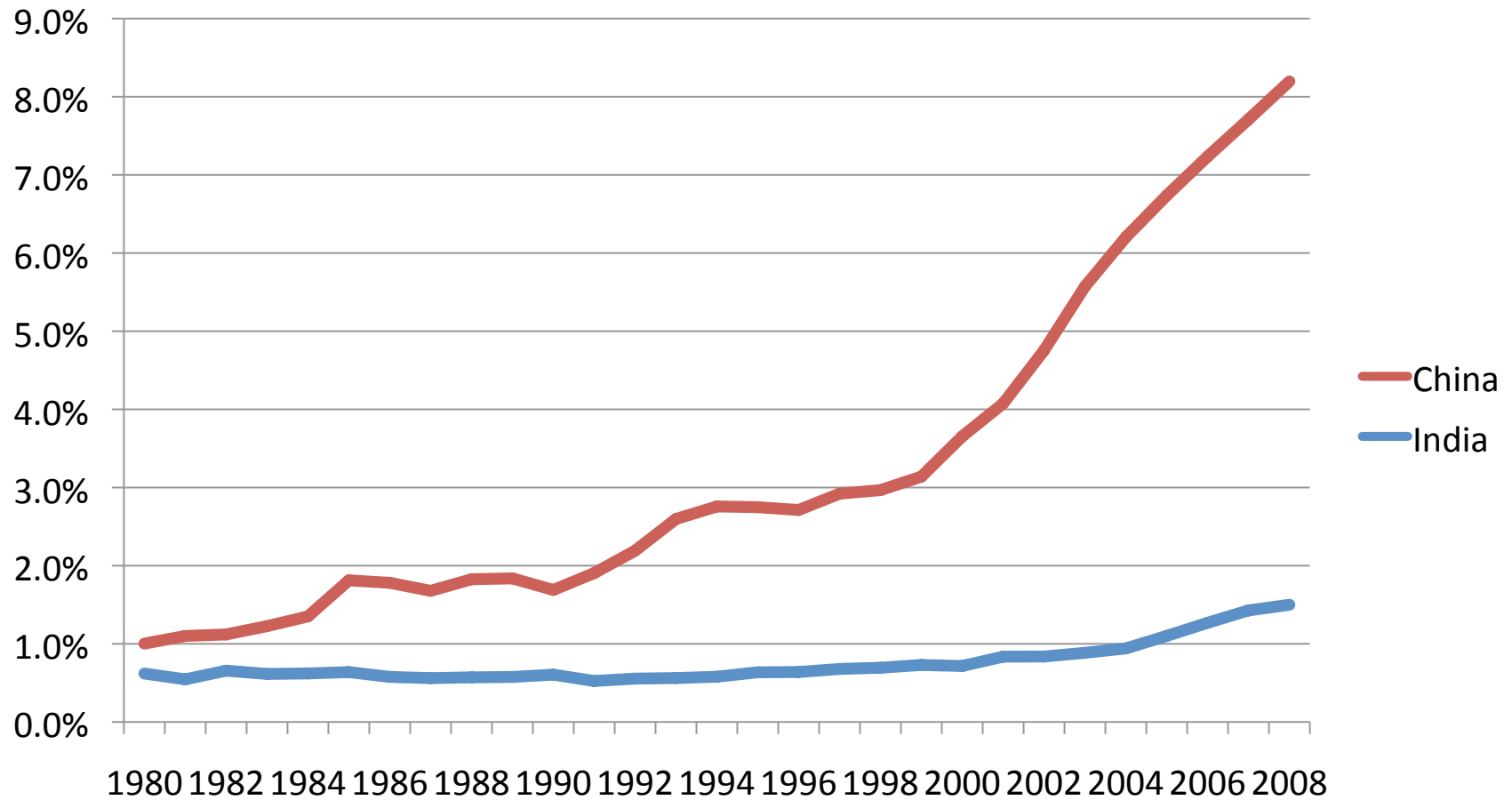
1. Introduction
2. Economic Competition and Ties
3. Political Cooperation
4. Security Concerns
5. Hedging and Rising
6. Details on the Border Dispute

Some basics

- India's GDP - \$3.3 trillion PPP (\$1.2 trillion exchange rate)
- China's GDP - \$8.0 trillion PPP (\$4.4 trillion exchange rate)

- India's Per Capita GDP - \$2,900 (PPP)
- China's Per Capita GDP - \$6,000 (PPP)

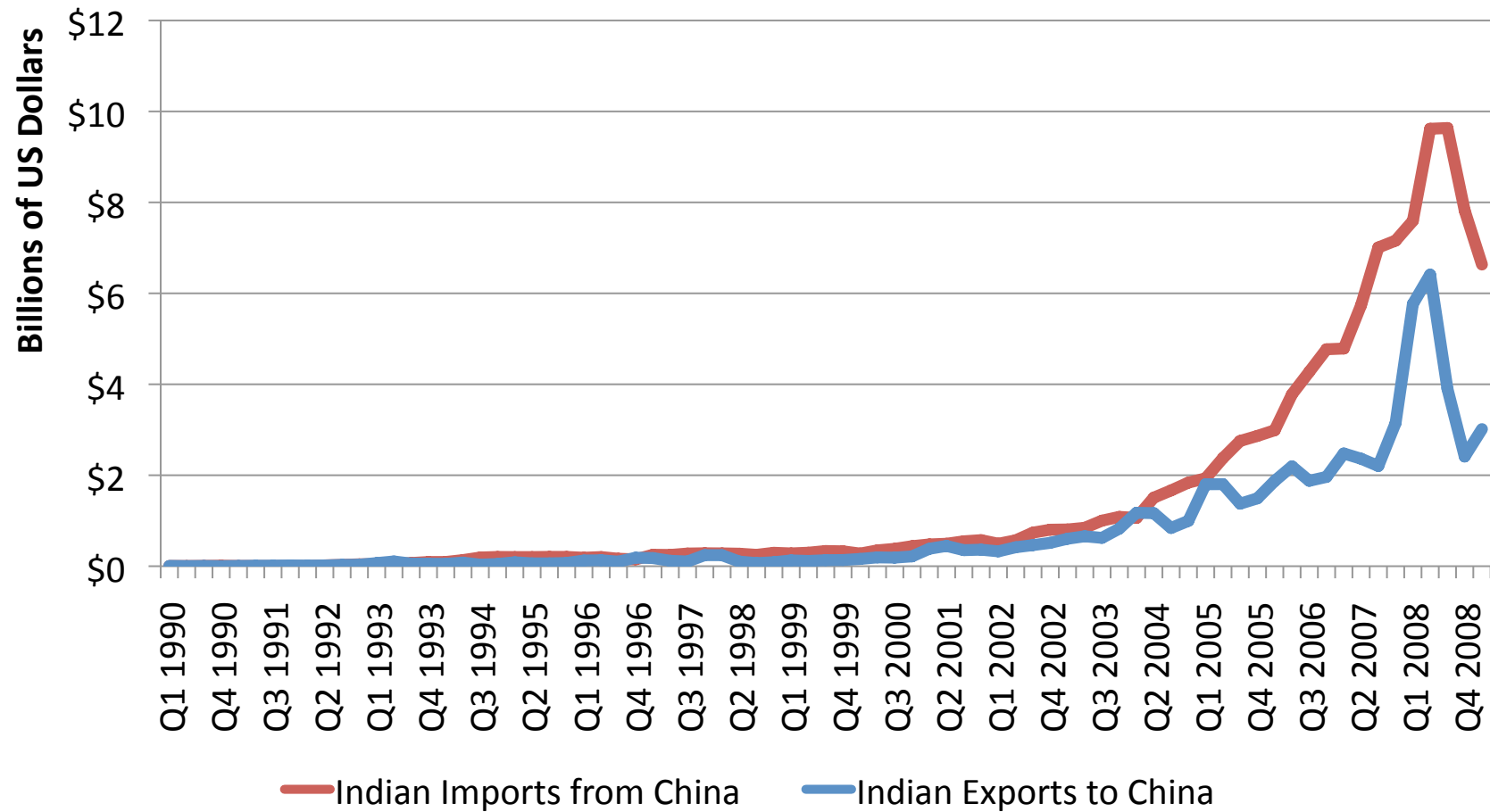
India and China: Share of World Trade



Trade

- ...as a percentage of India's GDP: 45
- ...as a percentage of China's GDP: 74
- Services trade makes up more than 15% of Indian GDP, vs. 7% of China's
- "Trade Synergy"

India-China Trade



What Gets Traded

- From India:
 - ores
 - cotton yarn and fabric
 - organic and inorganic chemicals
 - precious stones
 - metals and machinery
- From China:
 - electrical machinery
 - organic chemicals
 - iron and steel
 - fertilizers

Political Cooperation

- Bilateral cooperation
- Converging global interests
 - Trade and climate
 - Sanctions against Iran
 - Multipolar world (BRIC)

Security Concerns: India

- The border
- Nuclear issue...did the 1998 tests succeed?
- “G-2”
- Regional pressure
- Public unease

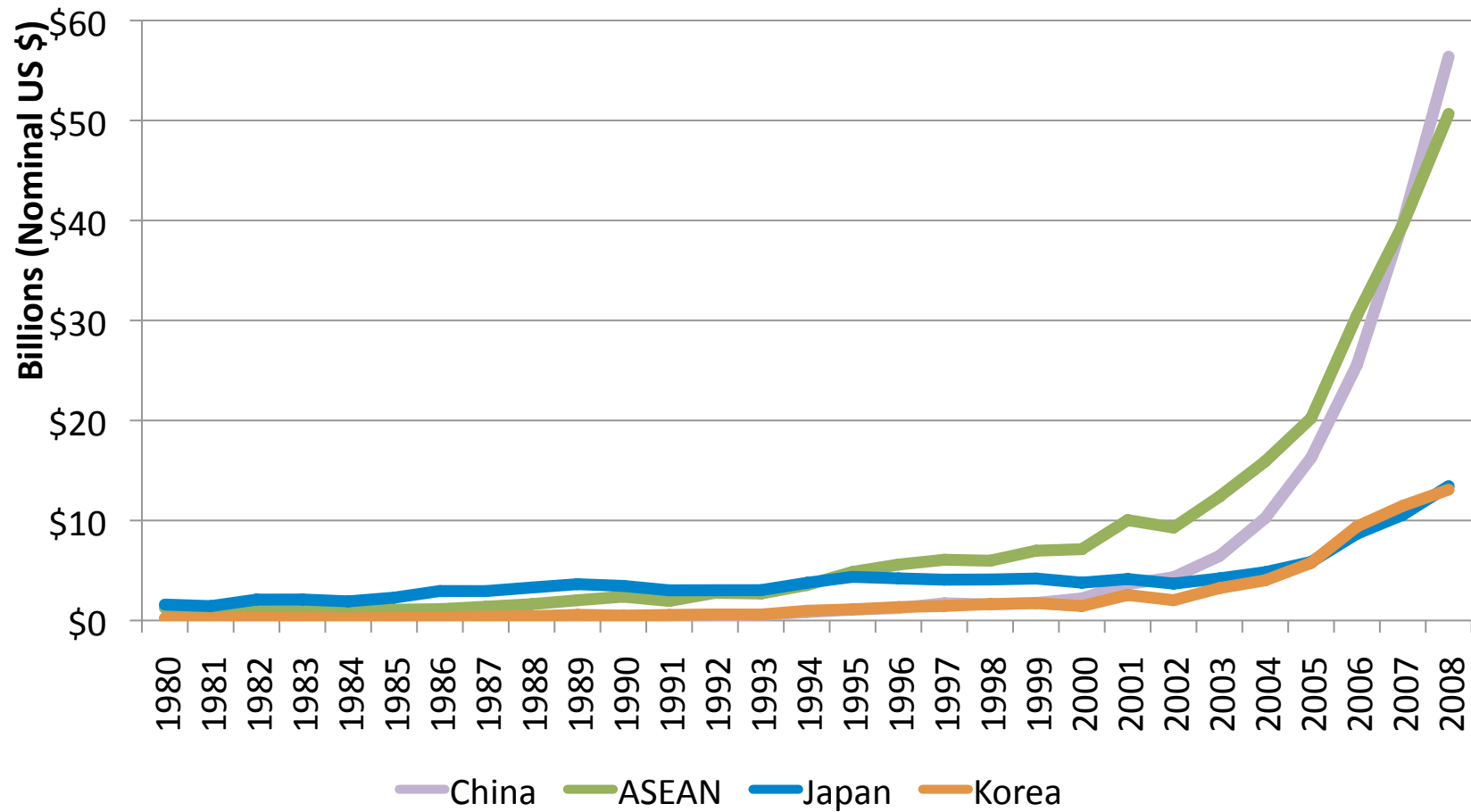
And China?

- China is thinking about Taiwan, the United States, Japan, and internal stability
- Ultimately still dismissive of India and skeptical of India's political system

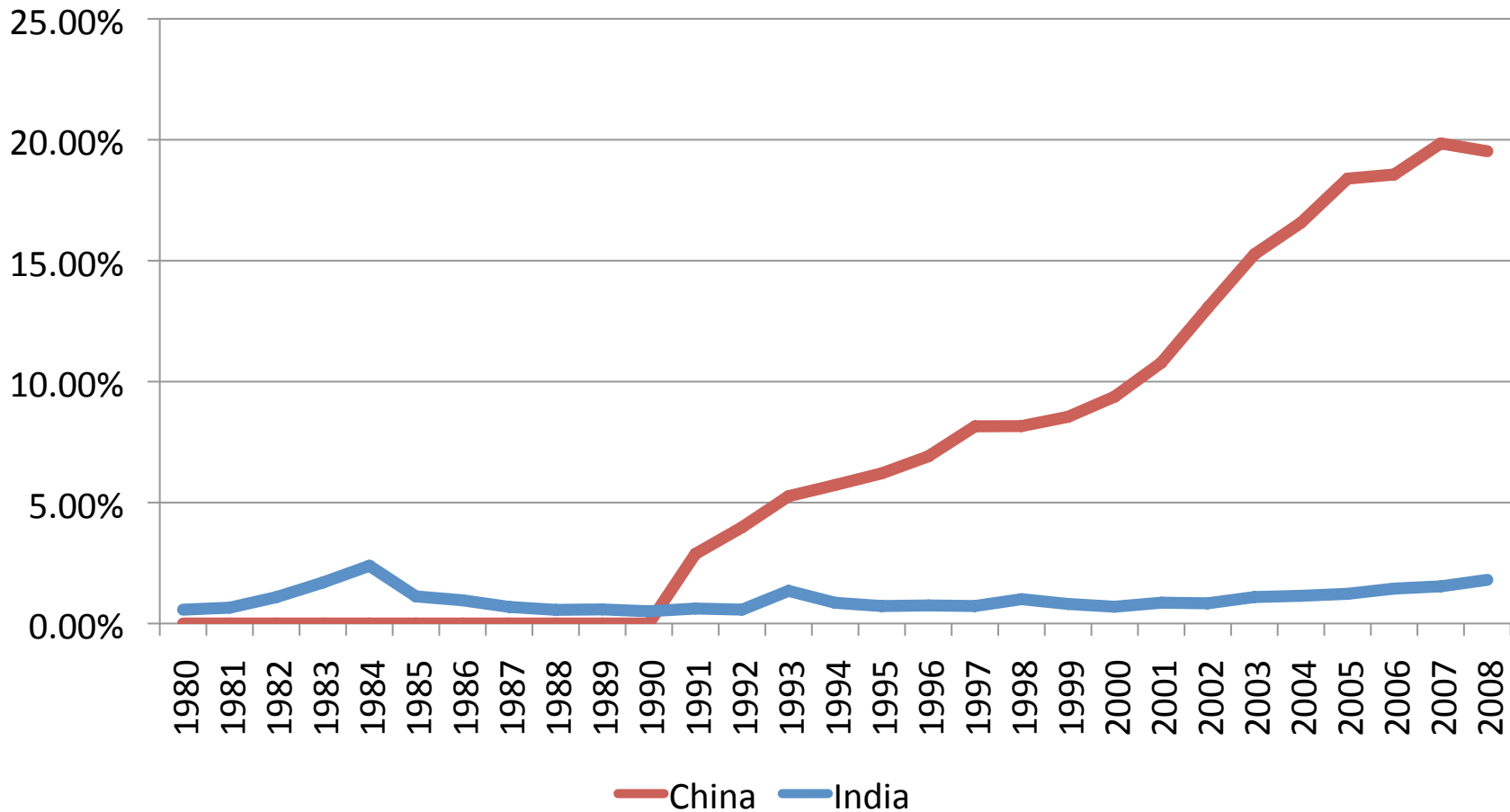
Hedging: India's Responses

- Looking east (including Burma policy change)
- Free trade negotiations
- Military exercises (but also with China and Russia)
- Beefing up military presence on the border
- Others?

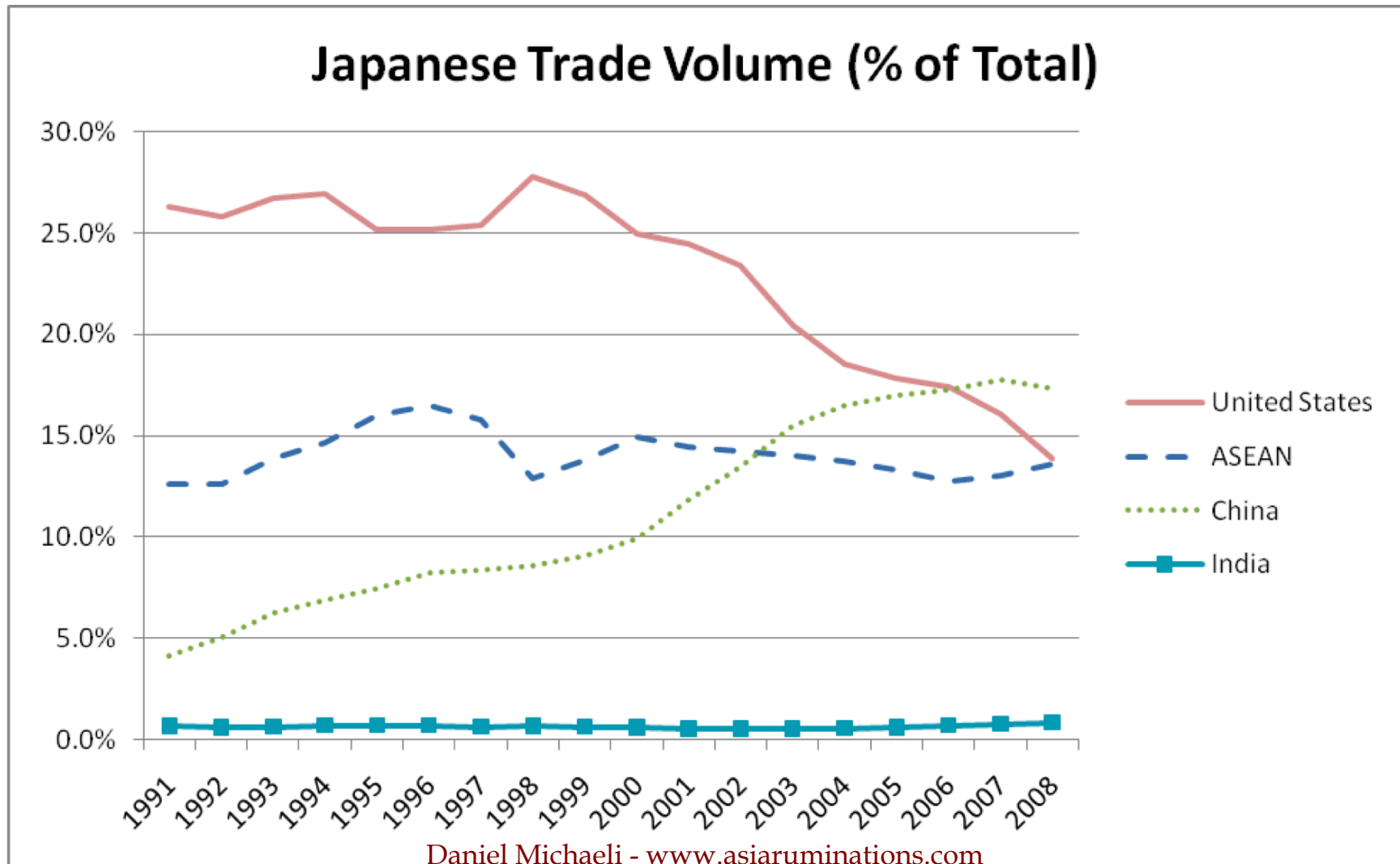
Looking East: Trade Data



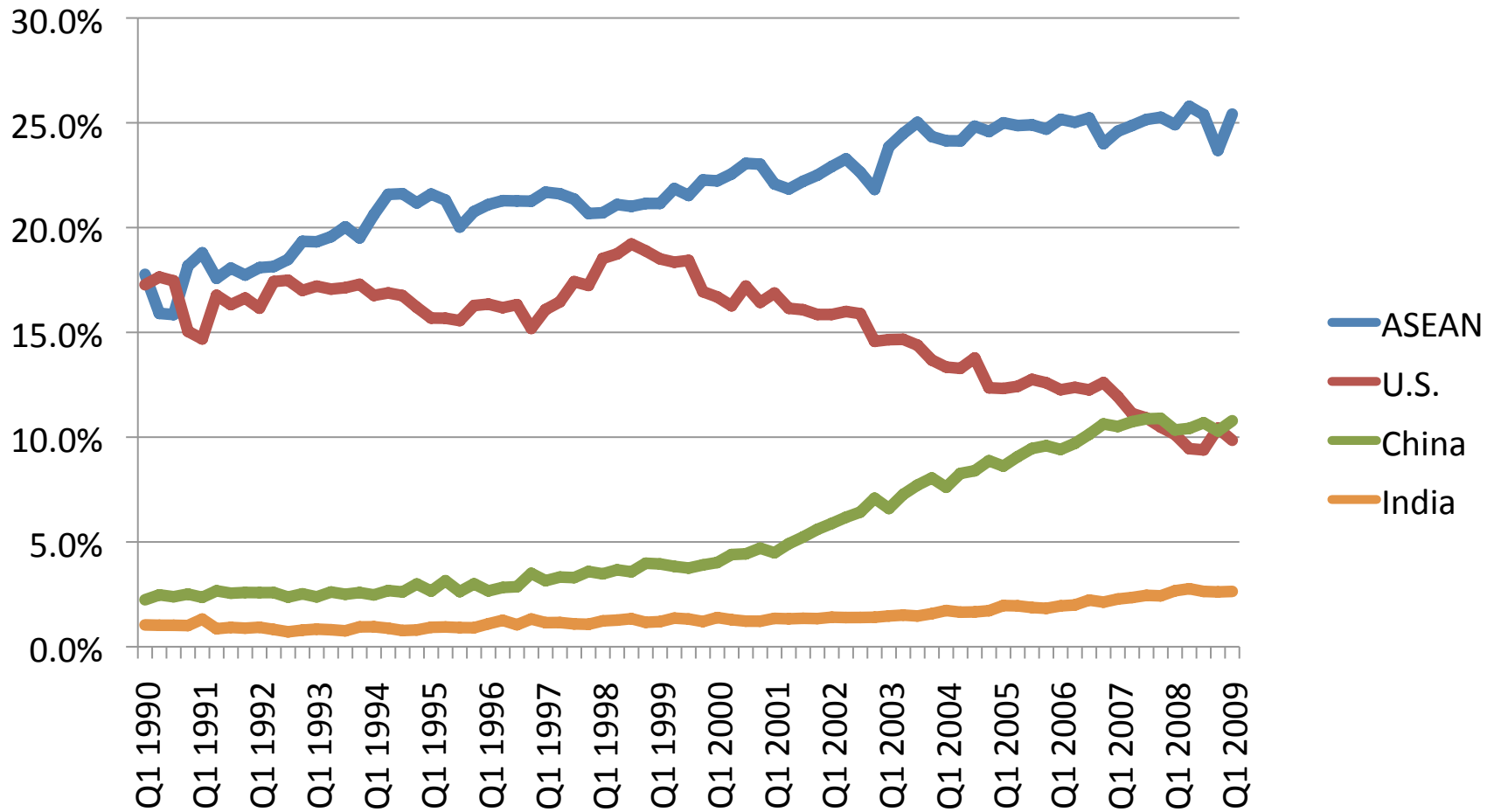
Is the East Looking Back? Korean Trade Data



And Japan



ASEAN's Trade Partners



The Border Dispute

- The only land border dispute China hasn't resolved
- 1914: Simla Accord between Britain and Tibet (McMahon Line)
- 1954: Five Principles of Peaceful Coexistence
- 1962: War
- 1988: Rajiv Gandhi Visit
- This past year: more "incursions," Asian Development Bank loan issue, Indian military activity