

From New Delhi by Susan Maitra

India and China expand economic ties

After 30 years, a trade agreement has been signed that gives a new and important dimension to Sino-Indian relations.

On Aug. 15, the anniversary of India's independence, a groundbreaking trade agreement was signed in Peking by Asia's two major powers. For the first time in 30 years, India and China agreed to accord each other "most favored nation" status and committed themselves to a serious expansion of trade and commercial relations. The 12-article agreement was signed after three days of talks between high-level delegations led by Indian commerce secretary Mr. Abid Hussain and Chinese vice-minister of foreign economic relations and trade, Mr. Lu Xue Jian, respectively.

"It is a shining day in the relations between India and China," Commerce Secretary Hussain declared at the signing. He expressed the hope that this "historic agreement" would lead to greater cooperation between the two Asian nations. India's relations with China were shattered by the 1962 Chinese invasion, and it was not until 1977 that commerce between the two countries resumed on an ad-hoc basis.

To date, the only serious bilateral talks between the two countries were those initiated by Prime Minister Indira Gandhi in the mid-1970s to find a resolution to the longstanding border issues which have so far proved intractable. While a strong domestic lobby in India insists that solving the border dispute is the precondition to any development of renewed relations with China, the new trade accord indicates that the government has reached other conclusions.

In fact, Prime Minister Gandhi has for some time viewed expanded rela-

tions with China as important for India and Asia as a whole. But only recently has this view found a response in Peking. Mrs. Gandhi's position as head of the Non-Aligned Movement is not unimportant in this regard.

The fact is that the governments of both these Asian giants share a priority concern for the rapid development and industrialization of their countries, which between them contain 40% of the world's population. India's economy, with its strong heavy-industry base and its abundant resources of skilled scientific and technical manpower, is at a takeoff point. In China, where both the scientific and industrial bases are much narrower, the Deng leadership has begun to look outward to broaden the base for an ambitious modernization program.

On the day the trade agreement was signed, *People's Daily*, the organ of the Communist Party of China, featured a write-up on India in honor of Independence Day in which Prime Minister Gandhi was praised for the economic policy package she adopted on her return to power in 1980.

"The noticeable progress in industrial and agricultural production, better financial situations, and the growing economic stability all indicate that India's economy has embarked on a road of stable development after tiding over great difficulties," wrote Mr. Li Wensheng. He pointed out that Mrs. Gandhi's predecessor, the Janata government, had left the economy in a grave crisis. Clearly the Deng government hopes that its own national de-

velopment initiatives will be as successful.

The recent trade talks were preceded by the visit of a private Indian Chamber of Commerce business delegation to Peking. These business leaders had confirmed that there was vast scope for India to supply equipment and technology to China in support of its modernization program. Indian Commerce Secretary Hussain reported that he had been very favorably impressed with what he saw of the modernization drive.

The new agreement, which is to be automatically renewed every three years, does not specify a targeted volume of trade. But Press Trust of India reports that China took note of the Indian suggestion that the present \$60 million trade level be boosted to \$1 billion in five years.

At present the trade balance is six to one in China's favor. Official spokesmen in Delhi state that India is not particularly concerned about arithmetical balances but rather with a "dynamic equilibrium" in trade turnover. While the agreement carries two schedules listing 15 types of items the two countries would like to export to each other, trade is not confined to these.

Indian exports to China now consist of raw materials and commodities such as tobacco, cotton, iron ore, chromium ore, and sugar. The Indian side is anxious to diversify in the direction of engineering and manufactured products, and in the coming months another Indian team will visit China to negotiate deals relating to items such as building materials and machinery and equipment for the construction industry. An Indian delegation is scheduled to visit Peking in October to negotiate a deal for Chinese imports of several million tons of iron ore annually.