

changed the nature of the transactional trade relationship. The sectors involved include manufacturing, infrastructure, energy, automobiles, consumer goods, and real estate.

- Starting 2016, Chinese capital has entered the technology sector through investments and acquisitions of Indian startups. Chinese tech giants Alibaba (in Paytm, Snapdeal, BigBasket, Zomato) and Tencent (Ola, Flipkart, Byju, Swiggy) are some entrants. Mobile phone company Xiaomi is another big investor

*What about Make in India?*

- The dependence on Chinese goods is huge in India. Our Make in India revolution has not gathered critical velocity. Relocation of substantive supply chains, given the fact that these are located closer to final demand markets and China is a major such demand market, may not happen soon.
- Bringing investment into manufacturing in India will be really successful only if we upgrade our infrastructure including ports, and improve labour productivity and ease of doing business. Our exit from negotiations to conclude a Regional Comprehensive Economic Partnership, at a time when we want to be a hub and work with countries in the region to relocate supply chains, creates a new set of complexities.

**BUT** Chinese investment in critical sectors that impinge on national security deserves special scrutiny.

### The India-China border flare-up

The India-China border has been witnessed tensions during April-May 2020, with incidents reported in at least four different locations along the Line of Actual Control (LAC).

**Where have the incidents (army clashes) happened?**

- The Pangong lake in Ladakh
- Naku La in Sikkim
- Galwan valley and Demchok in Ladakh

**Why do face-offs occur?**

- Non-Demarcation of LAC: LAC that has never been demarcated. As a result, India and China have overlapping claim lines along LAC which leads to such clashes
- Non-implementation of protocols: Additionally, the Protocols agreed to in 2005 and 2013 regarding rules of engagement to prevent such incidents, have not always been adhered to.

**What is behind the latest tensions?**

- The northern bank of Pangong lake has always been a point of contention where there are differing perceptions of the LAC.
- The stand-off in Galwan valley(not many incidents in past as LAC was thought to be settled here) was triggered by China moving in troops & equipment to stop construction activity by India
- Delhi says that construction was well within India's side of the LAC, but China thinks otherwise.
- The broader context for the unexpected tensions in Sikkim appears to be a changing dynamic along the LAC, as India plays catch-up in improving infrastructure there.
- China has enjoyed an advantage in infrastructure as well as terrain that is more favourable to mobilisation in Sikkim area and likes to maintain status-quo.

**Why has not the LAC been clarified?**

- India has long proposed an exercise to clarify differing perceptions of the LAC to prevent such incidents.
- The exercise could pave the way to regulate activities in contested areas until a final settlement of the boundary dispute.
- Maps were exchanged in the Middle Sector, but the exercise fell through in the Western Sector where divergence is the greatest.