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Research Paper

India's Trade Policy With China: Role of North-Eastern States

Commerce

KEYWORDS : Foreign Policy, Trade, Federal Structure, Border, India, China, North-Eastern States

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ABSTRACT

The units (states, provinces, cantons, and lander) in federalist affairs play a significant role including the execution of foreign policies (especially Trade) due to its proximity with other nations. The participation of such strategic units in formulation of foreign policy is growing concern of subject among the scholars of political science. They have traditionally seen the mutual functioning of units as the exclusively important requirement of federalism. The study would seem an especially apt observation about India's federalist system and the making of foreign policy with esp. reference to its border region. The Indian constitution has given the center particularly strong powers – so strong, in fact, that some have described it as "quasi federal" because of the lack of autonomy it affords to the states. Yet, there is an increasing consensus that the states should have more autonomy as it may play a role in making healthy foreign relationship with neighbor countries because of its strategic locations. Therefore the paper is an attempt to evaluate the status of federal structure of India and its impact on foreign policy toward trade with China through North East states. The paper highlights some jagged issues as constraining factors in federal cum North East states-foreign policy relationship. On further note the paper also points out the possible developments in the course of relational improvements. The paper also discuss about the future scopes and strengthening of federal structure for effective foreign policy of the country with regards to its North East region.

Introduction

Indian federalism has always been queried by those who view with understandable skepticism the predominant constitutional powers that are given to the federal parliament and federal government in New Delhi. In general Indian constitution is considered as 'federal by custom however unitary by sprit' also other views it as 'quasi-federal' (Mazza, M. 2015). India's national integration and diversification occupies an important place for discussion of the nature and functioning of its federal power structure (Fleiner and Misic. 2000). The basics of federalism had been developed on the grounds of concern for the unity and integrity of a culturally diverse nation. The historical experiences of disrupting and disintegrative intolerant forces and the political context of partition prevailing at the time of independence inspired the founder of the Indian Constitution to strengthen the Union against possible disintegrative pressures. This notion gets introduced into the draft Constitution in the Constituent Assembly. The success of federal structure of India is always a matter for discussion. The issues in modern India often raise the question over the quasi form of federalism. It became more important when we consider the trade between two nations as an important factor of foreign policy.

Relations between contemporary China and India have been portrayed by outskirt question, bringing about three noteworthy military clashes — the Sino-Indian War of 1962, the Chola episode in 1967, and the 1987 Sino-Indian clash (Causevic, A. 2012). In any case, following the late 1980s, both nations have effectively endeavored to reignite strategic and financial ties. In 2008, China developed as India's biggest exchanging accomplice and the two nations have likewise endeavored to develop their key and military relations. Notwithstanding becoming monetary and vital ties, there are a few obstacles for India and the PRC (People's Republic of China) to overcome so as to build up positive relation(Welch, 1998). Despite growing economic and strategic ties, there are several hurdles for India and the PRC to overcome in order to establish favorable relations. The strategic position of North Eastern states could provide better trade connection to help in reduction of trade imbalance up to some extent, as well as may bring prosperity in this region on wistful policies and its implications.

As the federal relationship between North Eastern states and Central government experience little rough situation from the very beginning of independence, the administrative and economical federalism are almost negligible due to interventions at political scenario. Here in this paper we would like to understand the Indian federal's foreign trade situation with China and possible role of North Eastern states and some of its extended impact. The study is mostly based on the secondary sources with insight of authors. The paper is started with the introduction of requirement for federalism in India. It further proceeds with the current framework for North East with Indian federal foreign policy including China, raising the importance of this study. Further proceeds with historical backgrounds and come up with suggestions of possibilities measures to reduce the isolation of these states to transform into inclusive region. The zest of paper is summed up in conclusion.

Current framework for North East with Indian federal foreign policy including China

Foreign policy of any country helps to create an image of it in international arena. Indian foreign policy is one of the most interesting one in the eyes of scholars of international politics due to its strategic location any change it makes inside the territory or with the other country affects whole of Indian sub-continent. The father of Indian foreign policy Jawaharlal Nehru our very own respected prime minister who lay the founding stone of it, in the first clause of our constitution defines our country as "India, that is, Bharat is a Union of States".

The federal structure of our constitution flows from this definition and has been upheld by the apex court as a basic feature of our constitution. Over the years, there has been a steady erosion of the rights of the states and federal character of our constitution is being, slowly but steadily, converted into a unitary state structure. In other words maximizing zone of interference to the state by the Centre is increasing more and more. It is also one of the factors of increasing political violence in the NE India. Even maximum contentions of agreement in between Government of India and NSCN (IM) and even ULFA's talk in their ongoing peace process are also for bringing real federal relationship (Gourachandra. 2003). India is routinely cited as a federal country in handbooks on federalism, but oratory aside, in deciding on the vertical dispensation of power, the Indian polity acted on two contradictory impulses. On the one hand, it tapped into a

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deep well of pride that finds expression in the celebration of ethnic, religious, linguistic and cultural variety, such a distinct feature of South Asia. On the other hand, India's political class harbors, since partition, a deep sense of caution toward all political manifestations turning in the direction of secession. Meanwhile, if federalism were to be considered as a theoretical framework for 'government of complexity', diversity might indeed overtake unity as an ordering principle of society (Hönig, 2009). The Indian brand of federalism is vital for a comprehensive understanding of the way regions relate to each other and the centre. But to the extent federalism requires flexibility, cooperation and sophistication its level of implementation is also indicative of the central government's ability and preparedness to accommodate societal complexity. India, like Canada, constitutes an asymmetrical federation in the sense that some states have constitutionally guaranteed privileges setting them apart from the other states of the federation. However, in the case of India, rather unlike Canada, the affording of special status to a group or territorial entity never came easy. It was routinely preceded by hard bargaining, political turmoil and, in the lead-up to the creation of states of NE, armed struggle (Laishram, 2012).



Relations between India and China have changed rapidly over the past decade. The two neighbors have evolved as frontrunners of the developing world by confronting global economic trends, building international alliances after decades of inward-looking policies, and juggling domestic political troubles, separatist movements and rising inequality. The development of these two nations attracted increased attention during the global economic downturn while Western nations experience shrinking economies, job losses and government bailouts of multinational corporations. The rapid increase in business links between the two countries has given rise to a view that this economic relationship and interdependence may, in turn, give rise to better political relations between the two countries. India and China have had a political relationship troubled with tensions, mutual suspicion and strategic pomposity. The two countries went to war in 1962 over border dispute in the northern Indian state of Jammu and Kashmir and the northeastern Indian state of Arunachal Pradesh. The war ended in defeat for the Indian army and although the Chinese army retreated, the Chinese government continues to lay claim to 38,000 sq. km of Arunachal Pradesh(Ramachandran, 2008).

The historical back grounds

In the mid19th century, both the Ahom and the Manipur kingdoms tumbled to a Burmese intrusion. The following First Anglo-Burmese War brought about the whole district going under British control. In the frontier period (1826-1947), North East India was a piece of Bengal Province from 1839 to 1873, when Assam turned into its own particular area. Geologically and socially, the locale now called north-east India is arranged between the two conventions of Indic Asia and Mongoloid Asia. This geological social state of "in-between" is a critical considers the region's emergency of character. The pioneers of the present-day "underground outfits" keep on battling for autonomy. This frequently prompts roughness and upsets the financial exercises, accordingly influencing the everyday lives of normal individuals. The populace of slopes, who are ethnically Mongoloid, decline to acknowledge the station, ridden social arrangement of the Indian society. Comparable battles for freedom are additionally going ahead in other northeastern subdivisions or sister districts. Further, there have been requests of making more states inside of the Indian union out of Assam, Meghalaya, Manipur and Tripura. Indian not generally has been so discourteous toward the northeastern area northeastern individuals assumed a critical part at the season of indo china war furthermore after that to figure the remote arrangement. India marked Indo-Sino agreement and it full fill the hobbies of both the nations with deference of north eastern district. The exchange and religious tourism were a percentage of the couple of results of the Indochina settlement of 1962. Additionally in the later years marking of bode agreement between Indochina in the district of northeastern states demonstrates the significance northeastern states play really taking shape of India's outside arrangement. Indo Burma connection additionally has been imperative since or even before autonomy. The joint practice sessions between the two nations or exchange relations through upper east states are one of the couple of illustrations where north east states create to develop outside strategy of the inside with different nations.

From isolated states to inclusive region: possible prospects

Part XI of the Indian constitution defines the power distribution between the federal government (the Centre) and the States in India. This part is divided among legislative, administrative and executive powers. The legislative section is divided into three lists: Union list, States list and Concurrent list. According to the Article 356 of the Constitution of India, states must exercise their executive power in compliance with the laws made by the Central government. Article 357 calls upon every state not to impede on the executive power of the Union within the states. Articles 352 to 360 contain provisions which empower the Centre to take over the executive of the states on issues of national security or on the breakdown of constitutional machinery. Governors are appointed by the Central government to oversee states. The president can dissolve the state assembly under the recommendation of the council of ministers by invoking Article 356 if and when states fail to comply with directives given by the Centre. But the real question is that is this quasi form of federalism really functioning or what the real status of Indian federalism is.

Lack of development and opportunity has forced people from such isolated stated to go inclusive areas. People heavily migrate to areas like Delhi, Mumbai, and Bangalore etc. Now north-eastern states are taking great care of their people like for example promoting education by making it subsidize or by giving scholarships to those who come to rest of the India for higher education. By all this in a way north eastern state is trying to stop the migration happening heavily in their region. It's not that the Centre government don't realizes the power of northeast like the culture richness, the power of manpower which is famous for breaking mountains and making way, the abundance of resources etc. Over the years Indian government has put efforts to develop north eastern states by its "look east policy" or by railway projects or even the promotion of education by building new schools colleges and universities. All these effort (though not enough) shows some positive progress in the relationship between North East states and Indian federation.

To gain momentum of some productive result, both region and centre has to take initiative by themselves and understand responsibilities under own capacity. In north east states over the years has suffered isolation from the Centre not totally either. Be it in the area of development or infrastructure, it lead to isolation of these states creating insurgency over the recent years the separatist movements. It is harmful for the integrity of the nation. It is suggestive that Centre can provide better and more autonomy to north eastern states for their development and north east states should give their full support to Centre to improve the Centre state relations.

How federalism in north east will help influence the foreign policy of India

A look at India's map shows that barring Delhi, Madhya Pradesh, Chhattisgarh, Jharkhand, Haryana, all Indian states have borders with a foreign country or they have international waters. Therefore it is important to appreciate that Indian states have a natural stake in the foreign policy of the country the north east is a very sensitive area as it is the largest border region of India where every part of north east India is comprised of international borders in every state. The North East region has a special significance for Indian security and prosperity. They have a huge influence on India's relations with Bangladesh, Bhutan, China, Nepal and Myanmar. North East is also a key element of the Indian Look east policy which involves relations with 10-meber ASEAN. An increase in the connectivity between ASEAN, Bangladesh, Myanmar and China and the North East will act as a game changer to provide benefits for both for the nation as well as for the region as a whole as it would improve the influence of India in the continental scale as well as bring prosperity to the north east.

Relations with Indian Diaspora are another example where states are very active. People(Non Resident Indian's) from the north eastern state such as of Nagaland etc. has many members of their family living in various regions of the world and this helps in influencing on India Foreign Policy formulation and its execution. This play as a linkage for India with other countries there by helping India promotes it national interest and thus influence it foreign policy. Also north eastern states along with the neighboring countries such as Bhutan etc shares religious benefits which helps in policy formation of both the countries. State of Tripura which is also known as mini Bengal shares boundary with Bangladesh which helps to formulate relation which focuses on trade agriculture and also river water sharing recently Bangladesh raised objection under international water discharging protocol that Agartala discharges untreated sewage through Tkathakhal and Kalipinya rivulets. The recent agreements between India and its neighboring country such as Bhutan, Myanmar, china have to pass through the approvals and permit of the states of north east region also can help to solve the border disputes with the nearby countries especially Bangladesh and china. Also if given more autonomy or say with regards to eastern countries on India's side it will strengthen the centre state relation and will enhance confidence of the people of this region toward centre and will lessen the separatist most prevalent these days in northeast region.

The volume of trade is expected to be worth $100 billion by 2015. The main items of Indian exports to China include ores, slag and ash, iron and steel, plastics, organic chemicals and cotton. China's main export product to India is electrical machinery and equipment, along with nuclear reactors, machinery, boilers, cement, silk and mineral fuels.

Table 1: Annual report trade data 2012-13

Table 1 Exports to Principal Regions and Countries (Value in US$ Million, Growth and Share in percentage)						
Region/ Countries	Apr-Mar 2011	Apr-Mar 2012(P)	Apr-Jan 2012	Apr-Jan 2013(P)	%Growth	%Share
CHINA P RP	70,413.94	86,585.59	72,085.72	60,178.49	-16.52	4.59

Data Source: DGCIS, Kolkata

The increase in bilateral trade in the early 2000s can be attributed to better diplomatic relations after Indian Prime Minister AtalBihari Vajpayee visited China in 2003, and the resumption of border trade following the reopening of the Nathu La pass in Sikkim.The traditional trade between India and China through Nathu La Pass in Sikkim commenced from 6.7.2006. Import and export of locally produced commodities by people living along both sides of Indo-China border as per prevailing customary practices are allowed.

Table 2: Items exempted from duty when imported into India from China through border trade:

1. Goat Skin	7. Raw Silk	13. Butter
2. Sheep Skin	8. Yak Tail	14. Goat Cashmere
3. Goats	9. Yak hair	15. Common Salt
4. Horses	10. China clay	
5. Sheep	11. Borax	
6. Wool	12. Szaibelyite	

Table 3: Items freely exportable to China in border trade

1. Agricultural implements	11. Flour	21. Local herbs
2. Blankets	12. Dry fruit	22. Dyes
3. Copper products	13. Dry and fresh vegetables	23. Spices
4. Clothes	14. Vegetables	24. Watches
5. Textiles	15. Gur and Misri	25. Shoes
6. Cycles	16. Tobacco	26. Kerosene Oil
7. Coffee	17. Snuff	27. Stationery
8. Tea	18. Cigarette	28. Utensils
9. Barley	19. Canned food	29. Wheat
10. Rice	20. Agro-chemical	

That bilateral trade between the two countries has increased around 25 times in a decade is definitely significant. But there are other factors that must be taken into account, and which present a more balanced view. Studying the total foreign trade data for India and China individually, it can be seen that although the two countries have gained a larger share of each other's total foreign trade over the past ten years, it still remains a small portion when compared to their trade with other regions.

Data on the foreign trade patterns for India and China show that the increase in trade between the two countries is part of the overall increase in their individual volume of foreign trade. India's overall foreign trade has increased from $95 billion in 2001 to $ 60,178.49 million in 2013. During the same period, China's total volume of foreign trade increased from $509.8 billion to $3.64 trillion. This increase can be attributed to the economic policies adopted by China in 1978, and India in 1991. Trade data from the two countries also demonstrate that although bilateral trade between India and China has increased rapidly over the past decade, the individual countries form a small portion of each other's total foreign trade.

Conclusion

Trade volumes between India and China have been rising steadily over the past decade, and have caught international attention. A significant part of this increase has taken place during a period which has seen shrinking economies, markets and trade in the developed nations. This period has also coincided with the rapidly expanding domestic economies and markets of India and China. A combination of the above factors has helped give rise to speculation—in academic literature and in the media—that improved trade relations between Asia's two largest countries (and markets) can, in turn, give rise to better political relations between them. Improved economic ties, or increased economic interdependence, are often considered to be a crucial factor in improving political relations. However, it would be flawed to consider only bilateral trade volumes between India and China as a sign of significant economic dependence. A study of the

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foreign trade data for the individual countries show that India forms a small portion of China's total foreign trade, and China forms a small portion of India's total foreign trade. The balance of trade between the two countries is heavily in favor of China. Foreign Direct Investment by each of these countries into the other is also very small, when compared to the volume of their bilateral trade. China and India are not economically significant enough to each other in order to make efforts towards resolving their bilateral political disputes. These disputes draw strong domestic political reactions in both countries and neither country will risk internal discontent and instability in an effort to resolve them. The North East still play an important role in the Centre's political agenda and can influence the nation's foreign policy if given the federal status which is it asking for. The slow string association with this region has hoped to improve the inclusion of this region. The northeast if given more federal status will help improve the trade and commerce of the nation thus giving a boost to the economy of not only the state but also the nation as a whole. The high availability of natural resources located in this region can also help in the development of nation's foreign policy. The North East being a region full of different cultures can help promote Indian culture in the international scale and make the world notice and thus it will also help in the tourism aspect as people will have knowledge of the various cultures in the north east and promote tourism and improve the economy of the country. Another aspect which can influence the foreign policy is the solving of the territorial disputes of the nation with other countries as the Arunachal Pradesh issue with China where China has stated it claim over the region. Thus the suggestions given should be implemented and autonomy or federal power should be given to the north east in order to improve the situations and trade balance between these nations.

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