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Asia's Bilateral Relations

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India-China Relations: Giants Stir, Cooperate and Compete

M O H A N M A L I K

Executive Summary

- For the first time in more than half a millennium, both India and China are on the march upward simultaneously on their relative power trajectories.
- Their disputes are many, but both share an interest in avoiding overt rivalry and conflict. A new pragmatism shapes their view of each other. Today they are building a more substantive economic relationship and pursuing cooperation in international forums on environment, trade, human rights, and economic issues.
- This incipient Sino-Indian entente has led some to argue that it has the potential to radically restructure Asian geopolitics. This study, however, argues that their bilateral relationship will be characterized more by competition than cooperation because the issues that bind them are also the issues that divide them. Neither power is comfortable with the rise of the other. Each perceives the other as pursuing hegemony and entertaining imperial ambitions.
- The Chinese have welcomed the regime change in India and are confident that the Communist-backed Congress-led coalition government would be sufficiently deferential and pursue nonconfrontational policies.
- China's containment of India takes many forms: an unresolved territorial dispute; arms sales to and military alliances with "India-wary countries;" indirect support for separatist movements; nuclear and missile proliferation in India's neighborhood; and opposition to India's membership in global and regional organizations (such as the United Nations (UN) Security Council, Nuclear Five, and the Shanghai Cooperation Organization).
- The future of the India-China relationship will be increasingly influenced by "the U.S. factor." Key issues that will determine the nature of the U.S.-India-China triangular dynamics and America's role in Asia include: India's economic growth, Pakistan's future direction, nuclear proliferation and terrorism, and the state of Sino-U.S. ties.

India and China—the world’s two oldest civilization-states, once great powers and now the most populous countries—are back as claimants to preeminence in Asia and the world. Both are heavily engaged in the global economy and possess nuclear powers with expanding military capabilities to match their growing ambitions. They also have a long history of bitter rivalry and an unresolved border dispute that erupted in war. Only during the last three years have India and China begun to shed their wariness toward each other by initiating measures to stabilize their relationship, including regular high-level visits. The rapprochement is based on a mutual need to focus on social and political stability, and strong economic growth and a sense of security, so each can avoid the perils of stagnation or decline.

The incipient Sino-Indian entente has prompted some to argue that it has the potential to radically alter India’s and China’s security environment and restructure Asian geopolitics. Long-time observers of India-China relations, however, maintain that India-China ties remain fragile and as vulnerable as ever to sudden deterioration as a result of misperceptions, unrealistic expectations, accidents, and eruption of unresolved issues. Internal issues of stability and the external overlapping spheres of influence forestall the chances for a genuine Sino-Indian rapprochement. Indeed, the issues that bind the two countries are also the issues that divide them and fuel their rivalry. With their ever-expanding economies and widening geopolitical horizons, the bilateral relationship between the two rising Asian giants could be characterized more by competition than cooperation. As India and China proceed simultaneously on their relative power trajectories, geopolitical equations and power relations in Asia are bound to undergo significant realignment.

PERCEPTIONS, MISPERCEPTIONS, EXPECTATIONS AND ILLUSIONS

Despite growing interaction at the political, cultural, and economic levels, the gulf between the two countries—in terms of their perceptions, attitudes, and expectations of each other—has widened over the last half century. While Indians constantly benchmark themselves against China, the Chinese perceive their country as a global power solely on par with the United States and make disparaging comments about India’s “unrealistic and unachievable ‘big power dreams’ (*daguomeng*).” Most Chinese remain skeptical about India’s future believing that India’s fractious polity will limit its economic and military potential.

There exists in the Chinese mind a deep distrust of India. The Chinese do not want to see India play a role beyond South Asia or emerge as a peer competitor. They have made their displeasure known over Southeast Asian countries’ recent attempts to draw India into the region. In the power competition game, China has clearly surged far ahead of India by acquiring potent economic and military capabilities and the existing asymmetry in power and status serves Beijing’s interests very well. On balance, China seems to have limited expectations from India which can be broadly described as “five No’s:”

- don’t peddle “the China threat theory”
- don’t support Tibet or Taiwan’s independence
- don’t object to the Sino-Pakistani strategic partnership
- don’t align with the United States and/or Japan to contain China
- don’t see or project yourself as an equal of China or as a nuclear and economic counterweight to China in Asia

On the basis of these “five principles,” China is willing to develop a relationship with India as part of its friendly neighborhood strategy. The Chinese government and media had welcomed the regime change in May 2004 in India, which brought into power a Left Front-backed Congress-led coalition. China believes that the Communist-backed government would be sufficiently deferential and avoid taking actions (e.g., nuclear tests) that would

incur Beijing's wrath. In the past, successive Congress governments had soft-peddled differences with China in the interest of maintaining cordial bilateral relations. The new Foreign Minister Natwar Singh has already described Sino-Indian relations as "problem-free except for the border question," an understatement given the complexity of this relationship.

Beijing would be pleased if India's relations with the United States and Israel cool off and lose the momentum that was developed in the transfers of advanced weaponry such as the Phalcon airborne early warning system to India (denied to China). Beijing sees as positive the new government's intent to reconsider support for and the collaboration with the U.S. missile defense shield. The Indian Communists' enthusiasm for a Russia-China-India axis to counter alleged U.S. hegemony would surely get Beijing's rhetorical support. Another potential casualty of the regime change could be covert actions to upgrade India's economic and strategic ties with Taiwan. Only time will tell whether Beijing's hopes and expectations of the current Indian regime will be realized. While Foreign Minister Singh is seen as a dove, National Security Adviser J. N. Dixit has a reputation for being a hardliner on security issues and is a champion of forging closer strategic ties with Southeast and East Asian countries.

On the Indian side, emotions range from the euphoria of misperceived Sino-Indian brotherhood in the 1950s, to the bitterness of India's 1962 military defeat by China, and back again to the euphoria of imagined togetherness in the twenty-first century. A cliché in vogue once again is that "India-China partnership will produce an Asian Century" (similar to former Prime Minister Nehru's dream of joint Sino-Indian leadership of Asia), even though the Chinese have shown no enthusiasm for sharing leadership of Asia with anyone, least of all India. Second, with its current focus on economic progress, China is seen as a restrained power interested in managing, if not resolving, conflict. Guided by this perception, New Delhi hopes that intensifying trade and commerce would facilitate a resolution to their protracted boundary dispute. Another expectation is that a sound India-China relationship will help induce Islamabad into a negotiated settlement of the Kashmir dispute.

Though they are competitors for power and influence in Asia, China and India also share common goals of maintaining regional stability (e.g., combating the growing Islamic fundamentalist menace), maintaining access to capital and markets, and benefiting from globalization. Cooperation could allow them to balance U.S. influence and increase their negotiating positions with the sole superpower. In a speech on November 22, 2003, then Foreign Minister Yashwant Sinha called on China "to show greater sensitivity to [India's] security concerns," and emphasized the need for both countries to "acknowledge each other's strengths and aspirations, and try to ensure that each has sufficient strategic space in keeping with the principle of multipolarity to which both India and China subscribe." Apparently, Indian and Chinese leaders continue to talk at, rather than talk to, each other.

KEY ISSUES IN INDIA-CHINA RELATIONS

THE INDIA-CHINA TERRITORIAL DISPUTE

Forty-two years after the 1962 war that erupted over a disputed border and a quarter of a century of negotiations, the 4,056 kilometer frontier between India and China, one of the longest interstate borders in the world, still remains the only Chinese land border not defined—let alone demarcated—on maps or delineated on the ground. Recently both China and India have shown a willingness to experiment with problem-solving approaches. Evidence of this came during Prime Minister Vajpayee's China visit in June 2003 when New Delhi's readiness to address Chinese concerns on Tibet was matched by Beijing's willingness to resolve the Sikkim issue by recognizing the trade route through the Nathu La Pass on the China-Sikkim frontier with India and later dropping Sikkim from

the Chinese Foreign Ministry's Web site of independent countries and from its annual survey, *China's Foreign Affairs 2004*. For its part, New Delhi reiterated its stance on the Tibetan Autonomous Region as part of China. Nonetheless, China has to date made no formal declaration that it recognizes Sikkim as an Indian territory.

Another important decision was to elevate stalled border talks to the political level with the appointment of Indian National Security Adviser Brajesh Mishra and his Chinese Vice-Foreign Minister Dai Bingguo. The new Congress-led coalition government has lent its full support to the border negotiations and appointed National Security Adviser J. N. Dixit as India's new interlocutor with China in place of Mishra. The broad contours of settlement are widely understood in both capitals—the so-called “give and take” package deal would require China to give up its claims to Arunachal Pradesh in the Eastern Sector and for India to give up its claims to Aksai Chin in the Western Sector. Within that broad framework, both sides may want minor territorial adjustments. For example, China insists on the return of Tawang on religious grounds while India could demand the sacred Mount Kailash and Mansarovar in Tibet since it is a sacred mythological and religious place associated with Hinduism. Negotiating these issues will test the diplomatic skill and political wisdom on both sides. The previous government could have gone the extra mile because of its hardline nationalist image, but that cushion is not available to the Congress-led government propped up by pro-Beijing Communist parties.

Skeptics, however, argue that a breakthrough is unlikely. For one thing, an unsettled border with India suits Chinese interests more than a settled boundary. A resolution of the Sino-Indian border dispute would lead to the deployment of India's military to the India-Pakistan border, thereby tilting the military balance decisively in India's favour to the disadvantage of China's ally Pakistan. Second, it is noteworthy that Chinese Foreign Ministry's *2004 Yearbook* says nothing of the Chinese concession on Sikkim while portraying India's stance on Tibet as a major one-sided concession by India's Vajpayee. Such tactics, coupled with periodic reports of encroachments across the Line of Actual Control (LAC) and Chinese small arms supplies to insurgents in India's volatile northeast via Bangladesh, reinforce India's suspicion about Chinese motives. Even the burgeoning economic ties cannot alleviate India's unease stemming from an unresolved border which is anomalous given Beijing's acceptance of China's British-drawn boundaries with Afghanistan and Burma and the speedy settlement of China's land border disputes with Russia, the Central Asian states and Vietnam in the late 1990s.

THE PAKISTAN FACTOR: “DEFICIT OF TRUST”

Although China acknowledges India's dominant role in South Asia, it seeks to ensure that Pakistan remains a strong military counterweight to India. The Beijing-Islamabad “special relationship” is part of China's grand strategy that molds the Asian security environment. The Sino-Pakistan military alliance (in particular, the nuclear and missile nexus) ensures that the South Asian military balance of power is neither pro-India nor pro-Pakistan but remains pro-China. Beijing shares Islamabad's deep mistrust of India's strategic ambitions and sees India as a rising power that must be balanced. The Chinese believe that as long as Indian military is preoccupied with Pakistan on its western frontier, New Delhi cannot focus on China and East Asia. Beijing rightly calculates that if New Delhi cannot sway the subcontinent, its influence in the larger arena becomes moot.

For India, Pakistan cannot be a threat without China's military support just as Taiwan cannot constitute a threat to China without U.S. support. India's ex-Foreign Minister Sinha attributed Beijing's nuclear assistance to Pakistan as the root cause of “deficit of trust” between the two countries. However, Beijing has made it clear that it will not

improve ties with India at the cost of Pakistan. On a cost-benefit analysis, the combined strategic and political advantages that China receives from its alliance with Pakistan (and, through Pakistan, other Islamic countries) easily outweigh any advantages of a closer relationship with India. Pakistan is vitally important to China's energy security (by providing access to and naval bases in the Persian Gulf), military security (by keeping India's military engaged on its western frontiers), geopolitics (given its geostrategic location at the intersection of South Asia, Central Asia, and the Middle East), national unity and territorial integrity (maintaining control over Tibet and Xinjiang), maritime strategy in the Indian Ocean, and as a staunch diplomatic ally (in international forums, including the Islamic world), a buyer and supplier of conventional and unconventional weaponry, and above all, as a powerful bargaining chip in China's relations with India and the United States.

However, this is not to say that all is well with Sino-Pakistani ties. China has advised Pakistan since the mid-1990s against embarking on military misadventures and flirting with terrorism and religious extremism to further its geopolitical interests in Afghanistan and Kashmir. Beijing has also repeatedly voiced concerns over Uighur Muslim separatists links with Pakistan-based *jihadi* organizations. Equally discomfiting for the Chinese is the growing U.S. presence in Pakistan and Central Asia and General Musharraf's dependence on Washington for survival. Beijing is certain to go all out to prevent Pakistan from falling completely under American influence. In addition to Pakistan, the Chinese have lately tightened its embrace of India's neighbors—Burma, Bangladesh, Sri Lanka, and the Maldives—to gain access to naval bases in the Indian Ocean.

NUCLEAR PROLIFERATION AND MILITARY COMPETITION

China's nuclear and missile proliferation is another significant source of contention. It is the adversarial nature of the Sino-Indian relationship that has driven India's and Pakistan's nuclear weapons program. While major Western powers have grudgingly acknowledged India's de facto nuclear status, Beijing shows no sign of softening its demand that New Delhi initiate a complete rollback of its nuclear weapons program and unconditionally participate in the Comprehensive Test Ban Treaty (CTBT) and the Nuclear Non-Proliferation Treaty (NPT) as a Non-Nuclear Weapons State. China's nuclear diplomacy seeks to deny India entry into the exclusive Nuclear Five Club and to distance Beijing from any move that would acknowledge, legalize, or legitimize India's status as a Nuclear Weapons State. Beijing has also consistently rejected New Delhi's proposals for bilateral nuclear confidence-building measures (CBMs).

Not surprisingly, Chinese Foreign Minister Li Zhaoxing has formally ridiculed Indian Foreign Minister Natwar Singh's call for a "common nuclear doctrine for India, China, and Pakistan based on no-first-use (NFU) pledge." The idea of a common nuclear doctrine—though impractical and unrealistic given their different security imperatives—is founded on the Congress Party foreign-policy document which talks of "credible, transparent, and verifiable CBMs in treaty form to minimize the risk of nuclear and missile conflict with Pakistan or China." The call was prompted largely by China's withdrawal of its NFU pledge to India in 1995 when China amended its nuclear doctrine to make the NFU pledge applicable only to NPT member-states. Since neither China nor Pakistan follows a policy of NFU of nuclear weapons vis-à-vis India, New Delhi seeks to bind them to a NFU pledge. What irks New Delhi most is that even as China demands India's denuclearization, Beijing continues to proliferate in violation of its legal commitments under the NPT. The recent offer of a second Chinese nuclear reactor to Pakistan despite growing international concern over Islamabad's troubling nuclear proliferation record is a case in point. It will indeed be an uphill task for the new Indian government to get China to discuss nuclear security matters with India.

On the positive side, a regular security dialogue has begun, and Indian and Chinese navies conducted their first search and rescue exercise in November 2003. In March 2004, the two sides also agreed to enhance bilateral defense relations and, for the first time, granted observer status to military officers at each other's exercises. More importantly, China and India support Europe's challenge to American space supremacy by investing Euro 200 million and 300 million respectively in the Galileo global satellite navigation system. Both see the Galileo project as a real alternative to the de facto monopoly of the American Global Positioning System and the Russian GLONASS system.

Nonetheless, the fact remains that the Indian and Chinese militaries see each other as future rivals and each points to threatening trends and behavior in the other. Both keep a close watch on changes in military doctrines, defense spending, capabilities and related activities and remain committed to neutralizing perceived security gains of the other side. Both preach nuclear disarmament but continue to expand their nuclear arsenals. Possession of nukes may be vital to preserving strategic autonomy for India and China but it also raises the stakes in their competitive relationship.

ECONOMIC RELATIONS: CONVERGENCE AND DIVERGENCE

Burgeoning economic ties between the world's two fastest growing economies have become the most salient aspect of the bilateral relationship. Mutually beneficial economic ties could provide a cushion in times of crisis over future nuclear and military security issues. Bilateral trade is rising rapidly (from US\$350 million in 1993 to nearly US\$7 billion in 2003) and could exceed US\$10 billion in 2004 then double by 2010. In 1994, India displaced Pakistan as China's largest trading partner in South Asia, and in 2003 China displaced Japan as India's largest trading partner in East Asia. There is talk of India and China eventually signing a free-trade agreement to create the largest market with more than 2 billion people. Many Chinese companies are keen to form joint ventures (JVs) with India's information technology (IT) industry while Indian manufacturing companies stand to benefit from JVs with China's consumer goods industries. China's electric consumer goods companies like Hai'er and Konka and India's IT and pharmaceutical companies such as Infosys, NIIT, Satyam, Ranbaxy, and Dr. Reddy's have established some presence. Several JVs in power generation, consumer goods, steel, chemicals, minerals, mining, transport, IT, and telecommunication are in the pipeline.

However, Indian and Chinese economies are still more competitive than complementary. Both look to the West and Japan for advanced technology, machinery, capital, and investment. Many Indians see China as predatory in trade, worry about China's robust growth rates, and fear getting left behind. The Chinese economy is about 2.3 times greater than India, and China receives ten times more foreign investment than India. Even in the IT software sector, as one *Beijing Review* (March 25, 2004) commentary put it: "A fierce face-off with an old competitor—India—has [just] begun."

ENERGY SECURITY SPAWNS MARITIME RIVALRY: OIL AND WATER DON'T MIX

The traditional Sino-Indian rivalry has now acquired a maritime dimension. Both face growing demand for energy and are locked in fierce competition for stakes in overseas oil/gas fields in Russia, Burma, Iran, Iraq, Sudan, Vietnam, and Libya. A recent US\$600 million acquisition in Angola by Indian oil company was won after a fight with a Chinese bidder. Competition between India and China has also intensified in Central and Southeast Asia as both view these regions as vital sources of natural resources and markets for their goods. However, China currently has an overwhelming lead over India both economically and diplomatically. Each has put forward its own proposals for multilateral cooperation

that exclude the other. Nearly 70 percent of China's trade is through the Strait of Malacca, the Indian Ocean, and the Suez Canal. The predominance of the U.S. and Indian navies along these sea-lanes of communication (SLOCs) is viewed as a major threat to Chinese security. To protect its long-term economic security interests, China is now laying the groundwork for a naval presence along maritime chokepoints in the South China Sea, the Malacca Straits, the Indian Ocean, and the Strait of Hormuz in the Persian Gulf through acquisition of naval bases in Cambodia, Burma, Bangladesh, and Pakistan.

India has countered by promoting defense cooperation with Iran, Oman, and Israel in the west while upgrading military ties with Burma, Singapore, the Maldives, Thailand, Vietnam, Taiwan, the Philippines, Australia, Japan, and the United States in the east. India's new naval doctrine is to influence events around the Indian Ocean and beyond. As part of its "Look East" strategy, India has concluded over a dozen Defense Cooperation Agreements in the last decade and the Indian Navy has been holding joint naval exercises with Japan and Southeast Asian countries at regular intervals. Maritime competition is likely to intensify as Indian and Chinese navies show off their flag in the South China Sea and the Indian Ocean with greater frequency. Not only that, a new, potentially divisive issue appears to be the ecological impact on the Indian subcontinent of Chinese plans to divert Tibet's rivers to irrigate China.

U.S.-INDIA-CHINA TRIANGULAR DYNAMICS

India and China have long been suspicious about the other's relationship with the United States and see it in zero-sum terms. For the first time in decades, both are simultaneously working to establish a multidimensional engagement with Washington. However, Beijing is concerned about a shift in the regional balance of power in view of Indo-U.S. strategic engagement and is proactively wooing India to prevent Washington and New Delhi from coming too close for China's comfort. While championing multipolarity and opposing the growing U.S. unilateralist policies, both India and China remain suspicious of each other's long-term agenda and intentions and attempt to fill any perceived power vacuum or block the other from doing so. Interestingly, both are also courting the United States, each one seeking to move closer to Washington, albeit temporarily. How India and China resolve their differences on Pakistan, border dispute, and the UN Security Council expansion will have significant implications for Asia and America's place in it. Other issues that will determine the nature of the India-China-U.S. triangular dynamics include India's economic prospects, proliferation and terrorism, and geopolitical contest between the United States and China, and China and India.

First, economic stagnation or slower economic growth under the Left Front-backed Congress government would heighten India's anxieties about China's relative power and perhaps prompt New Delhi to either appease or bandwagon with Beijing. In contrast, slower economic growth under the nationalist BJP-led government that worsens India's insecurities vis-à-vis China would see India balancing China by tilting toward the United States and/or reaching out to other "China-wary countries" such as Russia, Japan, Taiwan, and Vietnam. On the other hand, a sustained economic growth rate of 8-10 percent would impart greater confidence to pursue an independent (nonaligned) foreign policy without any fear of China's ability to undermine India's vital interests. In short, an economically strong India is less likely to give in to Beijing's inducements and pressures to weaken its ties with Washington than a weak India.

Second, nuclear and missile proliferation by China and its proxies—Pakistan, North Korea, and Burma—in India's neighborhood might tempt New Delhi to retaliate in ways that would undermine global nonproliferation and invariably influence the U.S.-China-India relations. Third, the Global War on Terrorism impinges a great deal more on India-U.S. relations than on China-U.S. relations. Both India and China are critical of the Bush

Administration for diverting its energies and resources from the Global War on Terrorism to the War on Iraq. However, New Delhi does not want Washington to fail, for then the jihadis will assume that the rest of the world is theirs for the taking, and India would bear the full brunt of jihadi terrorism. Thus, unlike the Chinese, who might rejoice over the U.S. strategic discomfort in Iraq and Southwest Asia as it gives them greater strategic latitude and rules out new U.S. entanglements in the Taiwan Strait and the Korean Peninsula, India will have more to lose from the U.S. defeat in that region.

Fourth, in the short- to medium-term, China and Pakistan taken together will remain more valuable as strategic partners for the United States than India because of their assistance in dealing with terrorism and nuclear proliferation concerns. Over the long term, however, this perception could change if U.S.-China relations deteriorate as China's power and ambitions grow and U.S. expectations from China are not met. Strained U.S.-China relations would make India the pivotal power in the U.S.-China-India triangle. Conversely, tense India-China relations would put the United States in a pivotal position.

Last, New Delhi's efforts to establish closer ties with Southeast and East Asian countries and emerge as an independent power suggest future tension and friction between India and a China that aspires for regional and global dominance. Security concerns regarding a rising China have prompted many Southeast Asian countries to cultivate India as an alternative power to prevent the region from becoming an exclusive Chinese sphere of influence, an objective shared by the United States and Japan. In one sense, India's "Look East" policy sends a "signal to China that India can become part of an anti-Chinese coalition should China take stances that threaten the security of its neighbors."

CONCLUSION

For the foreseeable future, both India and China would avoid entangling alliances to maximize their options. India will neither join the United States to contain China nor align with Beijing (or Moscow) against Washington. Both India and China value their ties with the United States more than with each other. New Delhi also sees some degree of U.S.-China competition in its interest because it makes India the object of courtship by both the United States and China. Better Sino-Indian atmospherics can in no way challenge U.S. predominance. The future of the Asian security environment depends a great deal on how the United States manages the rise of China and how China, in turn, manages the rise of India. The five-decades-long history of China's India policy, however, does not give one much cause for optimism. Improvement in China-India relations over the long term will also depend upon Beijing's assessment of India's evolving political cohesion, economic growth, and military potential. In fact, China's behavior toward India is not much different from that of the U.S. behavior toward China for the simple reason that China is a status-quoist power with respect to India while the United States is a status-quoist power with regards to China. The existence of two economically powerful nations could create new tensions, as they both strive to stamp their authority on the same region. It is possible that economically prosperous and militarily confident China and India might come to terms with each other eventually as their mutual containment policies start yielding diminishing returns.

The views expressed in this publication are those of the author(s) and do not necessarily reflect the official policy or position of APCSS, U.S. Pacific Command, the U.S. Department of Defense, or the U.S. Government.

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