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India and China Relations Implications for New World Order



G. Jayachandra Reddy



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Dynamics of India and China Relations Implications for New World Order

Edited by
G. Jayachandra Reddy



UGC Centre for Southeast Asian and Pacific Studies
Sri Venkateswara University

Dynamics of India and China Relations Implications for New World Order

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Preface

What often gets sidelined is the fact that India and China were not each other's immediate neighbours before the 1950s with Tibet existed as a strategic buffer between the two. They were oblivious of each other, inasmuch as Himalayas, traditionally a natural barrier in the North, kept them separated. The Chinese annexation of Tibet altered the Sino-Indian relations so much as to endure an eternal source of tension. Long before the 1962 Sino-Indian war, Tibet began to plague Beijing and Delhi's relationship when China accused India of trying to undermine its rule in Tibet while India charged China with suppressing Tibetan autonomy. The 1962 war served to solidify those suspicions. This has had both strategic and tactical consequences. Not only India and China but the other world has not given much importance to the completion of 50 years (1962-2012) of India-China War. During these five decades the relations between these two countries were not stable, specifically during Cold War period. The defeat brought the Nehru era to a sad end and the years that followed saw the turbulent transition to the Indira Gandhi era. The visits of the successive Prime Ministers of India, Rajiv Gandhi in 1988 and P.V. Narasimha Rao in 1993 to China, created supportive environment for the normalization of relations between the two Asian giants. But, the Sino-Indian relations since 2007 have not been smooth-sailing. Though the efforts were sincere and serious, the talks on resolving the border issue were fruitless. What is more, there have been reports of increased Chinese incursions across the Line of Actual Control (LAC), and increased Chinese activity in the Northern Areas of Pakistan Occupied Kashmir (POK). The continuing Chinese military build-up, the growth of its infrastructure in Tibet and the nationalistic rhetoric coming out of China have raised the specter of another Sino-Indian clash.

Still India and China are continuing their normal relations which are evident from the exchange of visits at the highest political level; opening up the opportunities of commerce, economic cooperation, joint ventures and trade; as well as continuation of dialogue at academic, cultural and intellectual levels. The two-track policy, outcome of the experience of the past five years, is aimed at preventing any unnecessary flare ups along the Line of Actual Control (LAC), given the contested border between the two countries.

In the process of integration, given the size of their populations as well as their central strategic position at international and regional levels, China and India will inevitably play fundamentally important, and sometimes even dominating, roles. Spectacular growth rates of their economies have an enormous impact on the global and regional economies. Their import capacity has created the new basis for Asian regional growth, while the exports of many Asian economies to India and China have been substantially rising over the recent years. Consequently, Asian countries are becoming less dependent on the North American and European markets, and more on the Indian and Chinese markets. As a logical corollary, both the countries have their regional initiatives intensified so much as to emerge as crucial players in the regional economic integration process in Asia. About the same time, their bilateral initiatives are driven by both economic and political factors, including the so-called 'domino effect' or 'fear of exclusion'. Under these circumstances, India and China are not necessarily destined to remain rivals. But this would require accommodating each other's aspirations. Their relations can be cooperative or confrontationist, or a mixture of both. There is also an asymmetry in the balance of power between China and India, as a result of the strategic behavior of the former is unpredictable.

This book, *Dynamics of India-China Relations: Implications for New World Order*”, contains 25 articles which had been presented by eminent scholars in their respective field of specialization at an International conference organized by the UGC Centre for Southeast Asian and Pacific Studies, Sri Venkateswara University, Tirupati in October 2014.

On the capacity of being the Director of the Centre for Southeast Asian & Pacific Studies, I had the privilege of organizing the International Conference on *“India-China Relations: Implications for Peace and Prosperity of Asia”* on 11-13 October 2014. Consequently, as the editor of this volume, I am deeply indebted, among others, to Amb. C.V. Ranganathan, Former Ambassador, Ministry of External Affairs, New Delhi and Prof. S.D. Muni, Former Ambassador to Lao PDR, New Delhi for guiding and extending their scholarly support in organizing the conference. I am equally grateful to my predecessors, the former directors of our Centre -- Prof. A. Lakshamna Chetty, Prof.

Y. Yagama Reddy, Prof. K. Raja Reddy, Prof. C. Ravindranatha Reddy and Prof. P. Munirathnam Reddy -- for their scholarly guidance. I profusely thank my colleagues in the Centre -- Dr. M. Prayaga, Dr. G. Vijay Kumar Reddy, Dr. V. Ramesh Babu and Dr. M. Padmaja -- for giving me this opportunity to bring together a wide range of view points on India-China relations at this movement of rising Asia. I thank all the participants both from abroad and India who participated in the conference; without their contribution this volume could not be shaped into the present form. My thanks are due in large part to the UGC, New Delhi, for its financial support to organize the conference. Mr. K. Dayanandam and Mr. Ch. Dhamodhar, D&Dee Designing and Creative Production, Hyderabad, deserve appreciation for the taking pains in printing this volume in an elegant manner. Finally, I wish to thank my office staff who extended their support at ground level for the success of the conference.

G. Jayachandra Reddy

About the Book

Former Prime Minister, Manmohan Singh's statement that "India-China relations have transcended bilateral dimensions to acquire global strategic significance" is indicative of the possible significant gains if regional political equations improve. It is unlikely that these two nations will achieve much if the discussions revolve around bilateral economic relations. It is then logical to expect that the two countries together provide a diverse portfolio of growth drivers for the world economy corresponding to the different growth dynamics in these two countries. Interestingly, despite radically different economic models, China and India are expected to deliver very high growth for decades, as is evident from their collective contribution to the world's population (36.7 per cent), gross domestic product (10.8 per cent) and the global trade (10.4 per cent).

The current international political scenario demands China to discover the areas of political engagement with countries where there are prospects for a mutually beneficial relationship. China, as is generally perceived, would like to have closer relations with India, in view of the global stature of India today as an emerging power in terms of its recent economic growth, nuclear capability, and its greater role being sought in the international system. The high-profile meeting of the premiers of two of the world's largest nations recently during the visit of Chinese Premier Wen Jiabao to New Delhi led to the conclusion of agreements which suggests that India is willing to shed its opposition to Chinese control over Tibet. In return, China will tacitly recognize India's claim to the Himalayan state of Sikkim. This does not mean that both countries have resolved their border differences. India still claims part of Chinese-controlled northern Kashmir (which was ceded to China by Pakistan) and the remote Aksai Chin area; while China disputes India's control over its north-eastern state of Arunachal Pradesh.

This book, "Dynamics of India-China Relations: Implications for New World Order" contains 25 articles, authored by eminent scholars in their respective fields of specialization. This compendium focuses on India-China mutual strengths and weaknesses of their national interests and bilateral relations and their implications for the world in the context of geo-economics gaining ascendancy over the geopolitical nuances of Cold War period. Besides the focus on the Sino-Indian border issue, a host of papers delve into the economic

issues like Foreign Direct Investment (FDI), bilateral trade and China's economic rise as well as inquire into the interest of India and China in Southeast Asian region, China's forage into South Asia and implications for India, Pakistan factor in India-China relations. The facts and figures provided in different articles of this are a valuable source of information for the scholars who would be involve in research on India-China relations with special reference to border, economic and regional issues. In brief, this volume is useful for all those concerned with the India's Act East Policy and India's response to China economic expansion and foreign policy in pursuit of promoting Asian regionalism and global integration at large.

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Good Neighbour, Bad Neighbour: Growth Not Bickering Wanted

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Abstract

India and China need to partner to set up a new world order. As burgeoning economic and military powers in Asia, the two countries have potentials to become a super power each. For it to happen, both need to look beyond the vexing territorial conundrum.

Challenging areas are fundamentally two: (i) joint approach to South East Asian regional cooperation, (2) people to people culture to address issues of environment degradation, Quality awareness, bilateral trade and mutual trust.

Irritants are there, one can't sleep over. The Uighur Turkestan Islamic Party has risen to be the latest face of international terrorism within China. Recent knifing of innocent citizens in Changsha, and threat of more to come, have exposed China's helplessness about international terrorism. Topical issues like the vanishment of the Malaysian aircraft mid-air over the South East Asian skies have further exposed a new on-air vulnerability of peaceful societies to possible terrorist escapades.

One hopes China recognizes the importance to join India in fighting international terrorism, which has assumed to become a proxy major war. Ironically it is Pakistan, China's good old friend in its anti-India strategies, which has been found to be the choice haven for Uighur terrorists. The question is: Will China remain a rabid India-baiter over the ill-conceived issues?

The challenges are mostly Asia-centric, in which hegemony of the USA does not dig much teeth. This paper aims to identify ways for Indo-Chinese bonhomie amid healthy friendly competition avoiding hostile face-offs.

Key Words: Reforms, transformation, peasants, partnership, zhongyong dialectic, Chinese Communist Party Plenum, Chinese troops, Uighar terrorism, jihadists, foreign policy (FP), international relations (IR), worldview, fenfayouwei, taoguangyanghui

Introduction

Recent decision of the Chinese government to slowly institute a system to grant rights of ownership to its peasants of the lands

they till, is by now perhaps the latest marker of a shift of its economic thoughts towards more openness than that during Mao's times. The Plenum of the Chinese Communist Party¹ last year in November was agog with the hot issue. Chinese socio-political life continues to remain focused on reforms to attain newer international goals², ever since Reforms started in Chinese economy in 1978.

The visit on May 16, 2014, of a high-level Chinese delegation led by its vice-minister for legislative affairs of the state council to India, justified the internal changes going in the Chinese socio-economic system. The vice-minister was Mr Xia Yong,³ President Xi Jinping's special representative, who sought to understand Indian systems of ownership rights given to individual farmers, both of rural as well as urban plots which they cultivate.

Mr Yong was trying to understand the legislative structure in India⁴ which possibly could be emulated in the Chinese legislative system with a view to supporting their peasants, who live, work and function under the guidance of the state.

This is one of the latest undercurrents in India-China bilateral relations that marked this year. But a political scientist has to be cautious, because diplomatic tracks keep on changing in international relations very fast, and newspaper reports often border gossiping, even as these are created on available facts of the day. Going carefully by the ongoing developments within Chinese socio-economic areas and its forays into economic partnership with the Asian nations, albeit the vexing border issues, the future seems positive about China's intention about India and Asia.

With China, India's relations often apparently goes in "*zhongyong dialectic* style,⁵ that means adopting 'a middle course' strategy. As the Chinese pundits⁶ term it, indeed *zhongyong* is the standard Chinese socio-economic worldview, derived from the very old Chinese philosophy (Confucian philosophy) of continuity and change⁷ which needs to be understood to handle markers in

bilateral relations with China.

It may not be wrong to think that despite being a pristine concept on the background knowledge, the *zhongyong* dialectic continues to dominate Chinese international behaviours, especially with its neighbours. It also signifies that Chinese would love to take a step forward on an issue, and then would take a few steps backwards to pacify the apparent demonstration of assertiveness in relations. By doing so they pose to reject Hegelian view of realist behaviour, even as, we have seen in recent times in the border issues with India. The conflictual attitudes are quietly embedded in the Chinese moves. It is embroiled in land and sea territorial disputes with 13 neighbouring and eight other countries despite its signing various agreements with all of them.⁸ The conflicts are kept simmering within its political insight and in dealings with countries of the world. It's very much and tacitly driven by Hegelian dialectic and cannot be termed as adopting a 'middle path'. In today's world of nuclear arms and advanced weaponry, a country, howsoever mighty, it cannot fight with 21 others, if it goes to war. If China today chooses to go for war with any country like Japan or India, chances are that there would be polarisation of many others countries against it and the Third World War would be enacted in the Asian theatre.

However, by the tone and tenor of Mr Xi Jinping the realistic war would hardly take place, even as China is taking the world's centre-stage through economic pacts with almost all countries, putting some of the territorial issues with majority of them in the back-burner.

Taking a view about the modern Chinese people's lifestyles, one may notice several changes which no longer delve into the old Maoist concept, though Den Xiaoping's principles are by and large put to dustbin.⁹

As is explained in the Hobbesian dialectics of human nature, Chinese rulers today do not hesitate to pose assertive and tough and very quickly create an atmosphere of doubts and concern in

relations, as we find in the current times in its bickering with its neighbours including India. However the Chinese scholars by and large term the phenomenon as absence of background knowledge on the part of the observers.¹⁰

For India, which boasts of rich heritage and proactive roles in pristine pan-Asian histories, more than equal to China, understanding the Chinese one-step-forward-and-two-steps-backward policies is a primordial necessity.

For, even in the apparent static relationship among the countries of the West (the USA and the EU), the undercurrents of change in tracks which often come into light calling for immediate attention, bilateral relations do not get sullied as fast as it does when China is in the centre-stage in the disputes in the Asian subcontinent. Comparative to the Western hemisphere, changes in Hegelian norms in Asian and South Asian countries' multilateral and bilateral relationships tend to emerge which are rather too volatile to predict steadiness.

Comparatively, contradictory Hegelian patterns of behaviours have been seen among the countries in the Asian subcontinent.

Here I offer to mention two contradictory realist behaviours in this connection in which a strategically important island nation, Sri Lanka, has involved itself : One, Sri Lankan President Mahinda Rajapakshye government's latest decision to ban visa-on-arrival for Pakistanis¹¹ fearing that the Islamic jihadis would use the island nation as a transit point to attack India is a deterrent marker typical to China's avowed South-South Relationship in Asia.

Two, a similar poser by the Sri Lankan government to grant permission to Chinese nuclear missile carrying submarines to dock at Colombo ports,¹² gives two uneasy perspectives about its stance towards India: first, that the island nation on the Indian Ocean would not hesitate to tie up with China for using its ports and lands as Chinese military base in the Palk Strait, (just as Australia offers its backwaters to the USA to quell South East

Asian threat perception,) as a ground enough to arm-twist India as and when necessary; and the second, India, thus put under constant uncomfortable tacit encircling, would have to accede to Sri Lankan dictates on some of its internal objectives such as ethnic hegemony over its Tamil population.

Though these markers often emerge through newspaper reports - - and the newspapers' reports would always keep the interest of governance of the day when it comes to national integrity. Therefore, sometimes some reports may even be ignored as just gossips but the ground realities indeed are based on the facts gathered on the day. They determine the markers. For understanding the ground realities, empirical studies are required.

Prospects

However, taking a holistic view about the changing tracks in the bilateral relations between China and India, the bond looks warming up slowly.

Both are aware of their rich civilizations. Both draw from their civilisational strength in such diverse areas as education, agriculture, farming techniques, trading, warfare, skills development, entrepreneurial intelligence, and cultures. Both are cautious, whatever be provocation or reasons behind the 1962 war, of the danger of deception.¹³

Let us understand first the Chinese “*zhongyong*” style ('a middle course' strategy) as their cultural motif for adopting background knowledge which supposedly dominates the China's worldview vis-à-vis its actions in the recent times. It is because the background knowledge about the Chinese psyche and China's expressive moves as a state in IR with neighbours should ideally get somewhere at certain point of conviction. Preaching *taoguangyanghui* or 'keeping low profile'¹⁴ and *fenfayouwei* or 'striving for achievement',¹⁵ which the Chinese think tank often explain in support of its IR and FP, are not quite convincing when it comes to continual bickering over borders.

Secondly, the primordial issues dogging a state within its domestic cultures, which might possibly be influencing its FP with neighbours, also need to be looked at.

Third, by the word “wanted” in my headline, I would like to stress not the desirability of constructive IR between the two neighbours alone, but would also stress to note the continual erosion in trust which negates the principles of Panchsheel Act of 1954. Indeed it is the growth in healthy India-China IR which is in want today that negates the mere notional concept of what is desirable in IR.

A smog of surprise comes to mind over a reported history about China's aggression in 1962. It is recently reported¹⁶ that during the early 1960's, advised by India's First Prime Minister Pandit Nehru's “Forward Policy”, some troops allegedly positioned themselves in advanced points in the erstwhile NEFA height which was indeed to stymie the Chinese getting to the heights before Indians soldiers, was by Chinese interpretation a point of deception caused by India against the backdrop of the *Hindi-Chini Bhai Bhai* episode.¹⁷

Though even Indian generals who had been carrying out the direct action in the advanced posts by and large acknowledged that Indian soldiers were unnecessarily pushed unprepared to face the well-armoured invading Chinese troops equipped with advanced automatic weapons,¹⁸ a doubt lurks in the back of the mind as to why this disclosure comes so late, after over five decades of the War? The article *1962 War-Operations in the Walong Sector (A view from the Other Side of the Hill)* by Major General GG Dwivedi, and Major General PJS Sandhu tells about the soldiers' point of view, and the perspectives are laudably perfect. Yet, interestingly, about the same time the intelligence was said to have been in the knowledge of Australian journalist Neville Maxwell,¹⁹ and was well-flaunted by a section of influential Indian newspapers. It is widely believed that Maxwell could not disclose his report as the matter was a classified subject until recently.

Before it, India was already privy to the story through former Lt General & the then Chief of General Staff (CoGS) B.M. Kaul's 'The Untold Story', former CBI director B.N. Mullick's 'My Years with Nehru', former Brigadier J.P. Dalvi's 'Himalayan Blunder', and ex-Major General DK Palit's 'War in the High Himalayas'.

All these books gave us ample reasons to believe that India was drawn into a battle for which it was never prepared. Post-1962 anti-Nehruvian politicians in the country always debated whether or not India was drawn into the unequal battle by China or was itself pushed by the first Prime Minister and the then defence minister to take on China.

Second, the publicity through Maxwell comes at a time when China badly needs to repair its image among common Indians and build up confidence in India for its trade interests with a view to acquiring strategic one-upmanship in South-East and South Asian hemisphere. Getting positive feelers from a common friend like Australia through the Fourth Estate would definitely help it to mould public opinion in India about China and designing its relations. While enjoying the most-favourable-nation relations with Australia a bonding that has reached the level of almost partnership it aims to make the most benefit of Australian Asian Century goals, which is not possible without India.

And for China, Australia is the most valuable source for its raw material for energy production and development programmes and also for building up a strong base strategically in the Indo-Pacific geo-political regions.

Two questions crop up here : one, was Maxwell's revelation aimed to help China remove suspicion and fear from the Indian mind about the yet another Chinese military action against India over territory dispute, and, two, was it to promote the Chinese worldview *fenfayouwi* or 'striving for achievement'?²⁰

For a veteran journalist Maxwell, working, living and bred into a modern Democracy, five decades is a very long time for a revelation. There would not have been any obstacle in his

informing the democratic India's media and even the India government about what he knew at that point of time. He could even have written a few pieces in his or other newspapers anywhere to reveal Nehru's "Forward Policy" and the so-called Chinese conundrum for it. That did not happen.

However, all contentions mentioned in the two sections above delineate a number of aspects in India-China relations.

Firstly, both would like to shake hands with ifs and buts

Secondly, both should shake hands for their sheer survival, not India alone with burgeoning population and ever-increasing demands for consumer products, also the world's second largest and the most successful economy, China, suffers the problem of demographic plenty.²¹

Thirdly, if the bonding indeed is effected, sans the irritants, India and China would emerge with globally invincible power syndrome. This eventuality cannot be ruled out and if attained would effectively decimate West's hegemony over the world for the 21st century.

The surviving hegemon knows this reality very well. It cannot distance either China or India. So is the case for Australia, the country richest in the world with embedded abundant natural raw materials which both China and India would love to source for their energy production in the run up for ensuring energy security. Australia's major revenue from export comes from the export of energy raw materials. In Asia, China is their tallest client, and India is eagerly emerging to follow suit.

Fourthly, food grown in the two countries together can feed the entire world. Therefore, the bonding would eventually help both countries at WTO and Climate Change forums. At Doha meet²² two years back, China took a resistant posture about cutting down its emissions, so also did India. Both being the fast growing economies today, emission is a natural byproduct of reforms, production, and economic growth. Jointly both countries are in a

position to exchange scientific know-how for emission control mechanism.

China's 'Centrality' Today

Today's India-China relation is already on a different plain than what it was during Hu Jintao (2003-2008), when it was evolving towards betterment.

Chinese President Hu Jintao worked for peaceful development of China and by and large pursued as a soft power in world politics. Though his approach applied *zhongyong* to keep the world in its humour, Chinese worked and believed in the realist dialectic, often taking up conflictual stance.

But *Zhongyong* is defined in many traits and always bordered the psychoanalyses of different moods of human beings derived from situations. Professor Wei-ming Tu, the modern day Confucian thinker at Harvard University, feels that *Zhongyong* is an essential ingredient in the understanding of the background knowledge of human beings. It evolves centrality, that means middle course, and commonality in human relations which influence human action. Tu defines centrality as a psychic condition arousing in human mind before the feelings of pleasure arouse, because along with it arouse sorrow, anger and joy. Full-fledged arousal of these feelings create a psychic harmony. Following Tu's explication of Confucian centrality and commonality, the harmony in the world can be attained by thorough centrality.²³ Thus the middle course or centrality or *Zhongyong* has remained the fundamental Chinese principle behind its IR.

The FP of today's China stems from this Confucian concept of centrality and commonality. While following this for over twelve decades after the Sino-Japanese war of 1894-95, which China lost to Japan, the country never was sloth to overcome its shortcomings with a view to achieving (*fenfayouwi*) its national goals. It worked assiduously to grow today to be the most successful economy of the world after the USA's and a challenger of the lone hegemon.^{24 & 25}

Hu's approach was business-oriented through Track-II diplomacy, which indeed cemented China's positioning in the world politics. According to an international policy overview, (*'World Savvy Monitor : China and the World'*) it was Hu Jintao's tenure when China wielded the greatest influence over developing nations including African and Latin American countries.

Jintao's successor, Xi Jinping began with concentration on its South Asian neighbours, especially with India. Jinping's government, stewarded very well by Li Keqian, has adopted a two-pronged approach with a view to designing its bilateral relations with India : first, by accentuating the domestic reforms which Jintao had started and the second, by showcasing China as an ardent partner in the bilateral trades for development of the economies of the two countries.

China's perspectives seem to give positive signals to begin a new chapter of bilateral friendship on an even platter. Its premier Li Keqiang's assurance during his 2013 visit of India that China would not attack India, instead it wanted friendly relations supports Chinese ever-growing bilateral trade with India. Yet the verbatim does not convince India, as Xi's visit of the country later was timed with incursions in the Ladakh region and to long overstay within Indian territories of the platoons of the People's Liberation Army (PLA) mouthing border claims.

Also, the visit of China in 2013 by the Indian Commerce Minister Anand Sharma and a slew of agreements signed to stop many issues which had been dogging India to ensure positive signals is also equally noteworthy. The issues included construction of dams over Brahmaputra and water flow alerts and stemmed from Li Keqiang's assurances.

Though bilateral trade with China does not favour India at present, China in many bilateral meetings last year has often expressed desire to increase imports of Indian goods. The move of the new NDA government in the Centre augured well with a

series of meetings of China's top ministers and senior executives to examine Indian laws for land reforms and land-owning options for Chinese peasants.

Openings are being made in almost all important sectors of bilateral relationship – civil, military, commercial and cultural. Talks are rife in the corridors of external affairs that the joint military exercises of Indian and Chinese armies and navies would break the thaw.

Taking all this in view and the current softer stand of China about India's efforts to be invited in the APEC, one may surmise that India-China bilateral relations are progressing towards a happy bonding. After all, if the two powers successfully bond well in Asia, -- just as the European countries and the USA and Australia have bonded in the Pacific and Atlantic regions to forge mutual supports both at odd and pleasant weathers and continue to expand their hegemony over nations across the Indian Ocean the South Asian nations would be able to gain better prosperity.

However, all expectation cannot meet the rosy consequences. In the Western Pacific region China has developed military build-up, especially to thrust its naval assets. Apparently it aims at changing the balance of power in the Western Pacific, which the American commanders fear.²⁶

American naval officers have also on records having blamed Chinese naval positioning in the Western Pacific as “provocative and in many cases an attempt to change the status quo”.²⁷ Eventuality dogs the West; such grand strategic possibility in the Indian and Pacific oceans have indeed charmed China.

It is not clear whether India is equally charmed at the prospect too. Because the mood-dampeners in India are the 'Deception'²⁸ that effected the war of 1962 and regular incursions by Chinese troops in Indian territories. In fact Indians have not yet been able to shake off the debacle of 1962 which was based on old Chinese tool of war 'Deception', which is supported by China's constantly nagging claims on Arunachal Pradesh.

For today's China, therefore, it is of paramount importance that it builds strong confidence in Indian ethos. China has to learn the ancient Indian value system based on the Bhagavat Gita's preaching that it is always wise to avoid debts, diseases and destruction (war).

Incidentally, in the past between 1500 AD to 1800 AD, the nerve centre of global activities was Asia.²⁹ The routes for trade were from Asia to Mediterranean basin to Europe. India and China were linked through the famous silk road - Arunachal Pradesh through Tibet to Europe via Turkey - all for peaceful purposes. China today wants to build up this silk route once again and create new bonding, perhaps nostalgically hammering home its concept of knowledge of the background.

There is no harm about it, as long as the terrain is not used for high-profile intelligence, the second oldest profession in international relations. Ancestors of both China and India had been using intelligence to protect their hegemons.

When the politics in Asia leapfrogs are the older issues dynamically increasing openness in economic restructuring and reforms have catapulted China into launching free trade zones and pilot schemes to advance financial restructuring, yet there are some silent catches.³⁰

The free trade zone has a negative list of 190 regulatory measures which include a wide range of activities. China however, has lifted ban on Internet access in the free trade zone to foreign websites. No longer it considers them politically sensitive. Chinese government's official site says, "It would also welcome bids from foreign telecommunications companies for licences to provide internet services within the zone.....the goal is to test out these reforms before they can be implemented elsewhere in China".³¹

This change in the mindset, that is not considering Internet "politically sensitive", is rather a leap forward towards economic liberalization by a country which for over sixty years had

remained a vexing paranoid about every open economy, and flayed the West for following Hegelian dialectics in IR.

Another factor that has propelled Chinese thoughts towards real-politick bilateral moves with India and peace-loving Asian nations is the rise of terrorism in its soil. In the Xinjiang province the Uighur Turkestan Islamic Party has risen to be the latest face of international terrorism within China. Knifings of innocent citizens early this year in Changsha, and threat of more to come, have exposed China's helplessness about international terrorism. While the country is increasingly creating popular awareness to fight back the inland terrorism,³² the world too is coming closer to help China.

Chinese efforts to locate their fellow countrymen in the fated Malaysian Airlines flight MH 370 were sympathetically responded by the entire world communities. This stance has proved China's commitment to *fenfayouwi* or 'striving for achievement' in IR, even as keeping low profile or *taoguangyanghui* or 'keeping low profile'. Such topical issues have further exposed a new on-air vulnerability of peaceful societies to possible terrorist escapades. This seems to have alerted Chinese leadership to the fact that security is a serious issue for bonding in the IR for the country's own safety. This may have convinced today's China that it cannot live isolated in the body of comity of nations.

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In the backdrop of all this, whether India did a mistake in provoking Nehruvian "Forward Policy" in early 1960's, and also in 2012-13 at Daulat Beg Oldi sector, may better be left to the historians to romanticize and gossip.

For Indian political scientists and mass communicators today the task is to take up the challenge of handling massive Chinese trade balance and strategic military might against India in the Asian theatres. It is time that India had attained friendly relations with the world's second largest economy and addressed the bilateral

problems through positive approaches.

This is possible if India also follows the Chinese socio-economic strategy of 'Continuity and Change': Continuity of quality manufacturing, quality exports, unflinching economic growth through bilateral bonding on trade and commerce and capacity building (both economically and militarily) and changing to the world situations.

Considering China's invectives against nations bordering it over territorial disputes, growing investment for military might and research, injuring many countries' economies including India's by cheap substandard products exports, and bonding with Pakistan despite Pakistan's rabid all-out anti-India campaigns, India must keep its fingers crossed and remain fighting fit for any possible aggression, if it is drawn into.

The tension remains. Peace is the constant casualty, even in no-war stands. If war means there is no peace, no-war also means that peace is absent. India today does not want to be a cakewalk for any country for that matter.

India first needs to bolster its exports with quality products, balance its trade to a favourable status and remain diplomatically and militarily responsive to any trans-border escapades from any country of the world. That is for India's self-dependence and interest.

And here come the buzzwords, 'Quality in Production'.³³ Indian merchandise must be produced following tenets of six sigma principles. The products need to be competitive in the world market, and must earn warm acceptance everywhere, if, like Chinese products, it wants its exports to be present in all world markets.

We may cite the latest example on hand, the recent case of return of 207 consignments of exported alphonso mangoes and two other fruits from European countries and subsequent ban on India's alphonso mangoes. The reason? A few pieces of the

mangoes had traces of pesticides. These vast markets India lost to Pakistani alphonso for this season. It is a glaring case of pathetic Quality status in processing that India suffers. Looking deep into the story, there is a catch in India's processing of products. In the alphonso case, it was not the quality of growing or farming which was in question, it was the quality of processing by use of pesticides which was in question.

According to the commerce ministry sources, of the annual average 65,000 to 70,000 tonnes of exports of fruits and vegetables by India in 2013, the 207 consignments were returned because pesticide residues were found in them. This could be possible because of the way of processing of the fruits and that was the bone of contention. India produces over 15 lakh tonnes of all types of fruits annually, of which the European Union procures about 70,000 tonnes of fruits and vegetables from India.

Did we ever hear a similar case about Chinese products? Even as Indian entrepreneurs complained of the sub-standard manufactured items exported by China to Indian power sector, causing quality damages in BHEL and NTPC productions in 2012, people did not express much concern about it. In fact there exists glaring mismatch in import quality evaluation and vigilance against sub-standard imports in India.

The erstwhile Planning Commission was drawn into the imbroglio late last year, which asked for re-evaluation of Chinese exports and the matter ended there. Of course the Chinese producers were advised by the Indian commerce ministry accordingly, but their consignments were never returned. As of now, India sadly lacks in quality of production in which China has constantly improved. This tells about the difference in the concept in the two countries of the continuity of quality and processes and changing into novelty in IR.

There is a reason for all that. In processes and production, in manufacturing and growing India employs licensing regime. Licensing regime brings forth corrupt practices. India continues

to do with the licensing regime despite the Reforms put in place since 1991. Thanks to vox populi, expounded by a slew of anti-WTO and anti-World Bank geo-political ideologies, India continues to depend on assigning license to manufacturing and ignoring novelty in Quality checks of the world standard.

If today in the 21 century India has to live with the WTO regime, why should it shy away from instituting the standard practices which the world does? Remaining within the ambit of the WTO is indeed a step to stay focused and relevant among the comity of nations in so far as Quality in production is concerned. Without joining the WTO, India would go backwards to a closed economy sans fortunes. Therefore, there is no scope of return and in this case of Quality, India has almost put itself into the prisoners' dilemma.

Let us take another example here between the activities of the Chinese and Indian MNCs. In China, though under rigid state control, the manufacturing in a corporation is granted liberties to train for novelty from American Society for Quality or ASQ, which is the world's largest Quality training applicator having presence in 150 countries.

ASQ also works in India, as a 100% subsidiary of the main ASQ as a not-for-profit firm, but is contracted in islands. A general policy to institute Quality parameters through six sigma principles in manufacturing and service sectors as a pre-condition for production is still awaited in India. The corporations which are conscious about the tests in foreign countries are anxious to institute world-class Quality norms in their production and processes. Indeed, India needs its second phase of Reforms in place by now.

India and China thus need to agree to partner to set up a new world order. As burgeoning economic and military powers in Asia, the two countries have potentials to become a super power each. For it to happen, both need to look beyond the vexing territorial conundrum, and grow cooperatively.

Challenging areas are fundamentally two : (i) joint approach to South East Asian regional cooperation, and (ii) people to people culture to address issues of environment degradation, Quality awareness, bilateral trade and mutual trust. When we say people-to-people contact, we also mean company to company exchange of best practices to be in place in the relations.

It is important that China joins India in fighting international terrorism, which has assumed to become a proxy major war in the world today. Ironically it is Pakistan, China's good old friend in its anti-India strategies, which has been found to be the choice haven for Uighur terrorists. The question is: Will China remain an India-baiter over the ill-conceived issues?

The challenges are mostly Asia-centric.

- In the East, the US-Japan axis is consolidating with an alert eye on how China aims to maneuver in the East China Sea. At the same time USA is rather eager to reach out to adversaries. Is it a tacit US move on Hobbesian contract, wherein USA might be thinking to sacrifice some interests in the Asia-Pacific to earn some other advantages maybe for its partnership with Japan, India and Australia and also with China to fight terrorism like that of ISIS and Al Qaeda outfits?
- In the West, trading is fast becoming the tool for balancing relations and amassing national wealth.
- In the South, China is playing dynamic roles both for ameliorating trading interests and strategic liaison against the worried India.
- In the North, there is stoic silence, as Russia plays a new game of referendums.

The second phase of economic Reforms now is the felt-need in India on the anvil, a number of FDIs which were denied access to India during the UPA II government's tenure, has reportedly multiplied.

In both, the pertinent need that pestered Indian international politics was to attain strong trade relations with the emerging economic powers in the South East Asia and to acquire military muscle to fight back adventurous border hostilities.

The border hostilities that India suffers are mainly from the Pakistani fanatics about Indian territories, supported by strategic anti-India stand of China which also harbours identical claims against India.

What can be the explanation about the attempt to encircle India in the Indian Ocean? Is it a *zhongyong strategy* in Chinese IR? One only doubts. Economic growth being the horse, India needs to ride straight up to the altar of self-dependence in military production, thereby, capacity building to defend itself. If India attains the capacity, will that disturb China's *fenfayouwi* or strive for achievement? In coming months, the world would keenly watch these aspects of Chinese IR.

Conclusion

India and China are destined to play vital role in keeping up Asian peace and prosperity. Both have proved that economic power is unjustifiable in the absence of military might. Therefore, strategically both countries are in the similar footing, *fenfayouwi* or striving for achievement.

It is high time for China that the border claims had been given least priority. Otherwise too, the world has come close to one another with the Information technology revolution, a reality both China and India must exploit to its optimal scopes, to remove irritants.

While Chinese FP would continue to be a mix of *zhongyong* and *fenfayouwi*, India has to brave the emerging challenges with capacity building in exports and self-defence measures suiting the situations. Border issues in India should also be understood with reasons.

Both feel the need to bond well and forsake antagonism of all types. Both need to build upon their rich civilisational strength.

People to people contacts through trades, literary, cultural and spiritual pursuits in which both countries have immense capabilities must be given chance to thrive. These should emerge as the major area for building up confidence between the two nations and their peoples.

Scholars may well argue differently, the fact for China is, it cannot wage a turf-war with all its neighbours all at once. Taken separately, every war is devastating, it will push a nation back to its pristine times of economic disadvantages. It will also push nations into ganging up for deterrence and that would be the worse state in the Indo-Pacific region.

For China, therefore, peaceful approach is the only resort to remain in the thick of international strategic bonhomie, in which it must take India as its close partner.

India, on its part, must play cards well in strategic positioning, to keep China in a Prisoner's Dilemma.³⁴

One reasonable option is to convince China into believing the rationality of accepting current borders as permanent. This also applies for all other Asian neighbours which are facing Chinese claims on their territories. China has already signed several agreements with all the 21 countries over the disputes, yet it continues to complain over the border issues. This is a certain dichotomy and lack of modern background knowledge. Hence it has to be ignored.

It is interesting to note that even Pakistan and Nepal faced similar Chinese claims on turf share, which both countries refused to accept. China always keeps a friendly stance with these two countries which indeed is a guise first to stymie the Islamic terrorism and then to keep close watch over India.

It is a fact that no country would like to yield to Chinese pressures in turf-claims. Trying for that persistently would only polarise countries including Russia to put up a front against China, which even the current Chinese might is not enough to contain. China must realize this eventuality.

In a world where disarmament is a myth, strategy is a disputable content and Gandhi's concept of real peace is relegated merely to university seminars, building up the minimum deterrence in armament is the most rational way to maintain peace or lets us call it the absence of wars.

Ensuring national prosperity through bilateral trade and investment is indeed the real *fenfayouwi* or striving for achievement. In today's world, China, North Korea, Pakistan must be drawn into the board to appreciate this reality. India has to take the lead in this mission for international peace.

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Annexure-I

(PDF files of Some Reports)

1. '*The Dragon's Disputes : A summary of China's relations with its neighbours*, Dipanjan Roy Chaydhury, The Economic Times // Politics and Nation, December 5, 2013 ET Bureau.
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Annexure-II

The Economic Times // Politics and Nation

The dragon's disputes: A summary of China's relations with its neighbours

Dipanjan Roy Chaudhury, ET Bureau

Dec 5, 2013, 06.08AM IST

China has territorial dispute with all nations it shares border with and 8 other nations. A look into the phenomenon:

India

China illegally occupies 38,000 sq km (Aksai Chin) of land in Jammu & Kashmir. It also holds 5,180 km of Indian territory in Pakistan occupied Kashmir under Sino-Pak agreement of 1963. At the heart of Sino-Indian boundary dispute is the issue of Arunachal Pradesh (90,000 sq km), which China describes as "Southern Tibet". Beijing is demanding that at least the Tawang Tract of Arunachal Pradesh, if not the whole of the state, be transferred to China.

(Source : ET Google Map)



The Wall Street Journal REVIEW & OUTLOOK

China's 'Marshall Plan'

Xi Jinping bids to take leadership away from the U.S.

Nov. 11, 2014 7:07 p.m. ET

This week's Asia Pacific Economic Cooperation summit in Beijing shows that Supreme Leader Xi Jinping was serious when he promised in January to become “proactive” in international affairs. Deng Xiaoping's maxim that China should bide its time and avoid taking the lead abroad is in the dustbin of history. This is the era of Chinese assertiveness.

Mr. Xi's vision includes a Free Trade Area of the Asia-Pacific that is broader than the U.S.-backed Trans-Pacific Partnership (TPP), as well as two new regional development banks. Beijing will create a \$40 billion Silk Road Fund to build ports, roads and rail links to link up the region, a project some have dubbed China's Marshall Plan.

That moniker may not be officially sanctioned, but it is revealing: Mr. Xi's charm offensive is an attempt to out-American the Americans. China played the spoiler at the World Trade Organization to defeat the Doha trade talks in 2008, but he laments that “various types of

regional free trade arrangements mushroomed, creating puzzling choices.”

With \$4 trillion in foreign-exchange reserves mostly in low-yielding Treasuries, China has the resources to buy some good will. The idea of aid schemes that boost demand for China's products is hardly new; economist Xu Shanda proposed a Chinese Marshall Plan in 2009. Silk Road projects can also further the internationalization of the yuan by including yuan-denominated bonds.

Nevertheless, Beijing will do much good if it enables neighbors to lift themselves through trade. At first glance, this is the same win-win proposition that the U.S.-fostered system offered after World War II.

The larger question is whether Asians welcome a transfer of trade and investment leadership from the U.S. to China. Many nations will no doubt take Chinese loans, even if they come with strings attached. As they did during the Cold War, some nations will attempt to stay on the fence in order to play off the two competitors for maximum benefit.

Yet the day when Beijing asks its neighbors to choose sides may not be far off. Mr. Xi's new institutions will have greater voting shares for China and lower shares for the U.S. than existing bodies, which is one reason Washington has lobbied against them. Southeast Asians in particular are nervous about Mr. Xi's “new model of great power relations,” which they see as code for the U.S. ceding East Asia to Chinese hegemony. The model includes respect for China's “core interests,” which Beijing has interpreted expansively.

This “new model” suggests Chinese leaders want to resurrect the imperial tributary system under which Asian nations pledged fealty in return for trade. Then-Foreign Minister Yang Jiechi gave a hint of this in 2012 when he scolded his Southeast Asian counterparts as “small countries” for their resistance to Chinese claims in the South China Sea. Two years earlier, Beijing cut off shipments of rare-earth minerals to Japan to pressure Tokyo over the disputed Senkaku Islands. As Cambodia has discovered, taking Chinese aid creates an obligation to do Beijing's bidding in international forums.

Will Beijing's gambit work? Its belief that profit and development are

the keys to international relations has persuaded it that the U.S. will soon become isolated in the region. The Obama Administration's half-hearted embrace of the TPP also hasn't helped, though that may change with a Republican Congress prepared to give the President fast-track negotiating authority.

Then again, Asian nations have good reason to distrust an authoritarian government bent on recapturing past glories while ignoring international norms and the rule of law, as it does in the South China Sea. That gives Mr. Obama an opportunity to recapture the trade initiative in Asia, assuming he remains serious about a "pivot to Asia" that was once one of the central promises of his Presidency.

The Times of India

China defends docking of its submarine in Sri Lanka

Saibal Dasgupta, TNN
Nov 4, 2014, 05.09AM IST

BEIJING: China's defence ministry has defended its decision to dock submarines at the Colombo port on two recent occasions.

"There's nothing unusual for a naval vessel to dock at Colombo port despite concerns raised by India," a ministry official said. "It's an international common practice for navy submarine(s) to stop for refuelling and crew refreshment at an overseas port."

The official said the Chinese submarines had docked during their escort missions in the Gulf of Aden and waters off Somalia.

Sri Lanka allowed a Chinese submarine to dock at its Colombo harbour on Sunday (Nov 2) despite concerns raised by India about "China's warming relations with the Indian Ocean island nation", the defence ministry said. Another Chinese submarine had called at the same port ahead of Chinese President Xi Jinping's visit to South Asia seven weeks ago, it said.

China's naval relationship with Sri Lanka has been growing rapidly in recently months. An amphibious landing ship, the Changbaishan,

and a frigate, Yuncheng, of the 18th escort fleet of the Chinese Navy, sailed to the Colombo harbour in mid-August before leaving for a voyage in the Somali waters.

"This is nothing unusual," the Chinese defence ministry also quoted Sri Lankan navy spokesman Kosala Warnakulasuriya as saying. "Since 2010, 230 warships have called at Colombo port from various countries on goodwill visits and for refuelling and crew refreshment."

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Tuesday, March 18, 2014

Secret report on India-China war in 1962 made public

TNN



CHENNAI --A section of the confidential Henderson Brooks report that critically reviewed India's defence preparedness and strategies during the 1962 war with China has been released online by Australian journalist Neville Maxwell.

While the report may not contain significantly new revelations about the poor state of India's forces during the war, it discusses "how the Army was ordered to challenge the Chinese military to a conflict it could only lose," according to Maxwell, a retired foreign correspondent who was based in Delhi at the time of the war.

The report was authored by Lieutenant General Henderson Brooks and Brigadier P S Bhagat ,then commandant of the Indian Military Academy, soon after the war.

It was commissioned by Lt General J N Chaudhuri who had just taken over as chief of Army staff in 1962.

It continues to be considered classified by the Indian government.

As late as April 2010,defence minister AK Antony told Parliament that the contents of the report are "not only extremely sensitive but are of current operational value."

Maxwell, who wrote a controversial account of the reasons that led to India's defeat in his work, *India's China War* ,says on his website that he has always had access to the report and had waited for it to be declassified.

He says he has now decided to put a large part of the report in the public domain because of India's unwillingness to release it.

While the Nehru government's forward policy has been widely analyzed and criticized as being a contributor, Maxwell says on his website that the report holds India's first prime minister personally responsible for the war.

"The reasons for the long-term withholding of the report must be political, indeed probably partisan, perhaps even familial,"says Maxwell.

The report may provide cannon fodder for the BJP to attack Congress and beef up its campaign for a strong India under the leadership of Narendra Modi .

Congress analysts are likely to dismiss the contents since it may not be revelatory, harp on the progress India has made since then.

An Uneasy Friendship: A Comparative Study of Military-News Media Relationship in India and China

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Abstract

The news media of a nation plays a key role in defining the perception and opinion of the populace on any issue. This has been proven to be even more so in the matters related to threat perception and national security. The news media in India and the People's Republic of China (PRC) have played vigorous roles in driving the national perceptions of each other. Since the 1962 war, India and China have been viewed as natural adversaries in Asia and beyond in domains ranging from trade and commerce to natural resources and image projection. This perception has been promoted predominantly by the respective media.

The relationship between the news media and the military of India and China play a vital role in the showcasing of the respective country's military prowess and the ethical stand of the activities conducted by their armed forces. While the news media in China is highly centralised often acting as willing/unwilling propaganda tools of the government; however, it is now opening up. The growing commercialisation of the news media is driving greater professionalism across the industry. The regional news media organizations are beginning to enjoy greater autonomy in covering the regional issues and issues concerning the corruption in the Communist Party. The independent Chinese news media can be now seen covering major international issues.

On the other hand, the news media in India is relatively decentralised and free. While the Indian news media has by large supported the Indian armed forces, they have also vociferously brought corruption related incidents out into the fore. Indian news media are known to fiercely independent.

This article studies the relationship between the military and the news media in both the countries offering a comparative study.

Key Words: India, People's Republic of China, news media, military independence, propaganda, armed forces, government, Chinese Communist Party

An Introduction to Military-Media Relations

Since the mid-nineteenth century, wars and the news media have become inseparable entities. The first most-popular-in-human-memory effort of 'express communication' of the outcome of a war to citizens of a state is probably seen at the end of the Battle of Marathon in 490BC when Pheidippides, a Greek soldier, ran all the way from the scene of the battle to Athens (a distance of 26 miles in three hours) to communicate the Greek victory. His iconic, but fatal, effort is today celebrated as the world's famous Marathon race. (Anil Kumar Singh 2006:11) The use of a professional 'War Correspondent' by newspapers was first seen in the coverage of the Mexican War (1846-48) by George Kendall for the *New Orleans Picayune*. He utilized the multiple modes of communication prevalent then-horseback messengers, steamboats, telegraph lines - and was successful in being ahead to print reports of the war ahead of any official military broadcast. (Potter, W. James 2008: 32)

Over the centuries, the news media's capabilities have changed. It has become ubiquitous. Today the news media, be it television, newspaper, radio or the Internet, bombards us with news and analyses of conflicts half the world across on a minute-to-minute basis. Traditionally, governments need the news media for propaganda purposes, while the news media feeds on 'exclusiveness' of coverage to achieve higher ratings. Can there be a win-win relationship between the Press and the Armed Forces of a country? If yes, what drives the symbiotic relationship between these two very dissimilar institutions?

There have been 'sparkling' instances of news media coverage of military engagements earning support of citizens, thus winning wars at home for the government. On the other hand, the world is familiar with the ongoing at empty pharmaceutical sheds at Iraq, Guantanamo Bay and on the beaches of north-eastern Sri Lanka. The military too seemingly finds it difficult to share 'operational space' with the news media. Why does such dichotomy exist? This is because the nature and culture of both these institutions are

divergent.

The news media's reason d'être lies in its philosophy to bring before the public actions of governments, including its various departments and organs such as the armed forces. The military's existence is for a very different purpose, which is reflected in its structure and hierarchy. "It is non-democratic, action oriented, audacious, intolerant and impatient to outside interference-all these are tendentious, and must be so if it is to be effective in exercising its constitutional responsibilities!" (Lt. Col Sagir Musa 2013) Shekar Gupta, Editor-in-Chief - The Indian Express Group, states that the news media prides itself for its independence. "Please do not treat the news media as a force multiplier. The news media is not a part of the armed forces. Never use the term news media management. It is self-defeating as culturally and genetically, the news media is unmanageable." (ARTRAC 2000)

The Armed Forces and Warfare

Wikipedia defines the 'Armed Forces' of a country as "its government-sponsored defence, fighting forces and organizations. They exist to further the foreign and domestic policies of their governing body and to defend that body and the nation it represents from external and internal aggressors." (Armed Forces, Wikipedia 2014) Due to the offensive and secretive nature of its operations, more often than not, it is not construed by the public. Thus, military practices and activities are incomprehensible to civilians who may have minimal knowledge of military issues. Military operations are usually planned and executed in secret. Every action is performed only on a need-to-know basis at every level. With this mindset, any attempt by the news media to reveal its activities is frowned upon. Due to this, there is often heightened friction between the two institutions.

Warfare

War is defined as an organized and often, but not necessarily, prolonged conflict that is carried out by states and/or non-state actors. It is characterised by extreme violence, social disruption,

human suffering, and economic destruction. (The American Heritage Dictionary 2000) The phenomenon of warfare, as we know it, is a consistent and implacable reality in the world today. Evolving ever since humankind divided itself for various needs, such as natural resources, livestock, food and territories and on consequential categorization, such as caste, creed and religion, wars, often violent and apocalyptic in proportions, will continue to be fought for ages to come. Over the past five millenniums, the method of warfare and its effect on belligerent and non-belligerent communities have undergone vast change - and so has its impact on the involved and the uninvolved territories. This is primarily due to the innovations in technology driven by the wants of an ever growing global economy. No nation is in partial or total isolation. Pearl Harbour and the events of 9/11 have been the biggest examples to prove this point. While the Hyksos invasion of Egypt in circa 1730 BC. (Richard A. Gabriel and Karen S. Metz) would have had little or no effect on the neighbouring kingdoms of the Mediterranean or the Crusades of the medieval period would have had some effect on the Grand Silk route and the states of Central Asia, warfare today has ripple effects across the globe irrespective of where it is fought on the mountains of Afghanistan, on the sands of Iraq, in the desert wastes of Somalia or the among the scenic beauty of the Balkans.

Major scientific and doctrinal developments have constituted significant changes in the way wars have been fought. These developments have created 'Generations' in warfare. The concept of 'Generations' was initially propounded in an article titled *The Changing Face of War: Into the Fourth Generation* authored William S. Lind and co-authored by Colonel Keith Nightengale (US Army), Captain John F. Schmitt (USMC), Colonel Joseph W. Sutton (US Army) and Lieutenant Colonel Gary I. Wilson (USMCR). (William S. Lind, et.al 1989)

The News Media

The news media has two very defining and powerful drivers. One is its role as the 'Fourth Estate'. "The public has a right to know

what the military does,” states Anil Kumar Singh in his book 'Military and Media'. (Anil Kumar Singh 2006) “Citizens pay taxes, and an informed public is the key to a democracy, and it allows the military to exist. The coupling of the military and news media can be likened to an 'arranged marriage' where the facilitator is the Constitution... Under the Parliamentary form, as prevalent in India, the military is supposed to be accountable to the people, as it is a partner within the executive branch of the central government. Hence the military makes use of public funds and utilises the nation's most precious commodity, human resource to defend the nation's security interests. The media, frequently referred to as the fourth estate, makes available vital information to the people to enable them to make decisions through their elected representatives.”

The other driver is the news media organization's business imperative - the increasing corporatization of the news media industry and its need to survive in a competitive world flooded with multiple news media organizations of all sizes, hues and orientation.

The silent force that propels these two drivers, which, by itself, is dynamic and impactful as warfare itself and just as natural is the communication. The need to communicate for various reasons has spawned innumerable mediums, such as television and the Internet to name a few. The news media leverages diversified technologies that are intended to reach a large audience by mass communication and the organizations that control these technologies such as television stations or publishing companies are also known as the mass media. (Anil Kumar Singh 2006) In fact this phenomenon has led to the creation of an entire industry and a dedicated profession the news media industry and Journalism.

The history of mass communication can be traced back to the ancient days of dramas that were performed in various cultures, such as the ancient Indian, Greek and Roman civilizations. Back home, street and village plays known as 'Chakiyar Koothu',

'Yakshagana' and 'Koodiyattam', to name a few, spread myths and legends to the common man. However, the term 'Mass Media' originated with the print media. The first newspaper was printed in China in 868 A.D, but due to the high cost of paper and high illiteracy amongst people it did not prosper. Europe can boast to be the place of birth of mass media. Johannes Gutenberg is credited to have invented the printing types in 1453.

The radio and television grew in popularity across the globe after World War II. Today audio-visual facilities have become very popular as they provide 'infotainment' (information and entertainment). Since the late 1990s the Internet has gradually become the most popular platform for sharing news and information across the world through websites and search engines. Apart from entertainment, such as online games, chatting, movies, music and a host of other activities, the Internet also helps share information on various topics such as literature, politics, science, sports, fashion, movies, education, career, jobs, etc., similar to other types of mass media.

Past the tightly regime-controlled propaganda mechanism of the World War II period, the coverage of the Korean War and more globally, the Vietnam War saw news media not only as a medium for global dispensation of news but also as a potent tool for effective propaganda and global movements. However, can the same be held true today?

Military-Media Relations in India and China

Justification for the Study: India and China are two ancient nations, their civilizations stretching back to over thousands of years. Merchantmen and travellers have visited each other over the centuries. While Chinese travellers have left behind them glowing accounts of the rule of kings such as Harshavardhana of Kanauj, Indian princes too have made deep cultural inroads into the Chinese ethos - one of the most shining examples being the ancient Pallava prince Bodhidharman whose impact still remains in the famed Shaolin Temple.

India and China, over the years, have established unique political and governmental systems. While one is strongly rooted in the values of Democracy and is currently the largest Democracy in the world, the other is the largest bastion of Communism, though with significant deviation. The allure of Capitalism is making slow, but steady inroads into the politico-economic system of China. It is this phenomenon that makes this article significant. This political and economic reality strongly impacts the news media in both these countries. While the news media in India enjoys freedom and is driven by commercial imperatives, the Chinese media, which till recently was strongly controlled and funded by the Communist Party, is today enjoying greater autonomy, both in operations and finance. Recently it has even started covering international news from perspectives that do not tag the official Chinese government's point of view. The growing freedom of the Chinese news media can be also seen in the growing coverage of corruption issues in the higher echelons of the Chinese Communist Party and societal policies. While popular opinion is suppressed through the ban of popular 'Capitalist' social news media sites, China promotes its version of the same through popular platforms such as Weibo.

The setup and robustness of the news media in both these countries reflect the strength of the political system and the establishment of values that drive them. Before we delve into the relationship between the military and the news media of India and China, let us take a brief look at the news media establishment in these two countries.

News Media Industry in India and China

The News Media in India

A Brief Historical Overview: The news media in India encompasses several different types of communications platforms, such as television, radio, cinema, newspapers, magazines, and Internet-based portals and websites. Most of the Indian news media publications are controlled by large the 'for-profit' corporations that generate huge volumes of revenue from

various allied activities such as advertisements, copy subscriptions and the sale of copyrighted news material. India has over 70,000 newspapers and over 690 satellite channels, which include over 75 channels dedicated to regional and global news. The country is currently the world's largest newspaper market - over 100 million copies sold every single day! (Media of India, Wikipedia) (Soutik Biswas 2012)

The history of newspapers, as we know it today, started in Bengal as 'The Bengal Gazette' in 1780 by James Augustus Hickey. (Burra, Rani Day & Rao, Maithili 2006) This was soon followed by the other publications such as The India Gazette, The Calcutta Gazette, The Madras Courier (1785), The Bombay Herald (1789) and so on. Being run by the British, those newspapers carried news of British rule and promoted the same. The Bombay Samachar, founded in 1822 and printed in Gujarati is the oldest newspaper in Asia still in print. (Jared Ferrie 2011) The Times of India was founded originally as The Bombay Times and Journal of Commerce by Bennett, Coleman and Company, a colonial enterprise in 1838. This publication group is now owned by an Indian conglomerate. During the 1950s, India had around 214 daily newspapers of which, 44 were in English and the rest were published in various regional and national languages. By 2007-2008 India became the second largest market in the world for newspapers.

Radio made its presence early in the country - twenty years before independence - in 1927. In 1937 it was christened All India Radio, a name that is still popular among the Indian households even today. In 1957 it was called Akashvani. In 1997, Prasar Bharti, an autonomous body was established to administrate public service broadcasting under the Prasar Bharti Act. All India Radio and Doordarshan, which earlier were working as news media units under the Ministry of I&B became the constituents of the Prasar Bharathi. (Media of India, Wikipedia)

Television, which has now become a 'necessity of life' across almost all Indian households, first began limited duration

programming in 1959. Complete broadcasting followed in 1965. Before the 1991 economic reforms, the Ministry of Information and Broadcasting owned all audio-visual equipment and systems, including the national television channel Doordarshan.

Privatisation in the Indian news media environment began after the 1991 economic reforms. Following this, global satellite television channels, including BBC, CNN, CNBC, and other foreign television channels entered the Indian television scene. As of 2009 India had 1400 television stations, making the country the fourth largest television networked country in terms of television broadcast stations. In 2011, over 141 million households across India had television, of which 116 million subscribed to cable and 26 million to direct-to-home television service. (TAM2011)

Over the years the private news media has been largely free and independent - driven by ethics and influenced by business requirements. The only period when the news media was curtailed was during the 'Period of Emergency' (1975-1977) during the Prime Ministership of Indira Gandhi. The political scenario was against news media freedom and publications had to face severe government retribution.

Characteristics of the Indian News Media Industry Today

The Indian news media environment is largely that of a free, unpressurised and largely ethical industry worthy of the epithet of being called the 'Fourth Estate'. From covering rural and societal development issues to regional, national and international economic and political issues, the Indian news media is known for its freedom and 'relative' impartiality. The free press in India has passed the acid test of the Emergency Period during the mid 70s. Bridled and often punished for speaking against draconian government initiatives, many an Indian journalist have slept on the hard cold cement beds of central jails and tasted police brutality. While the candle flame

¹ For more information please Indian Readership Survey - http://www.mruc.net/irs2012q4_topline_findings.pdf

might have shimmered in the wind, it did not blow off.

The past couple of years have witnessed increased merging of news media organisations globally. This trend is purely driven by reasons of profit as there is a marked absence of non-profit news media organisations. Neither subscription-based nor advertising revenue-based models have been able to restrict this trend to align with the elite interest groups. It must be noted that around the world, the news media is viewed as an 'active collaborator' with the political entities. This relationship restrains fair sharing of views that enable and drive democratic decision-making processes. (Paranjy Guha Thakurta 2012)

However, strangely, the Indian news media market differs starkly from those of developed countries despite its large market base and economic enablement for foreign news media groups within the country. All segments of the industry are still in the growing phase and the market as such remains fragmented due to the large number of languages and the sheer size of the country. (Paranjy Guha Thakurta 2012)

Another trend is the concealment of the number of news media organizations and outlets over specific regional and language markets by a few players. The Indian news media market is oligopolistic. There is a marked absence of restrictions on cross-media ownership in India. This allows some companies or conglomerates to dominate the different Indian market segments and even the market as a whole both vertically (print, radio, television and others) and horizontally (in particular geographical regions). (Paranjy Guha Thakurta 2012) In fact, just as the international scenario, political parties across affiliations and regions increasingly control or own sections of the media.

Also, just as its counterparts across the globe, news media publication/broadcast promoters and controllers maintain interests in many other business ventures non-aligned to media. They leverage their news media assets to promote those other business interests. There are examples of groups moving profits

from their news media ventures to diversify in other unrelated businesses. (Paranjy Guha Thakurta 2012) The vice versa is also witnessed in an increasing manner in the country. This can be seen by the growing corporatization of the media. Large industrial conglomerates show and have invested in news media groups. Likewise, there is a growing convergence between creators of news media content and distributors (for example news houses and television channels). These characteristics reveal the growing instances of consolidation (concentration of ownership) especially in an oligopolistic scenario that could, over a period of time, lead to a loss of the heterogeneity and plurality. Thus, despite the massive numbers of publications, radio and television channels across the Indian news media market, what is read, heard or watched is influenced, rather dominated, by a few groups with strong commercial bias.

In India the news media conglomerates have staunchly declined accepting ownership and control regulations on the pretext that such acts would promote dubious forms of censorship. It is somewhat gratifying to note that the central government has accepted this stance and has complied with. But on the flip side, this reinstates the fact that political parties that form the government need news media groups as much as the news media groups need them a winwin relationship.

The News Media in China

A Brief Historical Overview: The news media landscape in the People's Republic of China, just as in India, encompasses multiple platforms such as electronic media (television and radio), print media (newspapers and magazines), and since the turn of the millennium, the Internet. Since the establishment of the People's Republic of China in 1949, as with all businesses in the country, the news media industry has been run by the state. During the 1980s, under Deng Xiaoping, the Chinese news media saw some freedom till the Tiananmen Square protests when it was curbed again. During the leadership of Hu Jintao, the Internet was curbed due to its being a powerful enabler to spread dissident voices

across the country and beyond.

Since the change in the country's socio-economic scenario, private news media entities slowly started to crop up. However, the Communist Party still continues to hold control over state-run agencies such as CCTV and Xinhua.

The state exerts its influence on and controls the news media through its media regulatory agencies such as the General Administration of Press and Publication (GAPP) and the State Administration of Radio, Film, and Television (SARFT). The news media's coverage of certain sensitive (read 'anti-national') subjects such as the Dalai Lama and policies on Tibet and Xinjiang provinces are monitored and restricted by these agencies. (Andrew Jacobs 2012) However, these agencies exclude the autonomous regions of Hong Kong and Macao. These regions have their own separate news media regulatory departments.

Over the recent past, the Chinese government has withdrawn its financial support to many news media organizations, including the state news media organizations. This has given regional media more freedom as they are not bound by the government support. On the flip side, these organizations have to enhance their professionalism, choice of coverage and scope to increase their readership - and thus their capability to draw more advertisements has also to be enhanced. (Yuezhi Zhao, 1998) This translates into the fact that to consistently remain commercially successful amidst competition, they would have to scour for diversified content and truthful reporting - not just tow the official line of the government. But this does not mean that the government has lost control - as it leverages the 'financial' carrot to manipulate influential journalists and organizations.

Today, many newspapers, including ones run by the official party, provide editorial pieces that take a blatant stand against non-friendly government actions.

Despite these developments over the past 10 years, the media watchdog 'Reporters Without Borders' ranks the country lowly

on the freedom of the press - primarily for its repression of the Internet. China ranks 168 out of 178 nations. (Reporters Sans Frontieres)

Characteristics of the Chinese News Media Industry Today

The characteristics of the news media in China are often defined by our perception of larger things that define the country as a whole. Hugo de Burgh (Professor of Journalism and Director of The China news media Centre at University of Westminster) states that our perceptions are defined at two levels. First is the national brand that is based on our views of all the facets of life in the country - food, films, culture, sport, fine arts and literature amongst others. The second parameter is the reputation of the nation based on "how a country promotes, explains and justifies its political and economic actions". The second aspect is more rational while the former is emotion based. (Hugo de Burgh, 2008) This is to a large extent, promoted by the journalists of the country and foreign scribes who build the world's perception of the country.

Gunjan Singh, a Research Assistant at the IDSA, states that the news media in China can be categorized distinctively into three categories. (Gunjan Singh, 2012)

- a. The Party news media - where news media performs as a willing propaganda tool of the Communist Party
- b. The Military news media - which is controlled by the People's Liberation Army
- c. The Business news media - Also known as the commercial news media covers typical day-to-day subjects for the people, such as business, sports, entertainment, and other regular news media subjects

Perhaps, the first characteristic of the news media in China is that it is controlled by the state apparatus which is definably more than in India. While the Indian government also exerts its influence on the news media to curb unsavoury news, it does so less prominently unlike China.

One feature that is not often acknowledged by the Western news media is the variety it covers - from TV entertainment to political debates and from investigative journalism to propaganda material. This is driven by the growing commercialization of the news media business and the need to stay ahead of the competition. Covering a huge landmass and catering to the world's largest population, it perhaps is the most wide-spread news media system in the world. With regards to 'new age media' - the Internet - China has more users connected to the virtual world than even the United States of America. (Hugo de Burgh, 2008)

Relationship between the Military and the News Media

"There can be few professions more ready to misunderstand each other than journalists and soldiers" - SF Crozier (Alan Hooper 1993)

The military and the news media are two essential pillars that ensure not only the survival and values of a nation, but also promote it. However, the relationship between the armed forces of any nation and its mass news media has always been an uneasy one due to the dichotomy in requirements and philosophies of the two institutions. Though we see a general cordiality in relations- especially during war or aggression- due to a natural wave of patriotic emotions, the overall relationship is something that could be definitely smoothened. While the armed forces have always believed in secrecy and isolation from public scrutiny especially at the tactical level, the news media has always believed in revealing facts and exposing falsity of government actions and policies.

However, since the days of the First World War, both these institutions have felt the need to peacefully co-exist and if necessary to complement each other. In fact, General Eisenhower wrote in his work '*Crusade in Europe*', "The commander in the field must never forget that it is his duty to cooperate with the heads of his government in the task of maintaining civilian morale that will be equal to every purpose. The main agency to accomplish this

task is the press." (LN Subramanian 2000)

However, such a relationship in India has been pretty dismal over the years as it is still in its teething years. The relationship has stemmed from the Colonial mindset of keeping the army away from the prying eyes of the news media and resultant public glare. Today, the same mindset continues.

In China, the picture is markedly different. Its news media, till over a decade ago, was under the scrutiny and absolute control of the Communist Party. Today the free elements of the Chinese news media industry are influenced by multiple forces-the government and its various enforcement agencies and the military establishment. In India, the news media is relatively free-controlled by media groups and driven by commerce. Except during the Emergency period, the news media in India has by and large seen freedom. However, certain pockets in the country during certain periods of history have curtailed this much valued freedom - Punjab during the 80s, Kashmir, and the Northeast even today.

Military - News Media Relations in India

India, till recently, has had a poor history of military-news media relations. The Indian armed forces seclude themselves from news media glare, being content with an occasional brief appearance. This has hurt the projection of the Indian military. One of the most glaring examples of this dismal relationship can be seen in the aftermath of the 1965 India-Pakistan war. Despite a severe beating at the hands of the Indian military, Pakistan won the international media battle - and even won accolades - by hosting the Western news media the wining and dining journalists and lobbyists, thus successfully drafting the story to their advantage.

The reason for such a poor level of relationship stems from the country's colonial history. Before independence, the Indian armed forces were controlled by the British - essentially the British occupation force. As policy, a distance was maintained between the 'rulers and the ruled'. This distance was far more

pronounced in military affairs than in civilian affairs. This is manifested in Cantonment towns across the country.

Post independence, the Indian armed forces have inherited this culture. Information on defence matters have come to be treated as too sacrosanct to be divulged. For example, after the 1962 debacle the Indian bureaucracy was averse to publish the Henderson Brooks Report. The news media was denied access to these documents because they 'betray national security interests'. There was a feeling that questioning defence related issues and policies would mean questioning one's patriotism. The consequence was that till recently there was hardly any public knowledge of defence-related topics such as budget, production, technology or any other important subjects. Even though the Indian news media is relatively free and unfettered by governmental draconian news media laws, very little discussions take place and that too only after the government has made its decision.

The Indian military has been hidden from public scrutiny by a 'security syndrome' anything about defence is under wraps. Operational security is often misinterpreted as national security due to the narrow understanding of concepts and perceptions of the government. Military commanders use orders such as the Special Army Order 15/S/81 and the Army Rule 21 to prohibit any contacts with the media. (Brig AJS Sandhu 1995) In reality, these orders are not rigid laws, but guiding principles laying down guidelines for the basis of interaction. However, over and above such orders, lies the government diktat that armed forces personnel should not communicate with the news media on any matter military or otherwise without the explicit authorisation of the government.

Nowadays, the relationship is feeling some warmth more due to the need than any other emotion. Today the Indian armed forces are talking about 'media management'. However, the news media does not take this term in kind light for it believes that it cannot be

managed. The media, at best, can be understood, trusted, befriended and possibly co-opted. Thus, without 'managing the media' the military must identify itself for it must find out new ways to garner public support/opinion. This makes it necessary to befriend and open up to the media. The news media too should understand its role and responsibilities when covering military issues. Quoting the Western media, Woodward states, "The media potentially becomes a free and independent player with the capacity to influence both the conduct of hostilities and particularly through its impact on popular sentiment, the direction of government policy... It has the capacity and the media would say, the responsibility to analyse critically not only the government's objectives but also the military strategy being pursued." (B. Woodward 1991)

The Indian news media enjoys independence and freedom from oppression by politicians, criminals, terrorists, and any other source. Yet it has been relatively slow to rise to the challenge of covering military issues, limited as it is by the need to compete, the cost of coverage, lack of specialist expertise and audience expectations. On the other end of the spectrum, some members of the Indian news media are only too willing to be carried away by popular sentiments and rather act as cheer leaders for the armed forces. This is driven by multiple factors, the main one being in cashing on the public band wagon. The only saving grace for the news media is its role in enabling the public's right to know.

India presents a unique picture as there is apprehension on both sides the news media and the military about each other's role and their impact on public opinion. Earlier, military authorities did not trust the press to the extent they should have, while, on the other hand, the news media was not adequately informed and knowledgeable in the affairs of the military. The result was that the projection of the armed forces was lacking in quality of perception and coverage. The picture is changing today.

A few salient features of the relationship today:

- Journalists respect sensitivity attached to matters of national security and hence the atmosphere is of common concern and mutual understanding.
- The Indian news media's perception on coverage related to defence hardware procurement issues usually facilitate modernization demands by the forces and are hence seen as positive, rather than negative, stories.
- The constant tiff between the armed forces and Ministry of Defence helps the news media identify and expose the gaps. Unfortunately, it ends up being a tool in the bureaucratic blame game. On the flip side such gaps present more opportunities for stories.
- The bureaucracy in the North Block is extremely opaque a characteristic that hasn't changed much since the British days. This is confounded by the lack of knowledge of in-depth defence and strategic issues making their interaction only procedural. With corruption-related procurement issues on the rise, there is much to be desired in terms of access to confidential replies to Request for Proposals (RFPs) and other documents.
- The armed forces-media relationship is paradoxical and based on requirements often dictated by the government and the military. As a rule, officers are bound to secrecy and to non-disclosure of agreements and are bound to oath. Thus, authenticity of reports is difficult to verify except on the ground. However, the news media is a necessary element in many military events, such as launches, exercises, chief visits to functions, and so on, but it is discouraged when operational verification or reactions are required.
- The government and the military, till recently, have not used the news media as a strategic weapon. It is largely after the Kargil War that the Defence establishment has begun to understand the use of the Press as a very potent ally to

counter or propagate against adversaries. It remains a fact that the international news media seems to know and pick up more Indian strategic issues than the Indian news media.

- Amongst the various platforms of the news media the print form continues to be in a relatively advantageous position as the officers are comfortable talking off record or behind the camera. Television faces challenges in broadcasting military-related issues as visuals are often difficult to come by due to the access restrictions.

Military-News Media Relations in China

As stated in the preceding section 'The news media in China - Characteristics of the Chinese News Media Industry Today', the news media in China can be segmented into three types. (Gunjan Singh, 2012). Just as the Party news media is the Communist Party's (and government's) official news media segment, the Military news media is the PLA's propaganda tool. Since 2008, the Chinese government has a dedicated organ to liaise with the news media and project policies - the Ministry of National Defense Information Office (MNDIO). This organization acts as an enabler for the PLA to effectively interface with the citizens and the Western world. Thus, it promotes the PLA's efforts to create a positive public opinion on issues that the PLA considers strategic. (Matthew Boswell 2009)

The Military news media plays an important role as it is perceived as the official channel for the dissemination of authentic information from the PLA for both the domestic and the foreign readers. The PLA Daily is considered the most authoritative platform for any news related to the military. Obviously the Military news media lacks autonomy and monitoring capabilities that the free press would have as it is financially dependent for its survival and day-to-day functioning. However, it is known to have a strategic role in the PLA's scheme of things. In fact, it is an important link between the Communist Party and the PLA. (Cheung, Tai Ming, 2010) The Military media, just as any

governmental propaganda agency, promotes patriotism among the citizenry and displays the loyalty and allegiance that the PLA has towards the Communist Party leadership. It also plays the typical role of rallying and aiding people during natural disasters and national emergencies.

The Business news media has enjoyed relative periods of greater autonomy and periods of curtailment, but has, directly or indirectly, been under the intimidation and control of the state. This segment of the media, for obvious reasons, does not enjoy the clout the Military news media enjoys. While this does not make it a partner of choice for the Communist party or the PLA, it enjoys greater reception by the people and the foreign media.

Conclusion

For most, the relationship between the military and the news media in India and China could be likened to comparing apples with oranges. While the news media in India is relatively free and is based on values of transparency, freedom, collaboration and responsibility, the relationship between both the organizations in China has been based on control, censorship, dependency and propaganda. However, decreasing governmental financial support to news media organizations resulting in increasing autonomy is a good sign. This makes both the news media and the military equal entities.

Global experience proves that a good and healthy relationship based on the values mentioned above help in enabling a win-win relationship. For the news media, this gets reflected in greater acceptance by the national and internal readership, which in turn drives better business outcomes. For the military, it garners support from the populace, building overall troop morale and clear directions and strong bulwark for its activities.

While the Military news media in China might make it the official channel for disbursement of information, it heavily loses out when it comes to portraying neutrality - a definitive edge that the free press enjoys.

While India is in the right direction overall, certain tactical fine tuning needs to be made to take the relationship to the next level. China has to ensure that its press enjoy unbridled freedom to broadcast the truth. It has to be given freedom in reporting about the Dalai Lama and the Falun Gang. While its news media is mature, it is pressurised in every direction. This suppresses freedom of speech - the oxygen that just not supports but also promotes truth, justice, and the values on which both the nations have been built.

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China: India's Cause for Trepidation?

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China's 'rise' and spectacular progress on the global promenade in the recent past has emerged to be a for consternation, concern and trepidation for countries all over the globe and India is no exception to this axiom. Walking down the saga of the United Progressive Alliance's (UPA) administration in India [First Phase: May 2004 - April 2009 and Second Phase: May 2009 - May 2014], it is indubitable that New Delhi's policy obsession with Beijing has assumed heightened proportions, gaining even a greater momentum during the UPA's second phase. While the first phase of the UPA tenure was dominated by Washington-related preoccupations, pertaining to the Civil-Nuclear Deal, the subsequent phase concentrated more on the regional issues, including Southeast Asia and China. Given this backdrop, this paper is an endeavour to analyse the dynamics behind the threat perception perceived by India with respect to China during the UPA-II tenure, with some reflections on the same during the UPA-I phase. This will be studied at two different levels bilateral (India-China border imbroglio); and extra-regional levels (India's spat with China pertaining to the South China Sea).

Taken in a holistic perspective, the UPA Government's China policy was scripted on the precepts of the Panchsheel, pragmatism and pursuit of national interest. Forward-looking and optimally responsive to the various challenges and opportunities vis-à-vis China under the given global circumstances, the policy has harped on the expansion of trade and investment relations with China, notwithstanding the simmering political tensions at the bilateral level. In addition to sustaining the positive spirit of mutual ties, the UPA Government has been resolute in maintaining its pledge to the process of

dialogue for resolving the outstanding differences and building a long-term, constructive and cooperative relation with China, on the whole. This has been amply borne out by the signing of the Border Defence Cooperation Agreement (BDCA) in 2013 – a significant milestone on the trajectory of means for resolving the protracted border dispute.

The Bilateral Dimension in India-China Dispute: Border as the Issue

The India-China border has been the sharpest prickly thorn in the flesh of bilateral relations and even after more than fifty years of the Border War of 1962, the ultimate solution to the problem has been elusive. The significant initiatives on this issue undertaken during the UPA-I tenure include: first, the *Agreement on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question* with India, signed in 2005, aimed at fostering a long-term, constructive and cooperative partnership, based on the Panchsheel principles.¹ This Agreement, which marked the successful conclusion of the first phase of the agenda of the Special Representatives (SRs) also formally initiated its second phase (in which the SRs would work out the specifics of adjustment on the basis of the “Agreement”). It was indeed a major milestone in attempting to settle the boundary question through a 'political settlement' of the issue in the context of the 'overall and long term interests' of India and China.² Secondly, bilateral convergence on enhancing trans-border connectivity through the intensification of border trade by strengthening the existing routes and exploring additional ones was another welcome initiative. This was especially cognizable in the

¹ Text of the Agreement between the Government of the Republic of India and the Government of the People's Republic of China on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question, New Delhi, 11 April 2005, Official Website of the Ministry of External Affairs, Government of India, <http://www.meaindia.nic.in>, (accessed on 1 June 2014)

² Statement by Prime Minister, Manmohan Singh in the Lok Sabha on the Visit of Chinese Premier, Wen Jiabao, New Delhi, 20 April 2005, <http://www.meaindia.nic.in/speechesandstatements> (accessed on 1 June 2014)

backdrop of the resumption of border trade through Nathu La on 6 July 2006 (in accordance with the Memorandum on Expanding Border Trade signed between India and China in June 2003).³ Such endeavours constructed an edifice on which the second tenure of the UPA could take forward some strides in further resolution of the border issue. The principal highlights of the UPA-II's attempts pertaining to the resolution of the border issue have been enumerated below:

First, in 2009, border trade across Nathu La, Lipulekh Pass and Shipki La was resumed after the temporary restrictions imposed by Chinese authorities in connection with the Beijing Olympics and Paralympics in 2008.⁴ Secondly, a landmark event which brightened the avenues of Sino-India cooperation was the official visit of the President of India, Pratibha Patil to China in May 2010, coinciding with the Sixtieth anniversary of the establishment of bilateral diplomatic relations.⁵ Within the course of this Presidential visit, the leaders of both the countries harped on the "shared vision for the Twenty-first century", based on the tenets of peace, prosperity and cooperation, that were reiterated in President Patil's historic assertion that there was "enough space in the world for both the countries to fulfill their individual aspirations and prosper."⁶ Therefore, Pratibha Patil's diplomatic exercise was "extremely positive, fruitful, productive and meaningful, acting as a starting point to further build on the existing relationship"⁷; thirdly, in a sincere gesture of

³ *Annual Report: 2006-2007*, Ministry of External Affairs, Government of India, New Delhi, 2007, p. 10

⁴ *Annual Report: 2009-2010*, Ministry of External Affairs, Government of India, New Delhi, 2010, p. 8

⁵ India and China established diplomatic ties on 1 April 1950 and India was the first non-Socialist country to establish relations with the People's Republic of China

⁶ Speech by the President of India, Pratibha Devsingh Patil at the Reception of Chinese People's Association for Friendship with Foreign Countries, Beijing, 28 May 2010, <http://www.presidentofindia.nic.in/china.htm>, (accessed on 1 June 2014)

reciprocating the Indian President's visit to India, the Chinese Premier, Wen Jiabao paid a counter-visit to India in December 2010. This visit demonstrated the following welcome in the mutual ties, auguring well for a strong partnership contributing "to long-term peace, stability, prosperity and development in Asia and the world."⁸ Wen Jiabao, in course of the meeting with his Indian counterpart, Manmohan Singh appreciated the opening of a telephone hotline between the two Prime Ministers, in addition to reiterating his commitment to continue making full use of all meeting mechanisms, including those between SRs on the border issue;⁹ Fourthly, in course of the 15th Round of the Special Representative Talks on the Border Question, held in New Delhi in January 2012, an Agreement was signed between the two countries for the establishment of a Working Mechanism for Consultation and Coordination on India-China Border Affairs.¹⁰ The above-mentioned Agreement was operationalized with the Inaugural meeting of the Working Mechanism in Beijing in March 2012 and was followed up with the Second meeting held in November 2012 in the Indian capital. Within the purview, the two delegations exchanged ideas on the additional measures for maintaining peace and tranquility as well as initiating further steps to build greater trust and confidence between the two sides;¹¹ Fifthly, taking cue from the ongoing understanding between India and China under the UPA-II regime, it may be contended that, bilateral ties marked a remarkable shift in focus

⁷ Foreign Secretary of India, Nirupama Rao's Interview to *The Hindu*, 27 May 2010

⁸ Prime Minister of India, Manmohan Singh's Opening Remarks at the Delegation-Level Talks with the Chinese Premier, Wen Jiabao, New Delhi, 16 December 2010, <http://www.indianembassy.org.cn>, (accessed on 1 June 2014)

⁹ The Chinese Premier, Wen Jiabao's Address at the Banquet Hosted by Manmohan Singh, New Delhi, 15 December 2010, *News from China*, Vol. 22, No. 12, December 2010, p. 6

¹⁰ Annual Report: 2011-2012; Ministry of External Affairs, Government of India, New Delhi, 2012, pp. 7-8

¹¹ Annual Report: 2012-2013; Ministry of External Affairs, Government of India, New Delhi, 2013, pp. 4-6

from the boundary question to trade. In this context, the transition of leadership of the Communist Party of China (CPC) in November 2012, with the ascendance of Xi Jinping as its General Secretary and his succession of Hu Jintao as the Chinese President in March 2013 augured well for the future of bilateral ties, as the new leadership believed that, "Some new features of the relationship are now emerging. The border issue has been controlled effectively. Technical frictions and some worries about the trade imbalance are emerging ... while both countries' international influences are growing. But the problems in trade cooperation are fundamentally different from the border dispute. The former one shows that the relationship is deepening and developing, and becoming more normal The smooth development of trade relations will increase mutual trust and is conducive to the successful negotiation of the border issue";¹² Sixthly, a hostile incident which momentarily jolted the optimistic visage of bilateral ties was the reported intrusion of Chinese troops into Depsang Valley on the Ladakh border on 15 April 2013. On its part, New Delhi called for return of the 'status quo' before 15 April 2013 when troops from neither side occupied the Valley and sent patrols that would avoid confronting each other. Although the withdrawal of the Chinese troops who had set up tented positions around Daulat Beg Oldi inside Indian territory and the Indian troops who pitched their tents in response to this provocation prevented any further escalation of tensions, the incident had introduced a sense of 'dèjà vu' in a part of the unsettled portion of the LAC, calling for an urgent push for an expeditious resolution of the boundary question. Fortunately, this "adverse incident" in Ladakh could not derail the scheduled visit of the Indian Minister of External Affairs, Salman Khurshid to Beijing on 9-10 May 2013. The visit laid the groundwork for the official sojourn of the Chinese Premier, Li Keqiang to New Delhi

¹² *The People's Daily* (Unsigned Editorial), 15 January 2013 cited in Ananth Krishnan, "New Chapter' in China's Ties with India, Says CPC", *The Hindu*, 18 January 2013

on 20 May 2013 his first visit after taking over as Premier in March 2013. In course of this momentous visit, the host Prime Minister, Manmohan Singh candidly expressed concerns on the alleged violation of a critical understanding lasting many years between leaders of both the countries to maintain peace and tranquility on the border at all costs. On his part, while asserting that the larger corpus of bilateral relations hinged on a peaceful border, Premier Li felt it was important to further build trust and understanding in order to maintain border peace. The visit was “a meaningful step forward”, because both countries agreed to improve the various border-related mechanisms and make them more efficient in the wake of the three-week-long stand-off in Ladakh.¹³ Furthermore, the two leaders decided to entrust the task of ensuring the incidents like Depsang did not reoccur to the two Special Representatives (SRs), in addition to arming them with the responsibility of expediting work on demarcating and delineating the border. As a follow up of this decision, the SRs held the Sixteenth round of negotiations on the Boundary Question in June 2013 in keeping with the mandate of injecting greater momentum into the negotiations process. It deserves mention at this juncture that the talks between the two SRs during the last eight years have achieved a lot, especially in terms of reaching an Agreement on Guiding Principles (in 2005), and in setting up a new working mechanism on consultation on boundary issues (in 2012). Finally, perhaps the most significant achievement of the UPA-II government was the inking of the Border Defence Cooperation Agreement (BDCA) with China in October 2013, during the official visit of Manmohan Singh to Beijing. The BDCA was first suggested by the Chinese side in 2012, for which negotiations were initiated in March 2013. It comprised a new set of confidence-building measures for border

¹³ Joint Statement: A Vision for Future Development of India-China Strategic and Cooperative Partnership, Beijing, 23 October 2013, <http://mea.gov.in/bilateral-documents.htm?dtl/22379/Joint+Statement+A+vision+for+future+development+of+IndiaChina+strategic+and+cooperative+partnership> (accessed on 1 June 2014)

management, thereby providing an additional mechanism, premised on the Agreement on the Maintenance of Peace and Tranquility along the LAC in the India-China Border (1993).¹⁴ The most significant component of this Agreement was the willingness of the two countries to “exercise maximum self-restraint, refrain from any provocative actions, not to use force or threaten to use force against the other side, treat each other with courtesy and prevent exchange of armed conflict”. Besides, the other provisions of the Agreement envisage: a graded mechanism, starting with meetings between border personnel in all sectors; periodic meetings between officers of the regional military headquarters specifically between the Chengdu military region and India's Eastern Command, and Lanzhou military region and the Northern Command; higher-level meetings between the two Ministries of Defence, apart from the working mechanism for consultation and co-ordination on the India-China Border Affairs and the India-China Annual Defence Dialogue; and preventing the trailing of each other's patrols in the border areas where there is no common understanding of the LAC, and ensuring the right to seek a clarification; and establish meeting sites for border personnel, as well as telephone and telecommunication links on the LAC.¹⁵ The visiting Prime Minister hailed the BDCA as an addition “to the existing instruments to ensure peace, stability and predictability on the borders” and added, “We agreed that peace and tranquility on our borders must be the foundation for growth in the India-China relationship, even as we move forward the negotiations towards a fair, reasonable and mutually acceptable settlement to the India-China boundary question.”¹⁶ Summarily then, the UPA-II administration can take heart from the successful conclusion of

¹⁴ Text of the Border Defence Cooperation Agreement between India and China, Beijing, 23 October 2013, <http://pmindia.gov.in/press-details.php?nodeid=1726> (accessed on 2 June 2014)

¹⁵ *Ibid.*

¹⁶ Joint Statement: A Vision for Future Development of India-China Strategic and Cooperative Partnership, Beijing, 23 October 2013, n. 13

the BDCA, which underscored greater sensitivity to the boundary question as a prerequisite for taking the relationship forward in other areas. However, though the ultimate objective of finalizing a boundary acceptable to both countries is still some distance away, the mutual acknowledgement of the fact that bilateral ties cannot be held hostage to the boundary dispute is an imperative.

South China Sea Imbroglio: The Extra-regional Promenade of Sino-India Spat

The South China Sea issue has, of late, emerged as a major source of pugnacity between India and China. Strategically speaking, the Indian Ocean-South China Sea interface has gained currency in the context of Sino-Indian rivalry, primarily over the energy resources, strategic port facilities and the competitive degree of naval deployment, as both the countries have embarked on their “blue water” naval status. As an important junction for navigation between the Pacific and the Indian Oceans, the South China Sea connects with the Indian Ocean through the Malacca Straits to the southwest, and commands access to the East China Sea to the northeast. It is common knowledge that the strategic location of the South China Sea and its rich reservoir of natural resources (both organic and inorganic, including minerals, marine livestock/flora and fauna, energy reserves etc.) make it a vital naval lifeline for neighbouring littorals, including India, particularly as it is a major Sea Lane of Communication (SLOC), facilitating the passage of commercial and passenger vessels through its waterways.¹⁷ Given this essence, the safety of the sea-lanes, the coastal offshore areas, ports and harbours, through which over 70% of India's oil is imported and 95% of its overseas trade passes, remains vital for India's national interests.¹⁸

¹⁷ Tridib Chakraborti and Mohor Chakraborty, “South China Sea: The Refashioned Conflict and the Road Ahead”, *World Focus*, Vol. 32, No. 4, April 2011, p. 222

¹⁸ P.S. Das, “A Navy for 2020”, Gen. V.P. Malik and Brig. Vinod Anand (eds.), *Defence Planning: Problems and Prospects*, Manas Publications, New Delhi, 2006, p. 123

The competitive visage of this regional passageway, however, received a tremendous impetus when a monograph, titled, "String of Pearls: Meeting the Challenge of China's Rising Power Across the Asian Littoral", by Lt. Col. Christopher J. Pehrson of the US Air Force, highlighted China's initiatives of strengthening its diplomatic ties and building naval bases along the sea-lanes from the Middle East, through a 'String of Pearls'.¹⁹ This concept of China's knitting of a "string of pearls" along nautical choke points in the South China Sea, the Malacca Straits, the Indian Ocean and the Strait of Hormuz, corresponded to its insatiable stalk for energy security, exacerbated by its search for and access to naval bases in Bangladesh, Cambodia, Myanmar and Sri Lanka - in India's vicinity. In the face of this potential threat from China, India has been working hard to evolve from "brown water" to a "blue water" naval power. Such a vision of India's emergence as "a core state" whose role would be crucial for long-term peace, stable balance of power, economic growth and security in Asia, was envisaged in the *Indian Naval Doctrine* (2004 and 2009 editions). The Doctrine officially declared "the arc from the Persian Gulf to the Straits of Malacca as a legitimate area of interest", which could be viewed in the light of Beijing's enhanced naval and strategic maneuvers in this stretch. Through this Doctrine, the Indian Navy tried to establish its naval power and multiply it through sustainability across "its legitimate areas of interest". Therefore, the official initiation of Beijing's sensitivity towards New Delhi's enhanced assertion in the South China Sea can be traced to the period of the UPA-I administration, when, the Government of India enunciated the Maritime Doctrine for the first time in 2004, stressing the need for a submarine-based credible Minimum Nuclear Deterrence (MND) capability, that was "inexorably linked" to India pursuing an independent foreign policy posture "if India is to exude the quiet confidence of

¹⁹ Tridib Chakraborti, "India's Indochina Policy in the 21st Century: 'Look East' as an Epithet", T. Nirmala Devi and A. S. Raju (eds.), *India and Southeast Asia-Strategic Convergence in the Twenty-first Century*, Manohar Publishers, New Delhi, 2012, pp. 340-341

a nation that seeks to be neither deferential nor belligerent.”²⁰ Although not mentioned explicitly, the Doctrine aimed at challenging China's monopolistic role in the South China Sea littorals. Furthermore, the revised version of the above Doctrine (of 2009) clearly spelt out that the “Indian Navy has a key role to play in meeting the maritime components of these challenges, which have been increasing in both scale and scope in the recent years.”²¹ However, this ambitious maritime overture of New Delhi was not received well in Beijing and it was perceived as a diplomatic retort to the “Chinese encirclement strategy” or “string of pearls” strategy.

An important edifice of India's Naval Doctrine is the 'Look East' policy, highlighting the imperative of building cooperative maritime security linkages with the littoral countries of Southeast Asia, with regard to common aspirations and challenges, including the safeguard of trade and energy flows and countering the threats emanating from terrorism, piracy, and transnational crimes, manifested through expanding bilateral and multilateral interactions through joint exercises, patrolling and anti-terror operations.²² Given this backdrop, the regional presence of the Indian Navy has been felt as it has increasingly engaged itself in joint exercises (bilateral and multilateral) in the South China Sea with prominent littoral Southeast Asian countries, particularly Vietnam, Singapore, Indonesia, Malaysia, Thailand, the Philippines and Myanmar. Indian Navy ships have also embarked on regular traversing of the South China Sea to underline its commitment to freedom of navigation. Therefore, by extending its area of operation firmly into the South China Sea, India has presented a direct challenge to China and promised a

²⁰ Indian Naval Doctrine: 2004, Ministry of Defence (Navy), Government of India, Compiled by the Maritime Doctrine and Concept Centre (MDCC), Mumbai, 2004

²¹ Indian Naval Doctrine: 2009, Ministry of Defence (Navy), Government of India, Compiled by the Maritime Doctrine and Concept Centre (MDCC), Mumbai, 2009

²² Sudhir Devare, *India and Southeast Asia: Towards Security Convergence*, Institute of Southeast Asian Studies, Singapore, 2006, pp. 117-118

redefinition of the naval balance of power in the region.²³ Furthermore, it was during the UPA-I tenure itself that India's relations with Vietnam - a major offshore oil producer in the South China Sea - received a major impetus, when in July 2007, the Vietnamese Prime Minister, Nguyen Tan Dung paid a State visit to India and endorsed it as the beginning of treading the new road through a New Strategic Partnership, which would anchor and help diversify bilateral relations in a rapidly changing international environment. Within the scaffold of this visit, the two countries "stressed the importance of existing institutional frameworks for defence and security cooperation and pledged themselves to strengthen cooperation in defence supplies, joint projects, training cooperation and intelligence exchanges."²⁴

This new-fangled engagement was consolidated under the UPA-II tenure with India's participation in the First ASEAN Plus Eight Defence Ministers' Meeting (ADMM+8) held in Hanoi in October 2010. The ADMM+8 forum - a gathering of ASEAN Defence Ministers and their counterparts from Australia, China, India, Japan, New Zealand, South Korea, Russia and the US - provided an inclusive and focused role to New Delhi within the strategic calculus of the Asia-Pacific region. Subsequently, the contours of Indo-Vietnamese strategic partnership were boosted, when in June 2011, in course of a meeting between Vietnamese and Indian Naval senior officers, Vietnam offered India permanent berthing facilities at the port of Nha Trang.²⁵ While it would not be an exaggeration to highlight that Beijing had been supervising these developments quite stoically, the singular event which perturbed

²³ Tridib Chakraborti, "Strategic Convergence between India and Vietnam in the Twenty-first Century: 'Look East' as a Parameter", *Indian Foreign Affairs Journal*, New Delhi, Vol. 3, No. 4, October-December 2008, p. 4

²⁴ Joint Declaration on Strategic Partnership between India and Vietnam, New Delhi, 6 July 2007, <http://www.vietnamembassy.org/en/vnemb.vn>, (accessed on 3 June 2014)

²⁵ Aditi Malhotra, "Indo-Vietnam Relations: An Answer to Sino-Pak Partnership?", *Maritime Affairs: Journal of the National Maritime Foundation of India*, Vol. 8, No. 1, Summer 2012, p. 84

China enough to take qualms and assert its trepidation was the signing of an Agreement between the State-owned Indian and Vietnamese oil companies-ONGC Videsh Ltd./OVL and Vietnam Oil and Gas Group (Petro Vietnam/PV) respectively - in October 2011, for conducting joint oil drilling exercises in two blocks in the Phu Kanh Basin of the South China Sea, which Vietnam claimed to be its sovereign territory, in keeping with the United Nations Convention on the Law of the Sea (UNCLOS) provisions. The Agreement of Cooperation between OVL and PV signed during the official visit of the President of Vietnam, Truong Tan Sang and the Prime Minister of India, Manmohan Singh in New Delhi on 12 October 2011 aimed at "developing long term cooperation in oil and gas industry". Some of the key areas in which both the companies were desirous to cooperate "related to the exchange of information on the petroleum industry, exchange of working visits of authorities and specialists in various domains of the petroleum industry, new investments, expansion and operations of oil and gas exploration and production including refining, transportation and supply in Vietnam, India, and third countries according to the laws and regulations of their countries."²⁶ It deserves a mention in this context that since the South China Sea is chequered by disputing sovereignty claims among China and a majority of the ASEAN countries, of which Vietnam and the Philippines are the most vociferous, the signing of the Indo-Vietnam Agreement plunged Vietnam directly within the matrix of Sino-India tensions. In this backdrop, Beijing voiced its vehement opposition to India's engaging in oil and gas exploration projects in the disputed South China Sea and warned Indian companies against entering into any agreements with Vietnam. Voicing serious concern, the Chinese Foreign Ministry spokesperson, Jiang Yu while asserting that China enjoyed "indisputable sovereignty" over the South China Sea and its

²⁶ Text of the Agreement of Cooperation between ONGC Videsh Limited and Vietnam Oil and Gas Group (PetroVietnam), New Delhi, 12 October 2011, *Official Website of ONGC Videsh Ltd.*, <http://www.ongcvidesh.com/NewsContent.aspx?ID=893>, (accessed on 3 June 2014)

islands, further added: "Our consistent position is that we are opposed to any country engaging in oil and gas exploration and development activities in waters under China's jurisdiction."²⁷ In response to China's aggressive posture, the spokesman of the Ministry of External Affairs, Vishnu Prakash, while highlighting that its engagement with Vietnam for oil and gas exploration activities in the South China Sea served commercial purposes, expressed in no uncertain terms that, "Our cooperation with Vietnam or any other country is always as per international laws, norms and conventions. Trade is an important aspect of India's relations with Vietnam and the field of energy, hydrocarbons and renewable energy is one such important area. We want to see this relationship grow and expand, and China's objection to OVL's explorations in South China Sea has no legal basis as the blocks belonged to Vietnam."²⁸ He also categorically pointed out India's financial stakes in the blocks, citing an investment of US\$ 400 million in Vietnamese hydrocarbons sectors, with OVL having invested US\$ 225 million in oil exploration projects. (US\$ 500 million presently) Besides harping on the imperative of securing energy resources for the country, Vishnu Prakash asserted: "I have emphasized that cooperation in the field of energy - after all for us energy security is very important - hydrocarbons, renewable energy is an important facet of our cooperation. We are looking at further enhancing cooperation in the years ahead."²⁹ Thus, such an essentially pragmatic stance exhibited a new dynamics in UPA's China policy and manifested New Delhi's greater assertiveness in its neighbouring maritime domain, signaling that energy politics could no longer be left to the monopoly of any single power.

²⁷ Ananth Krishnan, "China Warns India on South China Sea Exploration Projects", *The Hindu*, 16 October 2011

²⁸ Media Briefing by the Official Spokesperson, Vishnu Prakash, Ministry of External Affairs, Government of India, New Delhi, 15 September 2011, <http://mea.gov.in/in-focus-article.htm?2951>, (accessed on 4 June 2014); See also "India Rebuffs China's Objections to Oil Explorations in Vietnam", *The Economic Times*, 15 September 2011

²⁹ *Ibid.*

Amid tensions emanating from China's state-owned oil firm, China National Offshore Oil Corporation's (CNOOC) call for bids from foreign companies offering exploration of oil in nine blocks in the South China Sea in June 2012, which sparked off protests in Hanoi, Vietnam decided to extend the contract for exploration of hydrocarbons in a crucial oil block in the region to OVL in July 2012. This came in the context of OVL's indication to the Vietnamese authorities of its plans to terminate operations in Block 128, citing its inability to begin oil exploration due to hard sea bed and other "techno commercial" reasons. From the Vietnamese standpoint, this gesture followed its desire to hold on to Indian presence in the resource-rich South China Sea, defying increasing Chinese assertiveness. On its part, OVL agreed to re-examine withdrawing from block 128 if PV renewed the contract.³⁰ Further ballast was added to Hanoi's welcome move, when in course of a meeting between the Vietnamese Foreign Minister, Pham Binh Minh and his Indian counterpart, Salman Khurshid in New Delhi in July 2013, Minh urged him to continue with "exploration and exploitation work" in the South China Sea, declaring that New Delhi was within its rights to do so because the area came under its "exclusive economic zone." On his part, Khurshid remarked: "We have expressed our commitment to continue our collaboration with Vietnam in exploration. We have reiterated that these are commercial ventures by Indian companies. We have reiterated India's commitment to free passage in the international waters, and if there is an issue, it should be settled bilaterally through dialogue in a peaceful manner."³¹

³⁰ "Vietnam Extends Contract: Wants India's Presence in 128 Block", *Business Standard*, 15 July 2012

³¹ Text of the Statement of the Indian Minister of External Affairs, Salman Khurshid, 15th Indo-Vietnam Joint Committee Meeting, New Delhi, 12 July 2013, <http://en.vietnamplus.vn/Home/Indian-External-Affairs-Ministers-statement-on-Joint-Committees-15th-meeting/20137/36622.vnplus>, (accessed on 4 June 2014)

The Indo-Vietnamese collaborative endeavour scaled yet another height following the official visit of the General Secretary of the Vietnamese Communist Party, Nguyen Phu Trong to India in November 2013, in course of which, Vietnam offered seven oil blocks in the South China Sea - including three on an exclusive basis and joint prospecting in some Central Asian countries on a nomination basis to OVL. Towards this end, the Joint Statement issued at the conclusion of this official sojourn highlighted "the collective commitment of the concerned parties to abide by and implement the 2002 Declaration on the Conduct of Parties in the South China Sea and to work towards the adoption of a Code of Conduct in the South China Sea on the basis of consensus."³² Finally, in furtherance to the 2011 Agreement, OVL and PV signed an MoU to promote joint cooperation in the hydrocarbon sector in Vietnam, India and other countries, in course of this visit. Under the MoU, PV offered five blocks to OVL, which it would assess and subsequently present a proposal to PV.³³ In a more recent development, in April 2014, Vietnam offered two more exploration blocks to OVL without competitive bidding, which is being reviewed by OVL.³⁴

Summarily then, India-China relations pertaining to the South China Sea conundrum under the tutelage of the UPA-II administration has definitely embittered bilateral ties. In particular, the introduction of the sensitive Vietnam angle in the otherwise volatile Sino-India binary calculus has exacerbated the situation. Under the present circumstances, since the UPA-II's

³² Joint Statement on the Occasion of the State Visit of the General Secretary of the Communist Party of Vietnam to India, New Delhi, 20 November 2013, <http://www.mea.gov.in/bilateral-documents.htm?dtl/22510>, (accessed on 4 June 2014)

³³ "ONGC Videsh Signs MoU with PetroVietnam", 21 November 2013, http://www.ongcindia.com/wps/wcm/connect/ongcindia/home/press_release/ongc-videsh-signs-memorandum?ONGC%20Videsh%20signs%20Memorandum%20of%20Understanding%20with%20Petrovietnam, (accessed on 4 June 2014)

³⁴ "Vietnam Offers Two More Exploration Blocks to ONGC Videsh", *The Economic Times*, 30 April 2014

political obituary has been scripted in New Delhi and the baton has been passed on to the Modi-led BJP (Bharatiya Janata Party) Government following the 16th Lok Sabha Elections of May 2014, it would be expedient for the present administration to follow the assertive footsteps of its predecessor. The UPA-II government's assertive policy vis-à-vis the South China Sea issue was not only in tandem with the burgeoning demands for energy resources in the country and India's laser-focus on its quest for newer avenues for energy resources worldwide but also a demonstration to Beijing that its monopolistic stance in the resource-rich archipelago would not go uncontested. Towards this end, New Delhi's endeavour has been duly facilitated at two levels: at the regional podium, by its sustained graduation within the ASEAN family from a Summit-level partner and East Asia Summit (EAS) member to its inclusion in the ADMM+8 framework; and bilaterally, with the scripting of politico-economic-strategic relations with the ASEAN member-states, within the larger framework of the 'Look East' policy, thereby reflecting its emerging deportment as a benign, regional actor to be reckoned with.

Concluding Observations

The above analysis of the Sino-India, interface highlights the strains of both cooperation and conflict, perceived at two different levels - bilateral and extra-regional. While at the bilateral level, the signing of the BDCA has signalled a considerable forward stride in so far as the boundary dispute is concerned, Beijing's competitive and assertive stance with respect to New Delhi's scouting for energy resources in the disputed South China Sea (extra-regional level) are major thorns in the visage of India-China relations. Viewed from the Chinese prism, India's rapid advance in the economic, military, scientific and technological spheres in addition to its forays in the Southeast Asian region (particularly within the framework of India's 'Look East' policy) and the South China Sea waters are arguably prominent reasons behind China's rising concerns vis-à-vis India. Notwithstanding

these trepidations in the corpus of bilateral ties between India and China, it is imperative that the two 'emerging' Asian neighbours focus on grasping each other's strategic intent, forbidding the spill over of the impact of their rivalry in the South, Southeast and East Asian regions. Moreover, since in this era of globalization and interdependence, the destiny and interests of nations are intertwined, it would be pragmatic for both New Delhi and Beijing to uphold their commitment to developing long-term and stable good-neighbourly cooperation, of course, in cognizance of their vital national interests. After all, sustainable, stable and cooperative relations between India and China will not only benefit their respective populations, but will also create a blueprint for a peaceful, stable and prosperous Asia, the attainment of which is contingent on their mutual realization as "partners in cooperation" rather than "adversaries in competition", reminiscent of the 'Hindi-Chini Bhai Bhai' days of yore.

Future Scenario of China and India Relation: Confrontation to Cooperation

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Abstract

China and India have not been free from the problems left over from history. Relations between the great neighboring civilizations of China and India date back to ancient times but the nature of their relations was to be greatly transformed as both came under colonial and imperialist domination. In the term 'Chindia' coined by him Jairam Ramesh explained the economic relation between India and China, though they are as different as two nations can get.

The two emerging powers of Asia, India and China, have seen each other as rivalry since 1962. Both China and India are growing at historically rapid rates, having fought wars previously and abutting one another along the Asian landmass, remaining natural competitors. Two neighboring states have very large populations, fundamentally different forms of government and cultural traditions, growing economies and expanding military capabilities, strategic relations with neighbors, unresolved border dispute and competition in expanding their presence in Asia which affect stability, peace and prosperity in South Asia region. However, on the other hand one can see the convergence of interests between them in the recent times.

Trade and commerce, R2P (for peace and stability) , role in Asia, emerging as economies giants are the dominating factors between China and India which bring them closer. India and China both are vast and both are encircled by each other. The Sino- Indian relationship in Asia will be complex and multidimensional and will include elements of cooperation and competition simultaneously. This potential for competition becomes additionally interesting because both states represent major concentrations of conventional capabilities. China- Indian relations on balance will be defined more by competition than by cooperation.

In the present scenario the relationship is changing from rivalry to engagement because of the economic involvement of both the countries. The last few years would reveal the growing Chinese trade role far and wide and India's trade role also predominating in the region. However, war is no longer an option for these two emerging countries of competition. In commercial world actually war is not possible because it always thinks of trading nations or confronting nations. Increasingly most of India's neighbors have made an attempt to court China as an extra- regional power in order to prevent India from emphasizing its regional supremacy. This strategy is to use China to counter balance India; China has only been too willing to

play this balance of power game as it not only enhances China's influences in South Asia but also keeps India bogged down in South Asian affairs. In this paper it will be focused on the future scenario of China- India relations base on the theoretical perspective and historical analysis and the changing nature of relationship among these two countries.

Introduction

According to Karl Marx and Frederick Engels the history of all hitherto existing society is the history of class struggles. In the earlier epoch of history, we find almost everywhere a complicated arrangement of state into various orders, a manifold progression of society. In the case of India and china, both are considered twins: they are as different as two nations can get. "One is democracy, while the other is an authoritarian state. One believes in a bottom- up approach, while the other follows the top-down approach. One has nurtured domestic entrepreneurs, whereas the other has adopted the foreign route. One swears by the freedom of its people and media, whereas the other believes in the supreme authority of government. One is a service- led economy, whereas the other is a manufacturing driven one. They are as different as apples and oranges."¹ In this 21st century Sino- Indian relations are most significant not only for their trading relations or national interests but also for future scenario of peaceful Asia because both countries are the driving forces of Asia. For this purpose we need to assume that the future relations between India and China would lead from confrontation to cooperation or competition more than the cooperation. If both the countries have the confrontation nature it will affect not only the stability and prosperity of the South Asian region but also in the wider Asia.

Objectives of the study

Some specific objectives of the study are mentioned below:

- to analyses the historical relation between India and china,
- to assess the changing nature of relationship between these

¹ Saraf Vishnu- India and China comparing the Incomparable-Observer Research Foundation in Association with MACMILLAN, 1st Published-2008, Preface19-20.

two countries

- to find out some major issues related to India and China leading them from confrontation to cooperation
- Cooperation or confrontation -predict the future relation between India and China

Background

"A moment comes, which comes but rarely in history, when we step out from the old to the new, when an age ends and when the soul of a nation, long suppressed, finds utterance." (Jawaharlal Nehru)... In the present circumstances of India and china, trade and economic relations changed, the political relation also got reformed, foreign relations between the two countries improved in terms of the globalization.

The epoch of history has also recognized India and China as Trans-Himalaya twins. During the centuries before and after Christ, Mauryan India and Hun china were the twins of imperial glory. India and china were the centers of spiritual and religious activities. Buddhism in India, Confucianism and Buddhism in China verify the fact.² During the late 19th and early 20th centuries, the two countries were sufferers of western colonialism. In 1940's both countries joined the global community. India got independence in 1947 and china became a communist country in 1949 after a successful revolution. India's independent status was welcomed by almost all the countries of the international community. But china's communist prominence was not accepted by a majority of international community.

The beginning of Sino - Indian confrontation is usually dated from the Indian official discovery of the Chinese road through Aksai- chin and eruption of Tibetan Revolt in 1959. According to Dorothy Woodman, "The rebellion in Tibet was in effect the end of the road of Sino-Indian friendship".³ Moreover cracks in the

² Swamy, Subramanian-India's China Perspective, Konark Publishers Pvt Ltd, 2001.

³ Foreign Affairs Record, 1957, p.244.

Sino- Indian treaty, Non- specific agreement on border and the failure of India to join and establish the boundary it claimed were the factors leading to a war.

In the aftermath of war, both U.S.A. and U.S.S.R helped India military and economically in order to alter military imbalance in the region, but by the time China-Pakistan equation had emerged strongly and gave new dimension to the politics of South Asia.⁴

Sino- Indian relations in history can be divided into six aspects:

Tibet Issue: In 1950, China's aggression in Tibet created a conflict situation between both the countries. Moreover India approved it in 1951. It accepted Chinese control over in an agreement made with China in 1954. At least, the Chinese "suzerainty" over Tibet has been an accepted fact even by the Indian governments hostile to China.

Dalai Lama Issue: The Buddhist leader, Dalai Lama of Tibet escaped from Tibet and sought refuge in India on 1 April 1950. India rescued him and that antagonized China.⁵

Boundaries Issue: India signed the Agreement on trade and internal routs in Tibet in 1954, which stated in its preamble the Five Principles of Peaceful Co-existence. India accepted Chinese sovereignty over Tibet. But China demanded a large territory between Ladak and Tibet. The Chinese claim over the territory also created a new conflict factor between India and China.

1962 War: In 1960 both Indian and Chinese representatives met for diplomatic and peaceful talks. But no successful results could be achieved. Finally China launched its army on aggression in the north Eastern territories on 8th September 1962 and 20th October 1962 in the Ladak region. India lost Taavang, Sila, Waalang and Bampilla in this war. China decided unilaterally to stop the war

⁴ Jayapalan,N.-International Relations, Atlantic Publishers and Distributors, 1999.

⁵ Jayapalan,N.-International Relations, Atlantic Publishers and Distributors, 1999.

on 21st november 1962.⁶ The Indians called the Chinese aggression as border war and Chinese called it a reply to Indian domination.

Pakistan Factor: China supported Pakistan in Kashmir issue. China and Pakistan relationship developed very well. But that time there was a gulf between India and China and China-Pakistan relations also created mistrust between both the countries. China preferred Pakistan condemning India in the Indo-Pak war in 1965.

Russia Factor: India and Russia have good relation. In this perspective China has conflict thoughts about India because of their ideological differences which made the relationship of both the countries relationship rough.

Theoretical Framework Some theoretical explanation may be offered to describe the future scenario of China and India

Realism Perspective: In Realism perspective the two emerging powers would compete for supremacy in the Asian region. It tends to make the relations of both the two countries hostile or rival. This could even lead to military confrontation between the two nations, or at least to an even greater militarization of the region.⁷ War is under control only because both the countries have nuclear weapons and are increasing and modernizing their capabilities in conventional warfare. India belongs to the group of major importers of military technology.⁸ But in the realism perspective both countries are to gain more power. Thus one can lead to others.

Balance of Power

The Balance of Power theory figures that a combination of similar capabilities between two nation-states tends to reduce the probability of violent interaction by another, outside nation-state. Both countries have nuclear weapon not to threat each other but

⁶ Ibid.

⁷ Roy 2011, Banyan 2012, and the Economist 2012.

⁸ Saraf Vishnu- India and China comparing the Incomparable-Observer Research Foundation in Association with MACMILLAN, 1st Published-2008.

to protect their identity from others. The level of threat posed is influenced by such factors as geographic proximity, aggressive power and destructive intentions and the major is national interest.

Liberal Theory

Liberal theory explained about the trading nature of the world. In this globalized world all nation states think about profit and spread their market all over the world which is the opposite view of realism. The liberal perspective is viewing China and India as two major emerging markets in a more and more interdependent world, where trade and commerce sustain peaceful co-existence between both the countries and that it will take confrontation to cooperation and competition more than cooperation.

Cost-Benefit Calculating Units

Mearsheimer calculated the probability of a state posing a threat to another state. In the analysis of cost-benefit India and China's future relationship will be seen as the name of cooperation between cost by India and benefit by China. Because in this trading world no warfare is possible for any country's profit and benefit.

Dumping Theory

China made third grade products for countries in the Third world. The Chinese prepared first grade products for the US and Germany etc and it made Third grade products for India, Bangladesh, Nepal, and Bhutan etc. In China's market it's only one time use product. Chinese product cannot be repaired anywhere. Market economy is capitalist in nature but Chinese policy is based on communism which is opposite the capitalist view. The Chinese strategy is to capture the world market in the name of globalization and India is one of the trading partners of China.

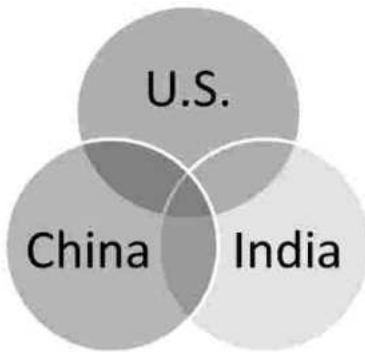
Present Scenario and Future Relations of China and India

Some major factors which influenced the present relation

between both the countries and in this perspective what could be the future is explained below

U.S. Factor:

India and China are embedded in the triangle shaped by the United States. We can explain it:



In the triangle above the US maintains complicated relation with China and enjoys a rapidly increasing relationship with India. Both countries have positive advantage in the terms of access to the US markets and investment and bilateral cooperation. In 1990s the U.S. and Indian relations in policy

areas created suspicion among the Chinese leaders. On the other hand, the US and Chinese cooperation created tension among the policy makers of India. The US maintains low relation with India comparatively China. The US will influence China and India in some sectors like trade, nuclear weapons, common threat for both of countries (terrorism) and competition in the Indian Ocean in the future. The US and Indian relations will not remain a threat for China but China and U.S. relation may be a threat to India.

Russia Factor:

India and Russia have good relation, but when it comes about China, Russia's relations indicate a conflict relation. Both China and Russia have communist ideology but there are some differences in their ideological beliefs. India and Russia both are trading partners. Russia is a key supplier of defence equipments to India. Oil is also an another most important element which brings both the countries closer, as Chain's close partnership with Pakistan indicates to India.

India and Russia are strategic partners which creates a problem for the future relation of China and India in terms of geo-politics and diplomatic relation. India and Russia are already involved in many multilateral forums like RIC, BRICS and G20 which reflect the mirror of future connection between India and China.

Pakistan Factor:

India is a major power of South Asia region in the economic perspective. According to the World Bank, India's GDP in 2013 was roughly \$ 1.9 trillion. By contrast, Pakistan's GDP was only \$236 billion, only about 12 percent of India's. In 2013, India was the 10th largest economy in the world in terms of GDP. If China's regional strategy in based on economic perspective then may be as that time it will have better relations with India. But China's friendship with Pakistan is deeper than India's which can be seen from the past times. Pakistan needs China for changing its economic condition as well as to enhance their power in this region. China also wants to be close with Pakistan to counter balance the US and Indian influence in this region. India's growing influence in Afghanistan is also a worry for Pakistan; so also Pakistan is seeking the Chinese support to counter balance Afghanistan.

Demographic Factor:

Both India and China have been trying to curb the population explosion from the 70's; but only China has been successful in this procedure. In the period 1975-2006, the Chinese population increased by a modest 43 percent, whereas the population of India swelled by 80 percent.⁹ These demographic factors also influence both the country's economic prospects. It is predicted that India's population will surpass China's by 2030.

Globalization Factor:

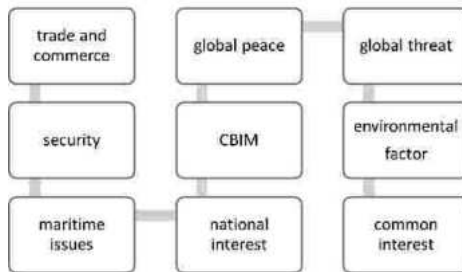
Globalization is an umbrella term which is based on three factors- capital flow, trade flow and macro-economic management. But

⁹US Census Bureau 2007, retrieved from <http://www.census.gov>.

managing the process of globalization depends on the set of factors - economic growth, poverty reduction, political stability, business expansion and conflict or compromise. In China, the high rates of economic growth have led to a decrease in poverty rates, while in India the poverty reduction has been modest. China's political stability is based on authoritarianism which delivered more market economic policies have not affected the reduction of poverty. The Sino- Indian relations were far earlier explained when China's premier Wen Jiabao declared that China and India would be a source of economic power in the 21st century: "Cooperation is just like two pagodas - one hardware and one software."¹⁰ China dominates in manufacturing and seeks to move into services; India dominates in service sector and seeks to move into manufacturing. In this globalization process Sino-Indian relation can be seen as a compromise and not conflict. Because their integration in the global economy would mean that they can certainly influence the world economic developments. Thus they are emerging the economic giants in Asia.

Future relation-Confrontation to Cooperation:

It is difficult to predict the future relation of India and China. But in the present conditions both the countries will not prefer confrontation. The future relations of both the countries depend on some issues like maritime security, R2P, global peace, national interest of both the countries, CBIM, global threat, environmental factor, security issues and so on.



¹⁰ China and India: Same Globalization Road, Different destinies; Scott B. MacDonald, Yale Global, 24 October, 2007

These issues reflect the changing nature of the relationship between both the countries which will lead them from confrontation to cooperation:

Trading world never support confrontation because it will not only affect both the countries but also the entire South Asian region at large. The past-present-future of India- China relation can be explained as below:



Conclusion:

Though it will be difficult to predict the future relation of India and China we can find that the economic relationship between both the countries increasing day by day which is not supportive for confrontation. On that basis it will be presumed that the Sino-India relationship is moving ahead from confrontation to cooperation. In the near future there will be no doubts that both the countries would not only remain trading partners but would also mutual partners for showing the world a new direction.

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Sino-Indian Economic Relations-Competition and Partnership-Convergence or Divergence?

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Introduction

India is a vibrant democracy, despite vast religious, caste and economic diversities. China's per capita income began to exceed India's in the 1990s, though forty years earlier, India's was above that of China. India had avoided the pitfalls of the Great Leap Forward and the Cultural Revolution, though after the Reforms of Deng Xiao Ping since 1978, China is way ahead of India in all the economic and social parameters. In 1991, the Indian government initiated economic reforms. India's market-oriented liberalization and removal of industrial licensing and controls resulted in acceleration of GDP to about 6% a year since 1991, the fastest for any nation, but considerably lower than the Chinese pace of about 9% for the corresponding period.

China's amazing economic success is stunning the world, and China understands how to move with the times like no other country. Its aim is to be a middle-level developed country in the mid-twenty-first century. China is the world's most competitive nation and it is the seventh largest exporter. China desires to modernize rapidly by attracting more foreign investment. However, it must be remembered that the share of FDI in the total investment in China is less than 8%, reflecting the extent of capital formation in the economy. The entry of China into the WTO will make China a more transparent and less subsidized economy, meaning more market access opportunity in the domestic markets of China. India could be described until recently as a traditional "mixed economy" with a large public sector and but also a lot of private entrepreneurship.

China's Economy: Small Steps to Giant Leaps

China has been on a high growth trajectory for more than three decades, while even maintaining a sustainable rate of growth of more than 9 per cent per annum during the period 2002-10. The rate of domestic expansion has been robust since its accession to the WTO in 2001. As is evident from statistics, the main drivers of China's economic growth have been its export and a subsequent expansion of the domestic sector, accompanied by its import surge. During the above reference period, China's export share in the world economy increased from 3.4 per cent to 10.4 per cent and the corresponding shares of its imports were 4.4 per cent which increased to 9.1 per cent, respectively.

The global economy started recovering from recession in 2010 but with the deepening of the financial situation in Europe it once again entered the danger zone until the third quarter of 2012. However, the US economy has shown positive forward movements in GDP growth and a persistent development in the employment situation in 2012 (IMF, 2012b). The global situation continued to remain fragile in 2012 and its adverse impact was felt in most of the emerging countries like even China and India. Though it suffered from global downturn China has been strategizing to take advantage of the expected recovery of the global economy.

China by contrast has been for the most part a command economy which until recently had a small private sector and recognized only the legally established home-grown capitalists a few years ago. The Chinese economy has grown at an average annual rate of 9.8% for the two-and-half decades, while India's economy has grown at around 5-6 per cent during the same period. Chinese growth has been relatively volatile around this trend, reflecting stop-go-cycles of state response to inflation through aggregate credit management. The higher growth in China essentially occurs because of the much higher rate of investment in China. The investment rate in China (investment as a share of GDP) has fluctuated between 35 to 44 percent over the past 25 years,

compared to 20% to 26% in India. In fact, the aggregate incremental capital-output ratios (ICORs) have been around the same in both the economies. This is because of the critical role of infrastructure investment, which has been at an average of 19 per cent of GDP in China compared to 2% in India over the 1990s. China has far more impressive achievements in the social sector than India as shown in the Table-1 below.

TABLE-1 Social Sector Indicators - A Comparison of India and China

Description	India	China
Gross enrolment ratio in primary schools (%)	99	114
Adult Literacy (%)	65	91
Labour cost per worker in manufacturing (\$per year)	1,192	729
Education expenditure (%of central govt. expenditure)	13	13 (Excluding dropouts reenrolling)
Physicians(per 1,000 population)	0.4	1
Health expenditure (%of GDP)	5	6
Health expenditure per capita(\$)	24	49
Contraceptive prevalence rate (%)	52	83
Human Development Index (HDI)	0.602 (HDI Value) 127(Rank) -Year 2003	0.755 (HDI Value) 85 (Rank)- Year 2003

Source: *TATA Economic Services and Tenth Five Year Plan, Government of India.*

Trends in Chinese Trade with the World

In the resurgence of the Chinese economy in the recent decade, the external sector played an important role, though it passed through a phase of volatility due to the periodic swing of global business cycle. Between 1998 and 2009, reflecting the periods of recovery from global recession, Chinese trade with the world economy registered a seven-fold increase, surpassing the performances of other fast growing countries of the world. The total export was US\$ 184 billion in 1998 and it increased to US\$ 1.2 trillion in 2009 as shown in Table 4.1. Similarly, imports increased from US\$140 billion to one trillion dollar between 1998 and 2009,

showing a more than seven-fold increase during the decade. It is important to note that imports increased more rapidly than exports.

The mantra of China is sharply focused on becoming an economic superpower and hence everything else follows the foreign policy begins and ends with economic policy.

China is creating a national economy, and the result is a massive and painful restructuring of the industry and the society. The competition across provincial boundaries is becoming a reality. As a result, the country is experiencing deflation, a continual decline in prices. As prices fall, the economy stagnates.

The Chinese export growth has been much more rapid, involving aggressive increases on world market shares. This export growth has been based on relocative capital that has been attracted not only by cheap labour but also by excellent and heavily subsidized infrastructure resulting from the high rate of infrastructure investment. In addition, the Chinese state has also been keen on providing the basic needs like housing, food and cheap transport facilities. This has played an important role in reducing labour costs for employers. In India, the cheap labour has been because of low absolute wages rather than the public provision and the underwriting of labour costs. Further the infrastructure development has been minimal. So it is not surprising that it has not really been an attractive location for export oriented investment. Its rate of export growth has been much lower and the exports have not become an engine of growth.

In terms of inequality, in both the economies the recent pattern of growth has been inequitable. In China, the spatial inequalities across regions have been the sharpest. In India, vertical inequalities and rural-urban divide have become much more marked. In China recently, as a response to this, there have been some top-down measures to reduce inequality, for example the changes in tax rates, greater public investment in western and interior regions and improved social security benefits. In India, it

is the political change that has forced greater attention on redressing the inequalities, though the process is still very incipient.

In terms of the future prospects, surprisingly, both economies end up with very similar issues despite these major differences. There are clear questions of sustainability about the current pattern of economic expansion in China, based on high export-accumulation model that requires constantly increasing shares of world markets and very high investment rates. Similarly, the hope in some policy quarters in India that the information technology enabled services can become the engine of growth is one, which raises the problems of sustainability.

The most important problems in the two economies are also similar mainly the agrarian crisis and the need to generate more employment. In both the economies, the social sectors have been neglected recently by public intervention. In both the countries, the policy message appears to be the same, that the most basic issues are those that require to be addressed first, and if so, then the other areas of expansion will probably look after themselves.

India vs China- Democracy, Communism and Economic Restrictions

India has individual liberty, political pluralism, and the institutional framework to take advantage of globalization. However it is constrained by mass poverty, lackadaisical government, growing fiscal problems and a poor physical infrastructure. China has much less degrading poverty than India, which has more trade and investment links, while Chinese have a superior physical infrastructure. It is rapidly conforming to global behaviour patterns and is creating an internationally accepted legal system. However it too has fiscal problems hidden in the banking system and the political risk.

China's industrial strength and infrastructure and its vast pool of skilled labour, make it a natural choice for the manufacturing sector. India, on the other hand, with the booming information

technology sector and its huge reserves of English-speaking graduates, is a better option for the outsourced service and technology development facilities. China has been favoured heavily by the multinational corporations (MNCs) of manufacturing, with only limited business process outsourcing (BPO) activity coming in from Japanese and Korean firms. In spite of the concentrated outsourced services and R&D facilities found in India, China has become the hub of manufacturing.

As the WTO and TRIPS agreements progress, the export orientation of each country may cross into the present domain of the other due to drops in garment quota requirements and the strengthening of the IPR culture.

The key strategies of the Chinese reforms were first to effect a massive increase in incomes in the rural areas and then meet the demand for consumer goods by encouraging the growth of VTEs (Village and Town Enterprises). The VTEs met the demand for basic consumer goods in the rural areas itself. There was a continuous decentralization and a system of profit making with punishment for default. In India, the agricultural sector still accounts for about 70% of employment but its share in GDP is down to 25 per cent. In other words it means that the relative per capita income of the agricultural worker must be going down.

China can assist India in her globalization efforts by cheaper exports from China and using them to produce low cost products in India itself, through the joint-venture strategy. By trading with China, India can be a little more competitive in global markets. It can also mean facing up to the competition of China which can be India's policy for the future.

India must emulate China by taking advantage of its cheap, hardworking and skilled workers to gain better leverage in world markets. To compete effectively, India needs to expand its primary and secondary education and give more emphasis to vocational education and training.

China is infact “*many small markets*” rather “*the world's biggest market*”. China today has good infrastructure-railways, roads and airports-so there is for the first time substantial inter-city and inter-provincial commerce, as one city can compete against the “backward manufacturers” in the other. Consequently there is a rise of national in the domestic brands.

At the political level the Communist Party of China, though eaten underneath by corruption still survives. One day new attitudes will push aside the corruption of the old and a new China will emerge. Beijing strikes hard against the recalcitrant elements and dissidents. But the dissidents can only be muzzle and not their ideas.

Since 1978, when the great modernizer, Deng Xiao Ping began China's reforms and later in the nineties with the former President's Jiang Zemin's vision, China has moved rapidly in its growth rates. However the new Chinese leadership needs to move ahead faster in political reforms. To recall, Chairman Mao's words “*it takes only one spark to start a prairie fire*”. The next spark should not cause any dramatic upheavals.

The share of manufacturing in China's GDP is 49%, and Services constitute 33% of the GDP.The biggest current draw for the international investors is the “*Western Development Project*” (headquarters in Chonqing) initiating grandiose plans for Xinjiang and Tibet.

At the geo-political level, Sino-Indian relations should rise above the present border disputes and past tilts. Relations should be non-hyphenated and stand-alone not guided by any third country. India occupies a special place in China as the land of the Buddha. There is also an admiration in India for China's economic achievements. India has an edge over China in terms of intellectual capital for the future knowledge economy. Some of the general strengths and weaknesses of India and China are enumerated below.

Strengths and Weaknesses-India and China

Strengths of China

- Confucian ethic of discipline and obedience.
- Authoritarian Militarist State, with severe penalties for non-compliance.
- Highly disciplined top leadership that implements decisions once agreed, without further argument.
- Productivity of Chinese labour is five times more than that of India.
- China has a system of incentives and disincentives at Central, State and Town-level for performance.
- Small-scale imitator of well-known brands, giving better quality for a lesser price though not the original branded manufacturer. Chinese “under design” products make them affordable for poorer households also. Those who can afford to pay more for superior quality often do so. In India, the established manufacturers are unlike the Chinese; they are conditioned by MNCs whose practices evolved in markets can afford only higher prices for superior products and that is suited only for an economy where capacities were restricted by license. China dominates the export of the labour-intensive products world-wide-India does not, except in gems and jewellery. Chinese exports of manufactured goods have been 25% as against 7% for India to their respective GDPs.
- China has a system of incentives and disincentives at central, state and town level- for performance and non-performance.
- Foreign investment in China is in land, buildings, plant and machinery. Of the comparatively small foreign investment in India, a high proportion is in portfolio investment, and in buying the existing capacities only.

Weaknesses of China

- Communist Party of China still dominating with no democratic dissent tolerated.

- The Chinese legal system has still many weaknesses for corporate grievance redressal.
- China has yet to adapt fully to rules and regulations of a free market economy.
- China has lax labour regulations and workers in many industries have to toil for longer hours.
- Working conditions are tough as workers stay in crammed dormitories inside industrial zones to work from 8 A.M to 8 P.M. They are not allowed to form their own associations at national or regional level. This advantage may not last long, as workers become conscious of their rights. Even though the labour issues are not raised at WTO, such unsound procedures and practices could come under attack.
- China's entry into WTO will call for a "fresh look" at its global interaction and domestic re-structuring.
- Corporate governance too is not of a high quality as transactions are not wholly transparent. Managers of State Enterprises indulge in various irregularities like siphoning of funds offshore which in many cases comes back disguised as FDI.
- The regulations of the Chinese capital markets are relatively poor and are not in tune with free-market earnings.

Strengths of India

- A stable and vibrant democracy. *India's greatest achievement is sustaining a democracy in exceptionally difficult circumstances.*
- Wide use of the English Language.
- Availability of world-class scientific, technical, managerial and professional manpower.
- Established Western style corporate democracy and a functioning legal system for grievance redressal and contract enforcement.
- A growing and sizable middle-class estimated at 200 million.

- Our culture encourages risk without reward and as our defence forces have shown, we can be extremely disciplined and productive.

Weaknesses of India

- Hypocrisy of our political leadership.
- Poor implementation capacity of our administration.
- Speculative mentality of our industry.
- Rampant corruption, stifling the delivery system of any constructive programme.
- *“Vested Interests” and “Entrenched Rural Hierarchies” hampering any societal changes.*
- Our bureaucrats and politicians have yet to develop awareness that more trade and intensified economic relations enhance India's security power and influence.

The similarities are striking. China and India are amongst the five biggest countries in the world in terms of area, geographical diversity, population, market-size and economy measured in terms of purchasing power parity. Both countries were colonized by western powers and attained independence within a few years of each other in the mid twentieth century. They both pursued socialist models of development before opening up gradually for global markets, China from 1978, and India from 1991. China and India are presently the fastest growing major economies of the world, although the majority of the population continues to be dependent on agriculture. The state sector continues to dominate the economic activity in both the countries, with the role of private enterprise expanding fast. In both China and India the rapid economic growth has widened regional economic disparities.

Issues of Mutual Concern

Both China and India face serious fiscal problems and ballooning domestic debt and contingent liabilities, necessitating major public sector adjustments in the foreseeable future. However, much of India's public sector deficit has been absorbed directly by

the government, whereas China has relied more heavily on the banking system to fund the deficit. Therefore, while India has higher fiscal deficits China's banking system has more non-performing assets.

Corruption is endemic in both China and India. However, in China it is more centralized around the entrenched communist party, which practically guarantees quick action. In India corruption is more dispersed and the outcomes are less certain. Because corruption in India is subject to legislative, media and judicial overseeing, it is a less systemic risk than in China.

China has shown far greater urgency in privatizing and closing a large number of state enterprises, while India's privatization programme has floundered. While China has effectively lowered the trade barriers, with customs tariff collections comprising only about 3% ad valorem, Indian tariffs are still amongst the world's highest. Economic decentralization has proceeded at a much faster pace in China with local governments in China having effective economic strengths and decision-making powers; where as India's centralized economic control is loosening only gradually.

While China is a closed society run by a tightly knit communist party India is an open, democratic society with an independent judiciary and press. With political dissent not aired in the public domain China has overt political stability, arguably difficult to sustain during a severe economic downswing.

Both China and India face major future developmental threats. For India these threats around centre on policies to enhance savings and growth rates to remove poverty within a targeted time frame. For China the threats are more institutional with the institutions especially financial, legal and political, not in sync with the needs of a market economy. In the pre-accession period, the Chinese economy was going through a phase of rapid economic transition.

Economic Environment in China

The macro-economic reforms undertaken by China including its trade reforms, industrial policy changes, investment liberalization and other macroeconomic restructuring have contributed to a positive overall performance of its economy. Some of these initiatives are discussed below.

After 15 years of negotiations for entry into the WTO, China's accession to the same in 2001 was a major development in its trade policy. Many analysts in China and abroad believe that the terms of agreement were quite tough on China in many areas, like the financial sector where China agreed to liberalise more than what it obtained from some developed countries. China's post-WTO accession tariff rates are 'bound', which means that China cannot raise them above the bound rates without 'compensating' WTO trading partners. All these reduced drastically China's 'policy space' for active development policy. Despite these concessions, China is not offered the status of a market economy until 2016 which means that until that date importing countries would bring in anti-dumping actions without having to prove that the export prices were lower than the domestic market prices in the exporting countries. Instead the costs in a third country can be used to measure the so-called 'normal value' for anti-dumping action. The process is thus open to somewhat arbitrary action and it is no wonder that China has become the target of the largest number of anti-dumping cases for several years in a row. Obtaining market economy status features prominently in China's bilateral trade agreements. A perception of an unfair agreement under WTO accession prevails in many trade policy quarters in China.

China has also reluctantly accepted some discriminatory provisions in its accession protocol which can be used to limit access of its exports to overseas markets. The first is the transitional product-specific safeguard mechanism which targets Chinese products. It can be invoked if there is market disruption or the threat of market disruption caused by Chinese imports,

instead of a more stringent injury test under the WTO Agreement on Safeguards. This safeguard mechanism will last for 12 years after China's accession to the WTO. The second is the special safeguard mechanism which was applied to China's textile and clothing exports only until the end of 2008. It provides for a 6 to 7.5 per cent annual increase in the growth of Chinese exports and it can be invoked immediately upon request by the importing country for consultation with China. An implication of the latter is that China has been restrained from taking full advantage of the MFA phase-out under the Agreement on Textiles and Clothing until the end of 2008.

Constraints to India's Exports to China

In general, tariffs in China are lower than those in India particularly, for India's major export items such as ores, pharmaceutical products, plastics, man-made staple fibers, and iron and steel. The non-tariff barriers and informal restrictions are of greater concern. Such restrictions in China on imports of goods and services apply to imports from India as well. Indian industry and business organizations have identified similar constraints in promoting their exports to China, for example: customs procedures, standards, certification and regulatory practices and quantitative restrictions.

It was noted while examining the customs procedures that even after the issuance of valuation regulations in accordance with WTO Customs Valuation Agreement; many customs officials continue to use the minimum or reference price rather than the actual transaction price for valuation of goods. The same product may be subject to a case-by-case determination of customs value depending on the port of entry and often the decision regarding duty on the products becomes subject to negotiations between traders and customs officials. Re-exporters are allowed to import raw material only through a specified port. If they operate through other ports, they have to follow extremely difficult procedures to avail the duty free clearance of the cargo. This problem is especially serious for Indian traders because of the

limited transport links between India and China which do not allow free choice of ports for landing.

Rules and regulations pertaining to standards and certification as applied to imports are different from those applied to domestic goods and these are frequently changed, the details of which are not easily available in a published form in the English language. The implementation of these regulations is different at different levels of government with very little coordination between national and sub-national levels. Exemption procedures for import of replacement parts or imports of parts for assembly and re-export are burdensome and costly as the application is to be submitted in person and as it requires the knowledge of the local language. Certification remains difficult and time consuming and a costly process for many commodities of interest to Indian exporters.

Recent Trends in Bilateral Trade

The Sino-Indian bilateral trade relationship took an impressive turn during the last decade as China gradually ascended to become the largest trading partner of India since 2008. The bilateral two-way trade jumped by nearly twelve and a half times during the period 2000-10 and the total trade is expected to reach the level of nearly US\$ 70.0 billion by the end of 2012. During the last decade, the exports of India to China grew at the rate of 39.0 per cent per annum, and formed nearly 8.0 per cent of the total exports of India in 2010. During the global recession, India's bilateral imports expanded faster than the bilateral exports. With an increase in two-way trade, the trade deficit increased exponentially and bilateral trade imbalance caused concern about the sustainability of rising bilateral trade over a time. However, both the countries have aimed at achieving the trade target of US\$100 billion by 2015. As the external sector has been up turning to be a major driver of growth during the last decade both the economies have been dealing with the appropriate development strategies to keep their economies on high growth trajectory. Deliberate policy interventions have been experimented

systematically to insulate these economies from the vagaries of the intermittent global shocks and mitigating the challenges of being middle-income country. Both the countries have resorted to rapid trade liberalization mostly induced by the unilateral initiative to cope up with the global trading environment. Both countries witness regional disparity in having access to international trade and this development gap could provide an opportunity to augment bilateral trade between them. India has a large export potential to China and it could emerge as a competitive supplier in the Chinese market based on its global competitiveness. India is yet to introduce a number of products which are globally competitive in the Chinese market. Having a large domestic market in value chain in a number of sectors including the parts and component sector, India can complement China as an efficient partner in this sector and could be more competitive than the several South East Asian economies upon whom China is seriously dependent for intermediate input supplies. Moreover, undervaluation of renminbi has posed certain amount of threat to India where both countries are competing for market access for the same set of products. Revaluation of renminbi could improve India's export prospects in some sectors if not all. Both countries can play a constructive role in the regional integration process in East Asia. The EAS process is marred by the Chinese stand on ASEAN-Plus Three (APT) but realization of the Regional Comprehensive Economic Partnership (RCEP) (which was known as EAS earlier) could steer the region on to a high growth track and China is likely to benefit more than what it expected from the APT process.

Both China and India are of the view that regionalism can offer a credible platform to augment regional trade. As their trade is mostly concentrated in Asia, particularly in South-East and East-Asia, this trade area has been becoming important for accessing the regional market.

Competition vs Partnership-Convergence vs Divergence

The areas of convergence of interest between China and India and the time-frame in which they start influencing decision making is given in the Table-2 below.

Table-2 Areas of Convergence of Interest between China and India

Area of Convergence	When Became Apparent	Joint Approach
Himalayan environment	First decade of the 21 st Century	Joint eco-restoration in border areas and Tibet
Further Eastward or Southward expansion of NATO	First decade of the 21 st Century	Commonality of interest with Russia
Any Further Weakening of Russia	Immediate	Several Possibilities
Increasing US military presence in Central Russia	Immediate	Commonality of interest with Russia
Asian Stability	Immediate	Several Possibilities
Global Multi-Polar Stability	Anytime in future	In concert with UN

Source: “*Dealing with China in the 21st Century*” in *Restructuring South Asian Security* by Vinod Saighal (cited in References)

China could overtake India as the next Information Technology (IT) power and business-outsourcing hub for countries like the US, despite its lack of experience. China's offshore services will mature within the next five years and companies may begin looking at the country as a potential source for IT-enabled services. Lower costs (roughly 1/6th of US counterparts), political stability, strong GDP growth (7.9% in 2001) are the factors which the country offers as the kind of environment needed by the interested global companies.

India-China bilateral trade has now crossed the \$100 billion mark. However, the top five exports to China comprise mainly primary or low value addition products -iron- ore, plastic and linoleum, ores and minerals, marine products and drugs and pharmaceuticals. Her imports from China are electronic goods, coal, coke, and organic chemicals, silk, medicinal and pharmaceutical products. India should move up the value chain

and export more IT-related products and pharmaceuticals as it has been doing recently.

However, despite China's better image abroad, *the image of Indians abroad is very high in complete contrast to the image of India as a poor country.* The Indian diaspora has gained considerable salience abroad a number of Indian \$ billionaires live in the US and are highly rated. Despite loud proclamations, foreign investors consider everything unfriendly about India-the government, the bureaucracy and the infrastructure. We have to change the mind-set and the working of the Indian institutions.

India's trade with China is set to grow to \$120 billion by 2014. If the trade and economic linkages are to expand exponentially, it is imperative that a diversification should take place in the commodity-mix. China and India between themselves produce practically everything, cheaply and with high quality. With high export growth rates, India and China are galloping, but they must also gallop in tandem with each other.

A recent study by Goldman Sachs shows that India will take a long time to catch up with China-may not catch up even by 2050. This is because China has a much larger base in GDP than India; therefore, even smaller relative increases in income for China would mean a higher absolute increase than India. This is shown from Table-3 below.

Table-3 what will it take for India to catch up with China?

India	Year	Growth Rate (%)
To catch up with China by	2050	8.9
To catch up with China by	2020	11.6
Average growth rate since	2000	6.2
Average growth rate in	1990s	5.6
Average growth rate in	1980s	5.6

Source: *Will India Catch-up with China?* Mohan Guruswamy et al, Centre for Policy Alternatives, New Delhi.

China is today the world's manufacturing hub. India should emerge as the world's technology and IT (Information Technology) hub, if it follows pro-active policies. India and China thus have a lot to learn from each other's experience and they also can be dynamic partners rather than competitors in the globalized world.

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What do 30 Years of FDI Data Reveal to us? - A Sneak-Peak into Startling Revelation of an Indo-China Study

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Abstract

India and China have emerged as favoured destinations for foreign investors during 90's, inspite of their diverse cultural factors and different economic-political systems. The phenomenal growth in Foreign Direct Investment (FDI) of both the economies can be attributed to the active government promotion through various policy measures. Though FDI is expected to act as a catalyst in promoting growth by resulting in promoting domestic investment in the host country. Often it is observed that FDI in host countries deviates much from the expected role of promotion of domestic investment and instead it results in harmful effect of displacement of domestic investment. Many believe that FDI in China and India has played a largely positive role in their economic development. In order to verify the authenticity of it, a detailed analysis is done with the help of methodology used by Agosin and Mayor (2000) as well as Vector Autoregression (VAR) by making use of time series data ranging from 1980 onwards in the case of both the countries. The World Bank data expressed in constant prices in US\$ at 2005 year base is put to use. Three variables such as FDI, Gross Domestic Product (GDP) and Domestic Investment (DINV) are considered for time series analysis.

The results are verified with the help of econometric techniques to name a few; Granger-Causality, Cointegration test, Unit root test. The results obtained reveal to us the startling revelations that over the years FDI is instrumental in bringing in non-compatibility between domestic investment and Foreign Direct Investment though the picture of India is better when compared to China. If the care is not taken, shortly, India too will face the same incompatible investment situation in domestic economy.

Key Words: Foreign Direct Investment, India, China, Domestic Investment.

Introduction

India and China emerged as the most attractive destinations for foreign investors in post-90s inspite of having different political, economic systems and long history of conflicts due to various political, cultural issues. However, the FDI pattern and magnitude have been totally different in these two countries. Hence, it is interesting to know the impact of FDI on the domestic investment of both the countries.

FDI is like a double edged sword with investment boosting and investment destructing properties. If FDI is instrumental in boosting domestic investment it can be termed as crowding in effect where as when it displaces domestic investment, it is termed as crowding-out effect. It is pertinent to have an analysis of these effects and the impact of FDI on different variables so as to understand the impact of FDI in multi faceted fields. For this purpose the data varying from 1982 to 2012 is taken into consideration.

Earlier Research Performed

Agosin and Mayor (2000), while evaluating the impact of FDI on development, explained that Multi-national Corporations (MNCs) may crowd-in or crowd-out domestic investments, when their presence stimulates new downstream or upstream investments, or they may displace domestic producers or pre-empt their investment opportunities.

Sun (2002) opines that the foreign investor finances the project by borrowing from the host country's financial market under the conditions of scarce resources and domestic interest rates rising which may make the borrowing unaffordable for some domestic firms. In certain cases it has been observed that FDI reduces domestic investments that would have been undertaken by domestic producers. If the foreign investment deliberately uses predatory practices to force competitors out of business, or to retard their establishment the crowding would have disastrous impact.

Tomsik (2009) bifurcated the impact of FDI into two viz. crowding-in and/or crowding-out effect. Studies by Bosworth and Collins (1999), Hecht, Assaf and Nitzan (2002) and Obstfeld (1998) brought to light several observations on FDI. Kumar and Pradhan (2002), analyzed the relationships between FDI, growth and domestic investment in 107 developing countries representing Africa, Asia and Latin America and the Caribbean for the period ranging between 1980-99. As per the study, India showed crowding-out impact of FDI on domestic investment.

Braunstein and Epstein (2002) found evidence that FDI had a negative impact on Chinese domestic investment. There is a strong evidence that FDI crowded out domestic investment during the late 1980s and 1990s in China, a finding consistent with that of Huang (1998) and Lardy (1998).

Tang, Selvanathan, E. and Selvanathan, S. (2008), by using the technique of multivariate VAR system with error correction model (ECM) and the innovation accounting (variance decomposition and impulse response function analysis) investigated the causal link between FDI, domestic investment and economic growth in China for the period 1988-2003. The results showed that while there is a bi-directional causality between domestic investment and economic growth, there is only a single-directional causality from FDI to domestic investment and to economic growth. Rather than crowding out domestic investment, FDI is found to be complementary with domestic investment. Thus, FDI has not only assisted in overcoming the shortage of capital, it has also stimulated the economic growth through complementing domestic investment in China.

Wu, Sun and Li (2010), through regression analysis, a strong correlation is found between FDI and the economic development of the Yangtze River Delta region. The Cobb-Douglas production function and Thoro-Swan growth model are used with selected panel data from 2000 to 2008. It was found that FDI in the region resulted in employment creation and it improved the efficiency of labour resources. Furthermore, the empirical analysis revealed

that FDI promoted domestic investment to the effect of 2.42 units.

An Overview of FDI Policies in India and China

FDI policy has its origin in totally different time periods in India and China. The process of liberalisation started a decade earlier in China when compared to India. Chinese FDI policy is mainly export-oriented and restricted to SEZ (Special Economic Zones) while, India's FDI policy is not export-oriented but is mainly market-seeking or resource-seeking and FDI is allowed in almost all sectors barring a few exceptions to lesser or greater degree.

FDI Policy of India: A non-resident entity (including the citizens of Pakistan or an entity incorporated in Pakistan as per 2013 regulations) can invest in India only under the Government route in sectors excluding defence, space and atomic energy etc. A citizen of Bangladesh or an entity incorporated in Bangladesh can invest in India under the FDI Policy, only under the Government route. Citizens and NRIs of Nepal and Bhutan can invest subject to certain criteria. (Government of India, 2013).

Though FDI was prohibited in Retail Trading now permission has been granted by Government of India. Lottery Business including Government /private lottery, online lottery, Real Estate, Gambling and Betting including casinos etc are excluded.

FDI policy is different for different sectors in India. Generally, the FDI cap varies between minimum 26 percent to 100 percent. Such as in defence and insurance FDI cap is 26 percent, for public banking, it is 20 percent, for broadcasting, it varies from 26 to 100 percent for telecom sector the FDI cap is 74 percent. But in most of the sectors such as Agriculture, Tea Plantations, Mining, Coal and Lignite etc. 100 percent FDI is allowed with or without government approval. (Government of India, 2013).

FDI Policy of China: Owing to timely policies taken up by Chinese government, FDI in China has grown rapidly since 1978, especially in the 1990s. China's policies towards FDI can be evaluated by earmarking three stages: gradual and limited opening, active promoting through preferential treatment and

promoting FDI in accordance with the domestic industrial objectives. These changes in policy priorities inevitably affected the pattern of FDI inflow in China.

China has been the world's largest FDI recipient among the developing countries since early 1990s. In recent years, FDI to China accounts for 1/4 to 1/3 of total FDI inflow to developing countries. Foreign investment has become an important source for China's investment in fixed assets. China's foreign exchange regulator namely The State Administration of Foreign Exchange (SAFE) scrapped a total of 24 regulations related to the administration of capital for Foreign Direct Investment as part of the government's effort to reduce red tape, increase transparency and promote investment facilitation. (Jiabao, 2013).

Methodology and Data

The following methodologies are used to gauge the impacts of crowding in and crowding out aspects of the economies of India and China.

Deriving Crowding in and Crowding out Effects: For measuring crowding-in and crowding-out impact of FDI on domestic investment of India and China, data from World Bank Report is used. Three variables viz. FDI, Gross Domestic Product (GDP) and Domestic Investment (DINV) are considered for the purpose of the study. The data which was available in current prices has been converted into constant prices in US \$ at 2005 year base prices.

For measurement of Crowding-in and Crowding-out impact, the long term coefficient $\hat{\beta}_{LT}$ has been used which has been originally developed by Agosin and Mayor (2000) and later on used by Titarenko (2006) and Milva (2008) as follows:

$$\hat{\beta}_{LT} = \frac{\sum_{j=1}^5 \hat{\beta}_j}{1 - \sum_{j=4}^5 \hat{\beta}_j} \dots\dots\dots (1)$$

The criteria used to determine crowding-in and crowding-out is the value and significance of $\hat{\beta}_{LT}$. There are three possibilities. If $\hat{\beta}_{LT}=1$, it implies that in the long run an increase in FDI of one dollar results in one additional investment amounting one dollar in GDP. Consider now the case in which $\hat{\beta}_{LT}>1$. This is evidence of crowding-in i.e. in the long run, one additional dollar of FDI becomes more than one additional dollar of total investment. If the null $\hat{\beta}_{LT}<1$, there is long-run crowding-out i.e. one additional dollar of FDI leads to less than a one-dollar increase in total investment. In other words, there is displacement of domestic investment by FDI.

For Deriving Vector Autoregression (VAR) and Impulse Response Function (IRF): The following are the econometric techniques applied for the study to counter check the impacts of the crowding in and crowding out effects derived with the help of $\hat{\beta}_{LT}$.

VAR: VAR is a multiple time series modelling approach that constructs a model for vector of time series instead of constructing models for individual time series (Sims, 1972 and 1980). VAR model equations, apart from forecasting, are also used to simulate the effect of sudden change (impulse) in one variable on other variables. This technique, known as Impulse Response Function (IRF) enabled to estimate the time scale over which the effect of change in the FDI leads to variations in the concentration of other variables.

Mathematical Representations of VAR: If y_t represents an $(n \times 1)$ vector of n variables, a p th order VAR, denoted as VAR(p) is defined as:

$$y_t = c + \phi_1 y_{t-1} + \phi_2 y_{t-2} + \dots + \phi_p y_{t-p} + \varepsilon_t \quad \dots \dots \dots (2)$$

where c denotes an $(n \times 1)$ vector of constants and ϕ_j an $(n \times n)$ matrix of autoregressive coefficient for $j=1, 2, \dots, p$. The $(n \times 1)$ vector ε_t is a vector generalization of white noise: $E(\varepsilon_t) = 0$;

$$E(\varepsilon_t \varepsilon_\tau) = \Omega; \text{ for } t = \tau \\ = 0; \text{ otherwise}$$

where $\Omega(n \times n)$ is a symmetric positive definite matrix (Hamilton, 1994).

The lag length for this analysis is selected using the criterions such as Akaike Information Criterion (AIC), Hannon–Quinn Information Criterion (HIC), and Schwarz Information Criterion (SIC).

Impulse Response Function

A VAR is written in vector $MA(\infty)$ form as:
 $y_t = \mu + \psi_1 \varepsilon_{t-1} + \psi_2 \varepsilon_{t-2} + \dots$ (Hamilton, 1994) (3)

Thus, the matrix ψ_s has the interpretation:

$$\partial y_{t+s} / \partial \varepsilon_t = \psi_s; \dots \dots \dots (4)$$

that is, the row i , column j element of ψ_s identifies the consequences of a one-unit increase in the j th variable's innovation at time t (ε_{jt}) for the value of the i th variable at time $t+s$ ($y_{i,t+s}$), holding all other innovations at all times constant.

If the first element of ε_t is changed by δ_1 , at the same time second element is changed by δ_2, \dots , and the n th element by δ_n , then the combined effect of these changes on the value of the vector y_{t+s} would be given by:

$$\Delta y_{t+s} = (\partial y_{t+s} / \partial \varepsilon_{1t}) \delta_1 + (\partial y_{t+s} / \partial \varepsilon_{2t}) \delta_2 + \dots + (\partial y_{t+s} / \partial \varepsilon_{nt}) \delta_n = \psi_s \delta \dots \dots \dots (5)$$

Where $\delta = (\delta_1, \delta_2, \dots, \delta_n)'$.

A plot of the row i , column j element of ψ_s :

$$\partial y_{i,t+s} / \partial \varepsilon_{jt} \dots \dots \dots (6)$$

As a function of s is called the impulse response function. It describe the response of $y_{i,t+s}$ to a one-time impulse in y_{jt} with all other variables at time t or earlier held constants.

Results of the Analysis

In order to evaluate the crowding-in and crowding-out impacts of FDI on domestic investment of India and China three variables FDI, GDP (Gross Domestic Product) and DINV (Domestic Investment) are considered.

Impact of FDI on Indian Economy (1982-2012): Here, an attempt is done to check the impact of FDI from 1982 to 2012 on Indian economy. For this purpose, three variables viz. FDI, GDP and DINV (GCF - FDI) as a proxy for domestic investment from the World Bank data are considered.

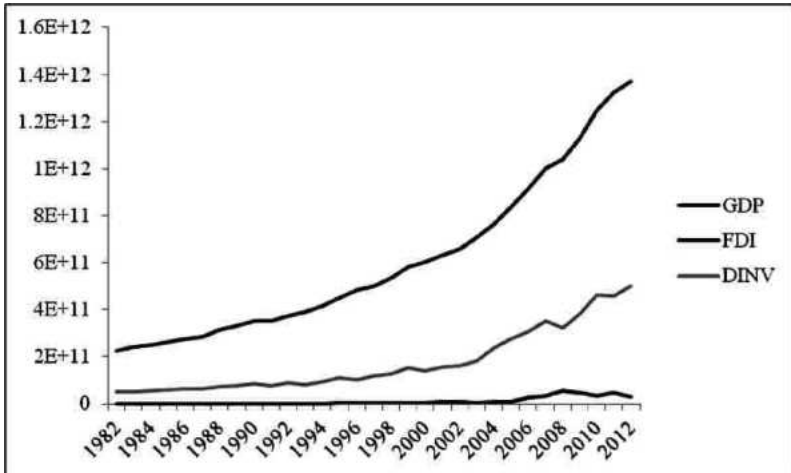
Table 1: Economic Indicators - India (in crores)

Year	GDP	FDI (constant)	Dinv
1982	22373561.37	93316624.03	50153063.05
1983	24004346.30	7301689.23	50764012.06
1984	24921489.44	24908599.42	54811073.22

Year	GDP	FDI (constant)	Dinv
1985	26230939.08	13734684.58	59800942.15
1986	27483876.72	15241628.95	63462435.78
1987	28573710.18	27487493.91	63306617.00
1988	31324724.97	11813459.96	72006085.34
1989	33187713.90	32637515.15	75007156.80
1990	35024140.97	30642496.87	84528316.05
1991	35394287.10	95203720.22	76274149.49
1992	37334742.08	35798012.36	87623174.35
1993	39108432.14	71252320.61	81318882.29
1994	41712632.93	12600223.05	94537091.28
1995	44872152.91	27751961.49	11076613.83
1996	48259786.07	31408358.91	10033549.16
1997	50214220.96	46313035.88	11773490.22
1998	53319677.19	34108878.77	12527811.21
1999	58036205.49	28075138.19	15415285.28
2000	60265371.02	46402200.18	14169584.97
2001	63172552.18	70841236.91	15533054.33
2002	65575620.47	72836156.16	15977623.13
2003	70730114.41	55963404.47	18105243.06
2004	76334016.54	74716699.03	23842035.10
2005	83421501.35	94111617.78	27655470.29
2006	91149639.83	25930213.54	30374361.92
2007	10008354.45	32660482.96	35372522.65
2008	10397775.22	56194883.99	32383044.88
2009	11279484.09	46064561.60	38206039.79
2010	12469062.70	35468712.82	46188193.45
2011	13258418.90	47252098.07	45737400.40
2012	13687586.40	31065431.70	49951613.56

Source: Derived from World Bank

Figure 1: Economic Indicators of India (1982-2012)



Source: World Bank

It is evident from the Chart 1 that the GDP and DINV improved significantly since liberalisation. However, FDI also improved consistently during last three decades. Let's see the impact of FDI on India's economy.

Unit Root Test: To check crowding-in and crowding-out impact of FDI on DINV, a multiple regression analysis is performed and desired lag length of dependent variables was considered. For assessing the lag length of the dependent variables, Unit Root Test of all three variables was performed. The results are as follows:

Table 2: Unit Root Test Results

Variable	ADF statistics	Critical values	
GDP	-5.468838	1%	-3.711457
		5%	-2.981038
		10%	-2.629906
FDI	-7.822209	1%	-3.724070
		5%	-2.986225
		10%	-2.632604
DINV	-5.026716	1%	-3.737853
		5%	-2.991878
		10%	-2.635542

Source: Derived from Eviews software

As per the results obtained in Augmented Dickey Fuller test, multiple regression analysis is performed for the model as follows:

The Regression equation is as follows:

$$DINV_t = \beta_0 + \beta_1 DINV_{t-1} + \beta_2 FDI_t + \beta_3 FDI_{t-1} + \beta_4 GDP_t + \varepsilon \dots \dots \dots (7)$$

Table 3: Empirical Analysis of Economic Indicators of India

Dependent Variable: DINV				
Method: Least Squares				
Sample (adjusted): 1983 2012				
Included observations: 30 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI	-1.178193	0.531619	-2.216238	0.0360
FDI(-1)	1.313785	0.486275	2.701735	0.0122
DINV(-1)	0.567369	0.170972	3.318488	0.0028
GDP	0.186848	0.055359	3.375185	0.0024
C	-2.96E+10	1.14E+10	-2.603679	0.0153
R-squared	0.988255	Mean dependent var	1.80E+11	
Adjusted R-squared	0.986376	S.D. dependent var	1.37E+11	
S.E. of regression	1.60E+10	Akaike info criterion	49.97436	
Sum squared resid	6.36E+21	Schwarz criterion	50.20789	
Log likelihood	-744.6154	Hannan-Quinn criter.	50.04907	
F-statistic	525.9139	Durbin-Watson stat	1.557421	
Prob(F-statistic)	0.000000			

Source: Derived from Eviews software

The regression results in Table 3 explain 98 percent of variation in the dependent variable due to independent variables. Model is statistically significant as Prob (F-stat) is less than 0.00.

To test crowding-in and crowding-out impact,

$$\beta_{LT} = \frac{\beta \sum_2 FDI}{1 - \beta_1 DINV_{t-1}} \dots \dots \dots (8)$$

And the value of β_{LT} is obtained as

$$\beta_{LT} = 0.313$$

As the long term coefficient β_{LT} is less than 1, it shows crowding-out impact on Indian economy since 1982 to 2012. In other words,

US \$1 of FDI crowds out US \$ 0.313 of domestic investment from India.

Granger Causality Test: To check the causality between different variables, Granger causality test was performed for variables viz. FDI, GDP and DINV for India.

The Granger Causality results indicate causation between GDP and FDI while opposite is not true. The P-Value is 0.00 and 0.77 respectively. This infers that in the post liberalisation period growth of Indian economy has attracted a considerable amount of FDI but how much growth took place because of FDI is quite ambiguous. The result showed that there is a single directional causality between DINV and FDI. But crowding in DINV FDI is found to be instrumental in crowding out DINV. There is a single directional causality between GDP and FDI. Thus, it is concluded that though the growth of Indian economy has been instrumental in attracting FDI, FDI has not promoted the spurt in domestic investment.

Table 4: Result of Granger Causality Test

Null Hypothesis	India	
	F-Statistic	Prob.
GDP does not Granger Cause FDI	14.0723	0.0009
FDI does not Granger Cause GDP	0.25566	0.7765
DINV does not Granger Cause FDI	10.1467	0.0006
FDI does not Granger Cause DINV	0.39903	0.6753
DINV does not Granger Cause GDP	1.32169	0.2854
GDP does not Granger Cause DINV	2.05615	0.1499

Source: Derived from Eviews software

Co-integration: Test of co-integration has been conducted to examine whether there is any long term causality among variables and if there is long run causality then Vector Error Correction Model (VECM) can be applied or else unrestricted VAR model can be used. Table 5 gives the information about co-integration test results. It shows that there exists some co-integration among the variables in the model.

Table 5: Johansen Test of Co-Integration

<u>Hypothesed number of co-integration</u>	<u>Trace statistics</u>	<u>Eigenvalue</u>
None	53.07560	0.622877
At most 1	24.79404	0.510918
At most 2	4.052725	0.130435

Source: Derived from Eviews software

VAR: Table 6 presents the estimates of VAR equation of FDI, GDP and DINV. The meticulous examination of the table reveals that R² values are 0.65, 0.78 and 0.36 for FDI, GDP and DINV respectively.

$$FDI = C(1)* FDI (-1)+C(2)* FDI (2) + C(3)*GDP(1) + C(4)*GDP (-2) + C(5)*DINV(-1) + C(6)*DINV(-2) + C(7) \dots\dots\dots(9)$$

Table 6: Results of VAR

Vector Error Correction Estimates			
Sample (adjusted): 1985 2012			
Standard errors in () & t-statistics in []			
<u>Cointegrating Eq:</u>	<u>CoIntEq1</u>		
FDI(-1)	1.000000		
GDP(-1)	-0.078608		
	(0.06443)		
	[-1.22001]		
DINV(-1)	0.029297		
	(0.12900)		
	[0.22710]		
@TREND(\$2)	1.87E+09		
	(7.9E+08)		
	[2.35893]		
C	9.18E+08		
<u>Error Correction:</u>	<u>D(FDI)</u>	<u>D(GDP)</u>	<u>D(DINV)</u>
CoIntEq1	-0.639205	3.050898	1.798987
	(0.26335)	(0.81499)	(1.19691)
	[-2.42725]	[3.74347]	[1.50303]
D(FDI(-1))	0.448500	-0.219137	-0.143887
	(0.25594)	(0.79207)	(1.16324)
	[1.75237]	[-0.27666]	[-0.12369]
D(FDI(-2))	0.805088	-0.166509	-0.664262
	(0.26388)	(0.81664)	(1.19932)
	[3.05100]	[-0.20390]	[-0.55386]
D(GDP(-1))	0.013022	0.071344	0.564446
	(0.12696)	(0.39292)	(0.57705)

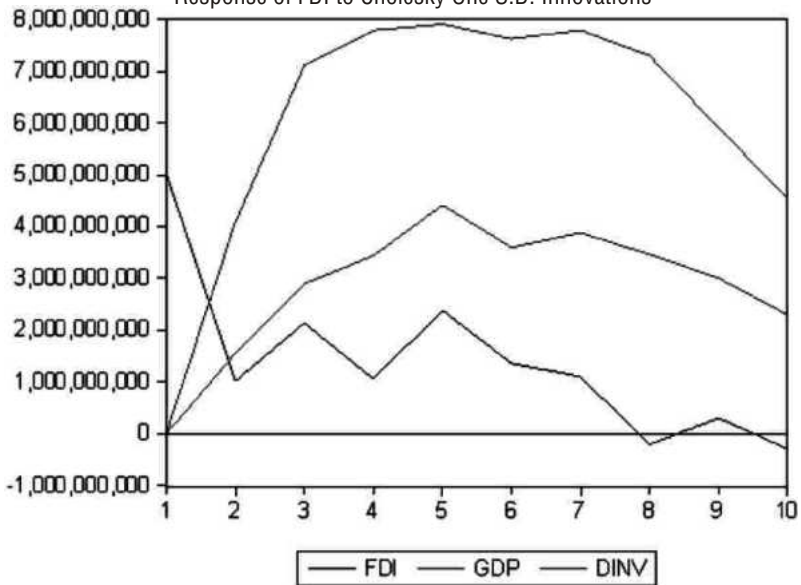
	[0.10256]	[0.18157]	[0.97817]
D(GDP(-2))	-0.090796	-0.895263	-0.529508
	(0.13350)	(0.41315)	(0.60676)
	[-0.68013]	[-2.16692]	[-0.87269]
D(DINV(-1))	0.212056	0.582543	-0.455862
	(0.10501)	(0.32499)	(0.47728)
	[2.01936]	[1.79251]	[-0.95513]
D(DINV(-2))	0.258609	0.705108	-0.045511
	(0.11253)	(0.34824)	(0.51143)
	[2.29821]	[2.02476]	[-0.08899]
C	-4.73E+09	5.17E+10	2.17E+10
	(3.9E+09)	(1.2E+10)	(1.8E+10)
	[-1.20740]	[4.25891]	[1.21838]
R-squared	0.657242	0.783419	0.360100
Adj. R-squared	0.537276	0.707615	0.136136
Sum sq. resid	5.07E+20	4.86E+21	1.05E+22
S.E. equation	5.04E+09	1.56E+10	2.29E+10
F-statistic	5.478590	10.33486	1.607843
Log likelihood	-660.5380	-692.1700	-702.9308
Akaike AIC	47.75271	50.01214	50.78077
Schwarz SC	48.13334	50.39277	51.16140
Mean dependent	1.11E+09	4.00E+10	1.59E+10
S.D. dependent	7.40E+09	2.88E+10	2.46E+10
Determinant resid covariance (dof adj.)		3.26E+59	
Determinant resid covariance		1.19E+59	
Log likelihood		-2023.557	
Akaike information criterion		146.5398	
Schwarz criterion		147.8720	

Source: Derived from Eviews software

Impulse Response Function: Impulse Response Function shows how the shock of one standard deviation to variables leads to responses in the FDI. Given a shock in FDI itself, immediately it fluctuates over a period of 10 years. This movement can be observed with the help of Figure 3. When a shock is given in GDP, FDI increases till 7th period and from 8th period it declines continuously and the same phenomenon is evident in Figure 3. Lastly, when an impulse in DINV is given FDI initially shows an increase but ultimately it decreases from the 7th period which can be captured in Figure 3.

Figure 3: Impulse Response Function of India

Response of FDI to Cholesky One S.D. Innovations



Source: Derived from Eviews software

Impact of FDI on China's Domestic Investment (1982-2012): To assess the impact of FDI on domestic investment in the case of Chinese economy, FDI, GDP and DINV variables were taken into consideration. All variables show an increasing trend over the years sparing a few isolated years.

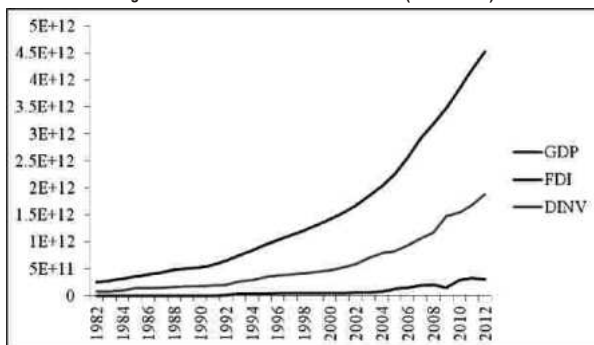
Table 7: Economic Indicators - China (in crores)

Year	GDP	FDI (constant)	Dinv
1982	24826031.90	50842146.95	69541530.79
1983	27532069.38	75199082.47	80613575.27
1984	31716943.92	14874283.92	97560841.69
1985	35998731.35	19615609.72	13289931.83
1986	39166619.71	22169540.82	14010214.75
1987	43709947.60	27360169.31	15053772.16
1988	48649171.68	37765073.80	16987285.58
1989	50643787.72	40118001.07	17316526.29

Year	GDP	FDI (constant)	Dinv
1990	52568251.65	41229434.05	17357873.90
1991	57404530.80	51622514.79	18451963.85
1992	65555974.17	13190581.19	20562935.21
1993	74733810.56	32533062.17	26098729.96
1994	84523939.74	39948921.37	29769902.08
1995	93737049.18	42387216.15	34779577.17
1996	10311075.40	47507848.01	37568991.37
1997	11270005.42	52304745.46	38905114.19
1998	12149065.84	51730110.96	41414245.04
1999	13072394.85	45820598.16	44396389.25
2000	14170476.01	45402391.94	47011133.47
2001	15346625.52	52309474.96	52338899.72
2002	16743168.45	58300544.04	58734728.16
2003	18417485.29	58476564.84	69644009.97
2004	20277651.31	73435029.05	78641440.93
2005	22569025.90	12309557.00	82703805.94
2006	25435292.19	14671156.02	93169010.92
2007	29047103.69	18474538.74	10511029.25
2008	31835625.64	2028183.69	11677374.09
2009	34764503.20	15495864.98	14828555.06
2010	38380011.53	28814897.28	15478406.96
2011	41949352.61	33115053.31	16795535.08
2012	45221402.11	29970256.67	18802639.65

Source: Derived from World Bank

Figure 4: Economic Indicators of China (1982-2012)



Source: World bank

Unit Root Test: To check the crowding-in and crowding-out impact of FDI on DINV in China, a multiple regression analysis is performed and desired lag length of dependent variables are taken into consideration. Augmented Dickey Fuller Test for testing Unit Root of all three variables was performed. The results are as follows:

As per the results given in Table 8, FDI, DINV and GDP have no unit root at second difference. As per the results obtained in Augmented Dickey- Fuller Test, multiple regression is performed for the model as follows:

Table 8: Unit Root Test Results

Variable	ADF statistics	Critical values	
GDP	-5.035286	1%	-3.699871
		5%	-2.976263
		10%	-2.627420
FDI	-7.645712	1%	-3.689194
		5%	-2.971853
		10%	-2.625121
DINV	-4.782302	1%	-3.724070
		5%	-2.986225
		10%	-2.632604

Source: Derived from Eviews software

The Regression equation is as follows:

$$DINV_t = \beta_0 + \beta_1 DINV_{t-1} + \beta_2 FDI_t + \beta_3 FDI_{t-1} + \beta_4 GDP_t + \varepsilon \dots\dots\dots(10)$$

Table 9: Empirical Analysis of China's Economic Indicators

Dependent Variable: DINV				
Method: Least Squares				
Date: 07/16/14 Time: 23:00				
Sample (adjusted): 1983 2012				
Included observations: 30 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI	-1.187701	0.291083	-4.080279	0.0004
FDI(-1)	0.819511	0.225162	3.639649	0.0012
DINV(-1)	0.876473	0.151982	5.766971	0.0000
GDP	0.121232	0.048015	2.524856	0.0183
C	-2.76E+10	1.29E+10	-2.143964	0.0419

R-squared	0.997380	Mean dependent var	5.89E+11
Adjusted R-squared	0.996961	S.D. dependent var	5.15E+11
S.E. of regression	2.84E+10	Akaike info criterion	51.12713
Sum squared resid	2.01E+22	Schwarz criterion	51.36066
Log likelihood	-761.9070	Hannan-Quinn criter.	51.20184
F-statistic	2379.182	Durbin-Watson stat	1.228993
Prob(F-statistic)	0.000000		

Source: Derived from Eviews software

The results in Table 9 shows that the model explains 99 percent variation in the dependent variable due to independent variables. Prob. (F-stat) is 0.00000 which is less than 0.05 indicates the model is statistically significant.

The value of β_{LT} is estimated as,

$$\beta_{LT} = -2.98064$$

As the β_{LT} is less than 1, it shows crowding-out impact on China's economy since 1982 to 2012. In other words, US \$ 1 of FDI has crowded out US\$ 2.98 of domestic investment in China during the same period. The extent of crowding out experienced in the case of China is much higher when compared to India.

Granger Causality Test: To check the causality between different variables, Granger causality test was performed for variables viz. FDI, GDP and DINV for China as done earlier in the case of India.

The result showed that while there is a bi-directional causality between GDP and FDI. There is only single directional from DINV and FDI and DINV GDP. Rather than crowding in DINV, FDI is found to be instrumental in crowding out DINV.

Table 10: Granger Causality Tests for China

Null Hypothesis	china	
	F-Statistic	Prob.
GDP does not Granger Cause FDI	8.43140	0.0017
FDI does not Granger Cause GDP	5.43907	0.0113
DINV does not Granger Cause FDI	33.0855	0.0001
FDI does not Granger Cause DINV	2.17020	0.1360
DINV does not Granger Cause GDP	1.36595	0.2743
GDP does not Granger Cause DINV	5.74363	0.0092

Source: Derived from Eviews software

Co-integration Test: To assess the long term relation between FDI, DINV and GDP, Johansen Co-integration test was performed. The following table represents the result for co-integration test for China. From Table 11, it is evident that there is a long run relationship among the variables.

Table 11: Co-integration Test for China

<u>Hypothesed number of co-integration</u>	Trace statistics	<u>Eigenvalue</u>
None	56.56276	0.720053
At most 1	19.64127	0.352059
At most 2	7.056556	0.215987

Source: Derived from Eviews software

VAR: Table 12 presents the estimates of VAR equation of FDI, GDP and DINV. The meticulous examination of the table reveals that R² values are 0.91, 0.93 and 0.91 for FDI, GDP and DINV respectively. In other words, it can be said that lagged values of FDI and GDP significantly affect the current FDI. The model equation can be written as follows:

$$FDI = C(1)* FDI (-1)+C(2)* FDI (2) + C(3)*GDP(1) + C(4)*GDP (-2) + C(5) *DINV(-1) + C(6)*DINV(-2) + C(7) \dots\dots\dots (11)$$

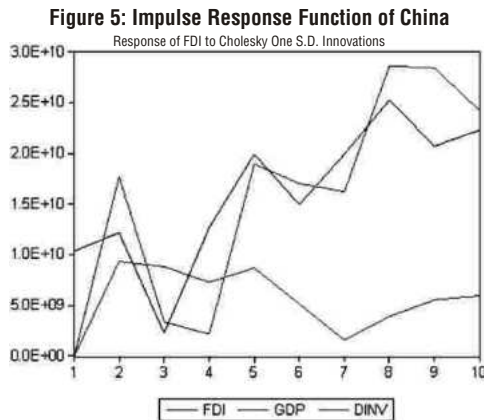
Table 12: Results of VAR

Vector Error Correction Estimates			
Sample (adjusted): 1985 2012			
Standard errors in () & t-statistics in []			
Cointegrating Eq:	CoIntEq1		
FDI(-1)	1.000000		
GDP(-1)	2.889344		
	(0.53043)		
	[5.44714]		
DINV(-1)	-6.629028		
	(1.14589)		
	[-5.78505]		
@TREND(82)	-2.91E+10		
	(8.5E+09)		
	[-3.41133]		
C	-2.45E+11		
Error Correction:	D(FDI)	D(GDP)	D(DINV)
CoIntEq1	-0.090147	-0.023168	0.252372
	(0.02496)	(0.07954)	(0.05474)
	[-3.61219]	[-0.29128]	[4.61077]
D(FDI(-1))	-0.407973	-0.060547	1.052298
	(0.27568)	(0.87860)	(0.60463)
	[-1.47990]	[-0.06891]	[1.74041]
D(FDI(-2))	-0.730712	-0.317291	1.331696
	(0.25294)	(0.80613)	(0.55475)
	[-2.88892]	[-0.39360]	[2.40053]
D(GDP(-1))	0.652514	1.030843	-1.197241
	(0.12533)	(0.39943)	(0.27487)
	[5.20649]	[2.58080]	[-4.35561]
D(GDP(-2))	-0.208841	0.044900	0.225098
	(0.15735)	(0.50150)	(0.34511)
	[-1.32722]	[0.08953]	[0.65224]
D(DINV(-1))	-0.069304	0.130761	1.249752
	(0.17963)	(0.57251)	(0.39398)
	[-0.38581]	[0.22840]	[3.17212]
D(DINV(-2))	-0.252044	-0.140824	0.874632
	(0.20008)	(0.63768)	(0.43883)
	[-1.25969]	[-0.22084]	[1.99308]
C	-2.43E+10	4.06E+09	5.88E+10
	(7.6E+09)	(2.4E+10)	(1.7E+10)
	[-3.20739]	[0.16787]	[3.53174]
R-squared	0.915420	0.937371	0.918992

Adj. R-squared	0.885818	0.915450	0.890639
Sum sq. resid	2.15E+21	2.18E+22	1.03E+22
S.E. equation	1.04E+10	3.30E+10	2.27E+10
F-statistic	30.92340	42.76279	32.41262
Log likelihood	-680.7359	-713.1909	-702.7267
Akaike AIC	49.19542	51.51364	50.76619
Schwarz SC	49.57605	51.89427	51.14682
Mean dependent	1.07E+10	1.50E+11	6.37E+10
S.D. dependent	3.07E+10	1.14E+11	6.87E+10
Determinant resid covariance (dof adj.)		2.28E+61	
Determinant resid covariance		8.30E+60	
Log likelihood		-2082.987	
Akaike information criterion		150.7848	
Schwarz criterion		152.1170	

Source: Derived from Eviews software

Impulse Response Function: Impulse Response Function shows how the shock of one standard deviation to variables leads to responses in the FDI. Given a shock in FDI itself, it shows drastic fluctuations by way of increase and decrease in value of FDI over the period. This movement can be observed with the help of Figure 5. When a shock is given in GDP, FDI fluctuates over a period of 10 years which is evident in figure. Lastly, when an impulse in DINV is given FDI initially shows an increase but ultimately decreases till the 8th period and eventually takes up negative value at times as captured in Figure 5.



Source: Derived from Eviews software

Conclusion

As per the empirical results, India and China showed crowding-out impact during the period 1982-2012. It shows both countries have to take certain pro-active steps towards the massive inflow of FDI. India showed a single directional causality between GDP and FDI, DINV and FDI. Both India and China showed existence of long run relationship among the variables evident from Johansen Cointegration test. For India with shock in GDP, FDI increases till 7th period and from 8th period and when an impulse in DINV is given FDI initially shows an increase but ultimately decreases from the 7th period. The result of Chinese economy shows a bi-directional causality between GDP. VAR estimates show lagged values of FDI and GDP significantly affect the FDI in the current period. Impulse Response Function of Chinese economy shows drastic fluctuations by way of increase and decrease in value of FDI over the period with one impulse in GDP and FDI itself. The extent of crowding out experienced in the case of China is much higher when compared to India, which is a startling revelation contradicting the popular belief.

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Economic Relations between India and China: Integration through Bilateral Trade

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Abstract

This paper analyses the current economic relationship between India and China and to investigate where India and China are cooperating, why they do so, and what is being done to improve relations between the two countries. This paper will look at people-to-people interaction and performance of bilateral trade between India and China. India's first Prime Minister Jawaharlal Nehru saw China as a natural friend, close to India, as both nation states had just fought off imperialism. The phrase, 'Hindi-Chini bhai, bhai!' (India and China are brothers) was coined during this era, in the light of the 1954 Panchsheel Agreement with China. India and China together are home to the world's largest pools of skilled human resources, and there is a general consensus that these two countries will continue to be the engines of global economic growth in the 21st century. A Joint Study Group (JSG) was set up after ex-Prime Minister Vajpayee's visit to China in June 2003 to examine the potential complementarities between the two countries in expanded trade and economic cooperation. As per its recommendation, a Joint Task Force (JTF) was set up to study the feasibility of an India-China Regional Trading Arrangement (RTA). Both countries agreed to set up the India-China Strategic and Economic Dialogue (SED) in December 2010. The first SED took place in Beijing on September 26, 2011. The Global Value Chain (GVC) has emerged as an important vehicle of trade in the global economy. While the 1950s and 1960s, usage of this trade process was mostly in the domain of developed countries, currently, it is an important source of trade engagement between North-South and South-South. India and China officially resumed trade in 1978. In 1984, the two sides signed the Most Favoured Nation Agreement. India-China bilateral trade which was as low as US\$ 2.92 billion in 2000 reached US\$ 61.7 billion in 2010, making China India's largest goods trading partner. In 2008, bilateral trade stood at US\$ 51.8 billion and China became India's largest goods trading partner, replacing the USA.

Key Words: Economic Relations, Bilateral Trade, Trade Agreements, Trade Policy.

"...the gathering momentum of India-China relations is visible in the expansion of our bilateral economic ties. The process of engagement in the Asian region has truly taken off".

- Dr. Manmohan Singh¹

The inheritance of relations between India and China began to change in the 1980s, with the opening of both economies. The two neighbours have emerged as frontrunners of the developing world, defying global economic trends and building international alliances after decades of inward-looking policies. The rise of these two nations attracted increased attention during the global economic downturn, which saw Western countries experience shrinking economies, job losses and government bailouts of multinational corporations. In the last quarter century a great deal of reforms have taken place in both China and India, in market liberalization and macro-economic policy, trade and industrial policy, tax and financial policy, privatization and deregulation. In the more optimistic Asian Century scenario, the region's gross domestic product (GDP) is likely to reach to \$148 trillion and account for 51% of global output as well as half of global trade and investment by 2050. The report argues that China and India are significant contributors to this global and regional growth and it is essential for the major economies in the region to sustain their growth momentum to lift standard of living of millions of people. This paper analyses the current economic relationship between India and China and to investigate where India and China are cooperating, why they do so, and what is to be done to improve relations between the two countries. This paper will look at people-to-people interaction and performance of bilateral trade between India and China.

Economic Relations

India-China economic cooperation has the potential to benefit nearly two fifths of humanity with spillover effects on the rest of the world. This cooperation could also be instrumental in promoting broader regional economic integration in Asia. Both China and India are great ancient countries and civilizations with a long history. These two countries had a centuries-old traditional friendship. Nevertheless, due to numerous historical, political

¹ Keynote address delivered at special leaders' dialogue of ASEAN Business Advisory Council on December 12, 2005.

and economic reasons, relations between China and India were basically left at a standstill in the past few decades. After China began to implement its reform and opening-up policies in 1978, highlighted differences in economic development began to emerge between China and India. India and China together are home to the world's largest pools of skilled human resources, and there is a general agreement that these two countries will continue to be the engines of global economic growth in the 21st century. India-China Joint Economic Group on Economic Relations and Trade, Science and Technology (JEG) is a ministerial-level dialogue mechanism established in 1988 during the visit of former Prime Minister Rajiv Gandhi to China. During Chinese Prime Minister Wen Jiabao's visit to India in December 2010, India and China agreed to set up the Strategic Economic Dialogue (SED) mechanism.

The SED is a forum for both sides to discuss strategic macro-economic issues impacting both nations as a result of the changing international economic and financial landscape, to share their individual best practices and in handling challenging domestic economic issues and to identify specific fields for enhancing cooperation, learning and experience sharing. The first India-China SED took place in Beijing from September 26-27, 2011. The Indian side was led by Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, while the Chinese side was led by Mr. Zhang Ping, Chairman, National Development and Reforms Commission. Some of the issues that was discussed during the SED included introduction to the 12th plan priorities of the two countries, a discussion on each country's monetary and fiscal policies, investment policies of the two countries, policies on energy conservation and environment protection etc. Thus, economic cooperation between India and China also has to look beyond just promoting trade and investment. It could cover much broader areas including:

- to strengthen cooperation and information exchange between Government agencies and related institutions;

- exchange development experiences and promote technology and industrial cooperation in the fields, such as agriculture and rural development, electrical and electronics sector and project contracting;
- mutual cooperation in energy security is also of strategic importance; exchange experiences in the management of economy, such as city management, poverty relief and social security, development of micro, small and medium enterprises (MSMEs), disaster management, water resource management;
- improved bargaining strength in the process of formulating international rules shall be enabled, so as to protect and promote the two countries' common interests as developing major powers. Despite the increasing power of both China and India, each of them individually has no effective means to counterbalance today's global system;
- broader gains from trade shall be obtained through enlargement of the scope and scale of their common markets. The bilateral trade and investment are presently insignificant considering the economic scale of the two countries. There is thus a lot of room for China and India to enlarge the scale of their common markets; and
- rapid economic development shall be derived from deepening the international division of labor. China's advantages in industrial and mechanical equipment and processing, and India's advantages in software and the high-tech industry, create complementary spaces for the two countries to cooperate in vertical and horizontal specialization.

The Chinese economy, since implementing reforms in the late 1970s has made remarkable progress. The GDP growth rate has averaged 9.4% over the last 20 years. China now has the distinction of recording the largest GDP in the developing world and is also the fastest growing economy in the world. Table-1

shows the GDP reached US\$ 1641 billion in 2003, and it has been increased gradually up to US\$ 9761 billion in 2014, the seventh largest in the world. Since 1980, it has been maintaining an average GDP growth of about 9% per annum and has taken major strides in elevating large sections of its population above the poverty line. In order to improve the sustainability of development, the Chinese Government is emphasizing the need for a balance between urban and rural development, between development of different regions, between economic and social development, between man and nature, and between domestic and external economies. With growing industrialization, the share of industry has gone up to 51 per cent of the Chinese GDP with the primary sector accounting for 15.4% and services accounting for 33.5%.

India's development strategy adopted since the early 1950s was based initially on import substitution in the framework of a mixed economy. Since 1991 India has embarked on a far-reaching economic reform program covering trade, investment, monetary and exchange rate policies. Along with structural change, the Indian economy has sustained an average GDP growth of about 6% over the past two decades. With a GDP growth of 8.4% 2003 (Table-1), India has emerged as one of the top three fastest growing economies in the world. The speed of recovery in India was slow in comparison to China, though both countries revived from the global recession in 2010. With a rebounding of the economy, India could post a robust GDP growth of 10.5% in 2010, allowing per capita income to rise from \$1159 in 2009 to \$1432 in 2010. The per capita income, however, was stagnated at \$1501 in 2012 (Table-1). During the last decade, India's share in World Gross Product has increased from 4.0 per cent in 2003 to 5.7 per cent in 2011 but remained stagnant in 2012.

Table-1: Basic Economic Indicators of China and India

Macroeconomic Indicators	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
CHINA												
Growth Rate, GDP (%)	10.0	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.3	7.7	7.6	7.3
GDP per capita PPP,(international \$)	3217	3614	4102	4740	5526	6145	6730	7487	8305	9055	9828	10661
GDP, current prices (US\$ Billions)	1641	1932	2257	2713	3494	4520	4991	5930	7322	8221	8939	9761
GDP per capita, current prices (US\$)	1270	1486	1726	2064	2645	3404	3740	4423	5434	6071	6569	7138
Population (Millions)	1292	1300	1308	1314	1321	1328	1335	1341	1347	1354	1361	1368
GDP, World share, PPP (%)	8.4	8.8	9.3	10.0	10.8	11.6	12.7	13.4	14.1	14.7	15.4	16.0
Inflation	1.2	3.9	1.8	1.5	4.8	5.9	-0.7	3.3	5.4	2.7	2.7	3.0
Volume, Export of goods (% Change)	20.0	18.5	24.5	24.2	19.3	8.2	-10.7	28.4	9.4	5.7	6.5	6.8
Volume, Import of goods (% Change)	24.4	20.0	13.6	16.0	12.9	3.4	2.5	22.3	9.8	5.1	7.6	6.8
Current account balance (% GDP)	2.6	3.6	5.9	8.5	10.1	9.3	4.9	4.0	4.9	2.3	2.5	2.7
Current account balance (US\$ Billions)	43.1	68.9	132.4	231.8	353.2	420.6	243.3	237.8	136.1	193.1	223.7	258.9
GDP based on PPP (Bill International \$)	4158	4698	5364	6230	7301	8161	8982	10040	11189	12261	13374	14579
GDP, Constant Prices (LC Billion)	6784	7468	8313	9367	10693	11723	12804	14141	15456	16647	17912	19211
INDIA												
Growth Rate, GDP (%)	8.4	7.9	9.3	9.3	9.8	3.9	8.5	10.5	6.3	3.2	3.8	5.1
GDP per capita PPP, (international \$)	1848	2042	2260	2509	2789	2914	3141	3466	3707	3843	3991	4209
GDP, current prices (US\$ Billions)	618	722	834	949	1238	1223	1365	1711	1873	1842	1758	1750
GDP per capita, current prices (US\$)	572	658	749	840	1081	1053	1159	1432	1547	1501	1414	1389

Population (Mill)	1081	1097	1114	1130	1146	1162	1178	1195	1211	1227	1243	1260
GDP, World share, PPP (%)	4.0	4.2	4.4	4.5	4.7	4.8	5.2	5.5	5.7	5.7	5.7	5.8
Inflation	3.9	3.8	4.4	6.7	6.2	9.1	12.4	10.4	8.4	10.4	10.9	8.9
Volume, Export of goods (% Change)	12.9	15.5	11.5	10.6	18.3	1.2	3.9	19.5	12.3	2.1	3.4	8.4
Volume, Import of goods (% Change)	11.4	29.1	14.2	6.5	21.7	10.4	4.5	7.3	15.1	1.9	3.8	5.0
Current account balance (%GDP)	2.3	-0.3	-1.2	-1.0	-1.3	-2.3	-2.8	-2.7	-4.2	-4.8	-4.4	-3.8
Current account balance (US\$ Billions)	14.1	-2.5	-9.9	-9.6	-15.7	-27.9	-38.2	-45.9	-78.2	-88.2	-77.6	-66.1
GDP based on PPP (Bill International \$)	1997	2241	2518	2836	3196	3385	3701	4141	4489	4716	4962	5302
GDP, Constant Prices (LC Billion)	30058	32422	35432	38715	42509	44164	47908	52961	56314	58137	60343	63449

Source: World Economic Outlook, 2013, The World Bank, Washington, D.C. Note: * IMF projected figures.

Bilateral Trade

The rise of China and India as economic powers is reshaping global economic dynamics. It is expected that the resurgence of world's two most populous nations could strengthen the relative positions of developing countries in multilateral trading systems. In the year 1984, China and India entered into a Trade Agreement, which provided them with the rank of Most Favored Nation (MFN). It was in 1992 that the China and India got involved in a full-grown bilateral trade relation. But India-China bilateral trade relations have been started on 14th October, 1954. Table-2 presents the bilateral trade agreements between India-China since 1954 to 2011. The year 1994 marked the commencement of a new epoch in the China-India economic relations. The governments of both countries also took the necessary initiatives to turn into dialogue partners in the Associations of Southeast Asian Nations (ASEAN). In 2003, Bangkok agreement was signed between two countries. Under this agreement both countries offered some trade preferences to each other. India provided concessions on 188 products exported from China. On the other hand, China provided preferences on tariff for 217 products exported from India. From 1994 to 2004, bilateral trade increased from US\$ 1.99 billion to US\$ 13.6 billion. In the field of economic and social development, China's hardware and India's software are complementary. Since 1990s, bilateral trade has developed rapidly. It amounted to 1987 billion US dollars in 1999 and reached 2.914 billion in 2000, which witnessed an increase of 46.6 over the previous year. Now, India is the biggest trade partner of China in south Asia. The main items China exports to India include petroleum, chemical, mechanical and electrical products and those China imports from India include iron ore and chromium mineral. Table-3 shows the export potential of India in China.

Table-2: India-China Bilateral Agreements

No.	Name of the Agreement/MOU/Protocol	Date
1	Trade Agreement between the Republic of India and the People's Republic of China (PRC)	14 th October, 1954
2	Protocol between the Government of India and China regarding the handing over of Postal, telegraph and public telephone services in the Tibet region of China	1 st April, 1955
3	Trade Agreement between the Government of India and the Government of People's Republic of China	15 th August, 1984
4	Agreement between the Government of the PRC and the Government of the Republic of India relating to Civil Air Transport	22 nd December, 1988
5	Trade protocol between the GOI and the Govt. of PRC for the period 20 th Sept, 1989 to 19 th Sept, 1990	20 th September, 1989
6	MOU between the GOI and the Govt. of PRC on Resumption of Border Trade	13 th December, 1991
7	Trade Protocol between the Government of the PRC and GOI for 1994-95	15 th June 25, 1994
8	Agreement between India and China on Maritime Transport	29 th November, 1996
9	Agreement of Cooperation between Doordarshan of India and China Central Television	2 nd June, 1997
10	Memorandum of Understanding on Cooperation in the field of Steel between GOI and PRC	22 nd February, 2000
11	Agreement of the GOI and the Govt. of PRC on Cooperation in the field of Tourism	14 th January, 2002
12	MOU between the GOI and the Government of the PRC on Expanding Border Trade	23 rd June, 2003
13	MOU between Ministry of Information and Broadcasting of the Republic of India and the State Administration of Radio, Film & Television of the PRC	21 st July, 2004
14	Report of India-China Joint Study Group on Comprehensive Trade and Economic Cooperation	11 th April, 2005
15	MOU on Cooperation between the Ministry of Agriculture of the PRC and the Ministry of Agriculture of the Republic of India in the Field of Agriculture	28 th March, 2006
16	MOU for Cooperation between the Planning Commission of India and National Development and Reform Commission of the PRC; MOU on Cooperation between Ministry of Railways, India and Ministry of Railways, PRC; MOU between Ministry of Housing and Urban Poverty Alleviation of India and Ministry of Construction, PRC;	14 th January, 2008

17	MOU of the Joint Economic Group between the Ministry of Commerce and Industry, GOI and the Ministry of Commerce Govt. of the PRC on Expansion of Trade and Economic Cooperation	19 th January, 2010
18	MOU between Reserve Bank of India and China Banking Regulatory Commission; MOU between Export Import Bank of India and China Development Bank Corporation	16 th December, 2010
19	Agreed Minutes of the 1st India-China Strategic and Economic Dialogue	26 th September, 2011

Source: Compiled by Researcher.

Table-3: Share of Export Potential of India in China (Million US\$)

No.	Description	2012 Export Potential	2004	2007	2012	2008-12 CAGR
1	Live Animals and Animal Products	404.0	0.4	0.3	0.8	31.7
2	Vegetable Products	326.8	3.8	0.3	0.6	-28.2
3	Animal or Vegetable Fats& Oils	483.3	0.0	0.4	0.9	23.5
4	Prepared Foodstuff, Beverages, etc.	647.1	0.8	0.6	1.2	24.3
5	Mineral Products	19520.3	7.6	9.7	36.6	14.9
6	Products of chemicals	3952	9.1	5.8	7.4	11.1
7	Plastics& Articles thereof	2647.0	7.0	5.4	5.0	9.7
8	Raw Hides & Skins, Leather, etc.	197.9	0.7	0.3	0.4	17.7
9	Wood & Articles of Wood	530.0	0.3	0.5	1.0	47.9
10	Pulp of wood or of other Fibers	246.5	0.9	0.7	0.5	4.8
11	Textiles & Textiles Articles	1492.9	4.9	2.3	2.8	18.6
12	Footwear, Headgear and Umbrella	90.6	0.1	0.1	0.2	19.3
13	Articles of Stone, Plaster, Cement	370.8	0.9	0.7	0.7	15.4
14	Natural or cultured pearls, Jewellery	257.4	0.5	0.8	0.5	5.3
15	Base Metals & Articles of Base Metal	2352.1	7.8	7.0	4.4	2.8
16	Machinery & Mechanical Appliances	13828.4	43.2	55.9	25.9	-3.8
17	Vehicles, Aircraft and Vessels	3390.5	5.4	4.3	6.4	16.7
18	Optical, Photograph & Cinematography	2384.9	6.0	4.5	4.5	12.3
19	Arms and Ammunition	0.2	0.0	0.0	0.0	39.1
20	Miscellaneous Manufactured Article	229.6	0.6	0.4	0.4	15.2
21	Works of Art Collectors' pieces	4.2	0.0	0.0	0.0	62.7
	Total	53356.7	100.0	100.0	100.0	6.9

Source: UN Comtrade Database, Online Download, October 25, 2013, United Nations.

Table-4: Trade between India & China (as a Percentage of GDP 1980-2011)

Year	INDIA			CHINA		
	GDP (\$ millions)	Trade (\$ millions)	Trade/GDP (%)	GDP (\$ millions)	GDP (\$ millions)	Trade/GDP (%)
1980	185402	28840	15.55	306520	65712	21.43
1981	197762	28651	14.48	293852	70722	24.05
1982	201927	28551	14.13	295370	62935	21.30
1983	220318	29798	13.52	314637	62552	19.88
1984	218222	30223	13.84	317352	70266	22.14
1985	227247	31601	13.90	309083	73655	23.83
1986	248982	29885	12.00	304348	78342	25.74
1987	275529	32680	11.86	329851	105228	31.90
1988	304809	38735	12.70	413439	142337	34.42
1989	301764	43498	14.41	459782	154572	33.61
1990	327930	49258	15.02	404494	135045	33.38
1991	290687	48044	16.52	424117	155536	36.67
1992	291925	53010	18.15	499859	152644	30.53
1993	284972	54185	19.01	641069	184905	28.84
1994	328472	61626	18.76	582653	230497	39.55
1995	370522	77087	20.80	756960	282498	37.32
1996	390520	85760	21.96	892014	325805	36.52
1997	420040	91643	21.81	985046	371655	37.72
1998	428750	100265	23.38	1045199	371655	35.49
1999	454952	109042	23.96	1098832	411289	37.42
2000	468970	119087	25.39	1192836	530243	44.45
2001	483466	127805	26.43	1311558	570734	43.51
2002	503954	139788	27.73	1454040	697037	47.93
2003	592535	168328	28.40	1647918	937568	56.89
2004	688803	232094	33.69	1936502	1262371	65.18
2005	808884	315000	38.94	2282554	1548975	67.86
2006	903226	391516	43.34	2661265	1914056	71.92
2007	1141346	484779	42.47	3400351	2375831	69.87

2008	1252403	577201	46.08	4348303	3072963	70.67
2009	1353215	590187	43.61	5050543	2446583	48.44
2010	1722328	789541	45.84	5739358	3273184	57.03
2011	1848241	1010830	54.69	7298121	3984133	54.59

Source: UNCTAD, World Investments Reports for the years 1982 to 2012.

The difference in the trade performances of China and India is very interesting because the two countries share a variety of common social and economic characteristics. Both the countries adopted the heavy industry-oriented development policy and even launched their first Five-Year-Plan in the same decade. China and India's trade difference is mainly caused by the differences in their development strategies. Since the 1980s, China had already adopted the export-oriented development strategy in accordance with its abundance in labor. In contrast, India began to switch from the inward-oriented controlled regime to the outward-oriented regime only in the early 1990s. According to Table-4, that from the year 1980 to 2011 Trade/GDP ratios have a wide range i.e. 11.8 per cent and 54.69 per cent in case of India and 19.8 per cent and 71.9 per cent in case of China. As compared to India, this ratio was higher in China since 1980. From 1991, India's trade/GDP ratio has been rising continuously which reached at its highest level of 54.69 per cent in the year 2011. This ratio in China was noticed to be 71.9 per cent for the same year. The year 2004 and 2003 witnessed substantial increase in trade/GDP ratio in India and China respectively. This is due to more liberal and effective trade promoting policy framework adopted by the government of the countries including more trade incentives, provision of infrastructural network and genuine efforts towards economic stabilization, which corrected the wave of business optimism enhancing multilateral investment agreements leading to rise in foreign mobility of capital. It was the favorable global business environment which was responsible for tremendous trade expansion in both the countries. Table-4 further indicates that position of China remained dominant as compared to India as far as Trade/GDP ratio is concerned.

Bilateral trade between India-China has grown rapidly in the past few years and picked up significantly after Chinese accession to WTO. In Table-5, bilateral trade turnover jumped by nearly twenty five times, from US\$ 2725 million in 2001 to nearly US\$ 68843 million in 2012. The expected target was almost achieved where trade reached US\$ 58852 million in 2010. China has now emerged as the largest trade partner of India since 2008-09. During the last nine years, exports of India to China have grown at an annual rate of 29.8% and by 2009, formed 7.7% of the total exports. However, India's exports to China are highly concentrated and some these dominant sectors are mostly resource-based and labour intensive in nature, though some of them are partially technology intensive sectors. Agricultural exports constituted 7.3% of the total bilateral exports of India. In Table-6, share of the mining sector declined from 55.4% in 2007 to 24.0% in 2012. Textiles & textile products emerged as the largest exporting sector which is expanding at a CAGR of 49.7% during 2004-12 and its share increased significantly from 10.4% to 26.1% between 2007 and 2012 (Table-6).

India's bilateral imports are mostly concentrated in the manufacturing sector. Four dominant sectors comprising of chemicals, machinery, base metals, and textile & clothing contributed around 85 per cent to bilateral imports in 2008. India's imports from China comprise both agricultural and manufacturing products. India imports small quantities of agricultural products and they cover, nearly 1 per cent of its total bilateral imports. These products are mainly from the fruits and vegetable category. Among these sectors, the largest and the most dynamic sector has been that of machinery import. Its share in the total bilateral imports increased marginally from 46.08 per cent in 2007 to 46.99 per cent in 2012, registering a CAGR of 32 per cent per annum between 2004 and 2012 (Table-7). According to the UN statistics, India's bilateral imports were US\$ 24.2 billion in 2007 and increased to US\$ 28.9 billion in 2009, despite being affected adversely by the global meltdown during that time. Robust

growth has been noticed in some of these sectors which are generally technology-intensive in nature, thus enjoying high demand elasticity in the domestic market.

Table-5: India's Bilateral Trade Engagement with China (US\$ Millions)

Year	India's Bilateral Exports			India's Bilateral Imports			Total Bilateral Trade		Trade Balance
	Actual	Growth	Share in Total Exports	Actual	Growth	Share in Total Imports	Actual	Growth	
1998	500		0.5	1102		0.4	1602		-602
1999	511	2.2	0.5	1240	12.5	0.4	1751	9.3	-729
2000	758	48.3	0.7	1449	16.9	0.5	2207	26.0	-691
2001	916	20.8	0.9	1809	24.8	0.7	2725	23.5	-893
2002	1720	87.8	1.6	2603	43.9	0.9	4323	58.6	883
2003	2710	57.6	2.5	3738	43.6	1.3	6448	49.2	-1028
2004	4178	54.2	3.9	6073	62.5	2.2	10251	59.0	-1895
2005	6473	54.9	6.0	9926	63.4	3.6	16399	6.0	-3453
2006	7910	22.2	7.4	15813	59.3	5.7	23723	44.7	-7903
2007	10195	28.9	9.5	24692	56.2	8.9	34887	47.1	-14497
2008	9664	-5.2	9.0	30276	22.6	10.9	39940	14.5	-20612
2009	10155	5.1	9.5	28840	-4.7	10.4	38995	-2.4	-18685
2010	17519	72.5	16.3	41373	43.3	14.9	58852	50.9	-23814
2011	19113	9.1	17.8	55299	33.8	19.9	74412	26.4	-36186
2012	14859	-22.3	13.9	53984	-2.4	19.4	68843	-7.5	-39125

Source: Direction of Trade Statistics, 2013, International Monetary Fund (IMF), Washington DC.

Table-6: Structure of India's Bilateral Export from China: 2004-12

	Description	Exports (Billion US\$)					Share (Percent)		CAGR 2004-12 (%)
		2005	2007	2008	2010	2012	2007	2012	
1	Live Animals and Animal Products	139	157	96	274	240	1.7	1.6	17.3
2	Vegetable Products	51	115	87	161	429	1.2	2.9	40.0
3	Animal or Vegetable Fats & Oils	43	65	70	223	380	0.7	2.6	36.8
4	Prepared Foodstuff, Beverages, etc.	74	162	241	200	27	1.7	0.2	-5.4

5	Mineral Products	4130	5248	6277	7032	3531	55.4	24.0	7.7
6	Products of chemicals	857	973	872	1210	1517	10.3	10.3	12.7
7	Plastics & Articles thereof	382	292	229	392	637	3.1	4.3	5.6
8	Raw Hides & Skins, Leather, etc.	40	53	56	67	130	0.6	0.9	19.2
9	Wood & Articles of Wood	1	1	1	2	3	0.0	0.0	---
10	Pulp of wood or of other Fibers	1	1	2	3	4	0.0	0.0	18.9
11	Textiles & Textiles Articles	286	988	836	2307	3834	10.4	26.1	49.7
12	Footwear, Headgear and Umbrella	54	110	99	95	169	1.2	1.2	20.1
13	Articles of Stone, Plaster, Cement	25	52	91	206	91	0.6	0.6	26.4
14	Natural or cultured pearls, Jewellery	11	30	25	86	94	0.3	0.6	23.0
15	Base Metals & Articles of Base Metal	873	851	423	4523	2698	9.0	18.4	22.2
16	Machinery & Mechanical Appliances	151	288	294	487	654	3.0	4.5	21.9
17	Vehicles, Aircraft and Vessels	15	43	27	57	111	0.5	0.8	28.4
18	Optical, Photograph & Cinematography	30	41	50	81	137	0.4	0.9	25.0
19	Arms and Ammunition	0	--	0	0	0	0.0	0.0	---
20	Miscellaneous Manufactured Article	3	2	3	7	18	0.0	0.1	31.6
21	Works of Art Collectors' pieces	1	4	5	12	3	0.0	0.0	5.2
	Total Bilateral Export	7167	9476	9784	17421	14707	100.0	100.0	17.4

Source: UN Comtrade Database, Online Download, January 29, 2012, United Nations.

Table-7: Structure of India's Bilateral Import from China: 2004-12

	Description	Imports (Billion US\$)					Share (Percent)		CAGR 2004-12 (%)
		2005	2007	2008	2010	2012	2007	2012	
1	Live Animals and Animal Products	7	13	8	11	18	0.05	0.04	10.67
2	Vegetable Products	42	68	88	181	258	0.28	0.52	28.36
3	Animal or Vegetable Fats & Oils	1	1	17	5	107	0.00	0.22	79.34
4	Prepared Foodstuff, Beverages, etc.	17	47	41	62	87	0.19	0.18	31.05
5	Mineral Products	970	1376	1711	758	990	5.69	1.99	2.29
6	Products of chemicals	1657	3787	5135	6618	9357	15.65	18.84	31.43
7	Plastics & Articles thereof	223	749	806	1131	1607	3.10	3.24	39.82
8	Raw Hides & Skins, Leather, etc.	29	56	74	110	206	0.23	0.41	37.63

9	Wood & Articles of Wood	11	42	39	79	134	0.17	0.27	47.44
10	Pulp of wood or of other Fibers	59	240	300	276	366	0.99	0.74	37.29
11	Textiles & Textiles Articles	1065	1306	1398	1725	2165	5.40	4.36	16.73
12	Footwear, Headgear and Umbrella	42	95	121	171	262	0.39	0.53	36.30
13	Articles of Stone, Plaster, Cement	220	419	575	685	947	1.73	1.91	31.18
14	Natural or cultured pearls, Jewellery	181	303	383	524	1263	1.25	2.54	37.65
15	Base Metals & Articles of Base Metal	699	3179	3610	3979	4497	13.14	9.05	38.38
16	Machinery & Mechanical Appliances	4313	11149	12241	18488	23340	46.08	46.99	32.00
17	Vehicles, Aircraft and Vessels	217	624	785	1854	1861	2.58	3.75	72.26
18	Optical, Photograph & Cinematography	159	332	367	698	1175	1.37	2.37	36.41
19	Arms and Ammunition	0	0	0	0	1	0.00	0.00	---
20	Miscellaneous Manufactured Article	184	409	431	707	1033	1.69	2.08	33.40
21	Works of Art Collectors' pieces	0	2	0	2	1	0.01	0.00	---
	Total Bilateral Import	10096	24197	28130	38064	49675	100.00	100	30.16

Source: UN Comtrade Database, Online Download, January 29, 2012, United Nations.

Concluding Remarks

This paper has investigated the economic relation between India and China and also trade potential of currently traded products and also other products which can be exported by India to China in future. India became the first non-socialist bloc country to establish diplomatic relations with the PRC in 1950. Economic relations and bilateral trade between India and China have steadily accelerated over the past decade. The beginning of negotiations for a Free Trade Agreement (FTA) began to increase trade incentives between India and China in 2005 and an agreement for economic cooperation was signed in April 2005. Both countries witness regional disparity in having access to international trade and this development gap could provide an opportunity to augment bilateral trade between them. As external sector is turning to be a major driver of growth during the last decade, both the economies have been dealing with appropriate development strategies to keep their economies on high growth

trajectory. The trade potential of currently exported products of India constitutes 60.9% of India's total bilateral trade potential in China. India's export to China is highly concentrated, limiting to four sectors with a contribution of 86.5 per cent of India's total bilateral exports in 2010. The mining sector forms the largest bilateral exporting sector of India, constituting 40.4% of the total bilateral exports in 2010. India's bilateral imports are mostly concentrated in the manufacturing sector, comprising three dominant sub-sectors including chemicals, machinery and mechanical appliances and base metals, contributing around 76.5% of bilateral imports in 2010. Thus, the combined policies of China and India have to be assessed in relation to their own domestic-external political economy and the two could be instrumental in forcing international institutions, including the WTO, to usher in trade liberalization.

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The Saga of Economic growth strategies of China and India

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China and India which are the two ancient civilizations, share a long common border. Even though the two economies were noted for their prowess and prosperity in the remote past, the last two centuries have been replete with distressful colonization of one and feudal incompetence leading to economic turmoil in the other. In the mid-18th century and the latter half of the 20th century, the two countries became bywords for stagnation. During this period, they were among the poorest countries in the world, typically thought of as locations for famine, disease, pestilence and backwardness. In the mid-20th century, particularly during the decade of 1960s, both the economies suffered from famines and their economic fortunes reached their nadir. India became heavily dependent on external assistance, particularly on the United States' (US) wheat shipments under PL 480.3 Until the early 1980s, the two countries were widely regarded as 'impoverished' and comparable low-income economies.

Since the late 1970s China has moved from a closed, centrally planned system to a more market-oriented one that plays a major global role - in 2010 China emerged as the world's largest exporter. Reforms began with the phasing out of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, growth of the private sector, development of stock markets and a modern banking system, and opening to foreign trade and investment. China has implemented reforms in a gradualist fashion. In recent years, China has renewed its support for state-owned enterprises in sectors considered important to "economic security," explicitly looking to foster globally competitive industries. After keeping its currency tightly linked

to the US dollar for years, in July 2005 China moved to an exchange rate system that references a basket of currencies¹.

On the other hand India is developing into an open-market economy, yet traces of its past autarkic policies remain. Economic liberalization measures, including industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, began in the early 1990s served to accelerate the country's growth, which averaged under 7% per year from 1997 to 2011. India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Slightly less than half of the work force is in agriculture, but, services are the major source of economic growth, accounting for nearly two-thirds of India's output with less than one-third of its labor force. India has capitalized on its large educated English-speaking population to become a major exporter of information technology services, business outsourcing services, and software workers².

In the 21st century, both China and India are increasingly being seen as the emerging economic powers of Asia that are capable of future global impact. Of the two, the Chinese economy has made the most rapid and far-reaching economic transformation in history. It has been giving unambiguous and comprehensible indications of emerging as a key actor on the global economic stage in the foreseeable future. Some of whom even see in it a rising, if nascent, economic superpower, which is gearing up for a new geo-political role, that of providing soft leadership to Asia in the future. Analysts who study the Indian economy, and business professionals who deal with Indian companies, see it on the cusp of an economic leap. Market forces and those of globalization are driving these economies and their business firms to noticeable spots on the global economic stage. A question is being asked if merely rhetorically whether these two economies could become a counterweight to the United States in the 21st century at the expense of Japan and the Euro zone. Given this background, there

is an enormous interest in these two economies among the three interest groups, namely, global scholarly and policy-making communities and decision-makers in the world of business³.

The two economies took comparable turns over the 20th century. For a long period they remained a little ahead or behind each other in terms of per capita income and the size of the gross domestic product (GDP) cake. Noted economic historian, Angus Maddison computed their per capita incomes in constant 1990 dollars, in purchasing power parity (PPP) terms, for different periods.⁴ This measure is also known as international dollars. The two countries started the 20th century at a low income level. The share of world income for each one was much smaller than their share of world population. In 1913, China's share of world GDP was 8.9%, while the share of population was 26.4%. For India, the share of world GDP was 7.5%, while the share of world population was 17%. In 1950, these ratios had deteriorated further, reflecting worsening poverty in the two countries.

During the first half of the 20th century, both economies recorded rising population growth and declining per capita incomes, resulting in aggravation of poverty. Comparatively, India was a little better off than China. According to Madison's calculations, India was 40% better off but others, like Kumar (1998), put this proportion at 20%. However, by 1998 this situation had changed dramatically, even reversed. While both the economies were significantly better off than in 1950, China's per capita income was significantly higher than that of India. At \$3117, China's per capita income had increased sevenfold between 1950 and 1998, whereas at \$1760, India's per capita income had increased only threefold. In PPP terms, the size of GDP of the two economies in 1950 was almost equal. The ratio of China's GDP to that of India's in 1913 was 1.18, but in 1950 it declined to 1.08, implying that they were equal in terms of the size of GDP. But in 1998 this ratio soared to 2.28, making China's GDP two-and-a-quarter times larger than that of India.

Rising Economy

Over the next few decades the growth generated by China and India - and the other large emerging-market economies (EMEs) - could become a much larger force in the global economy than they were at the opening of the 21st century (Das, 2004). According to the projections of GDP growth, income per capita, currency movement, capital accumulation and productivity growth made by Goldman Sachs (2003 and 2004), the significance of China and India will rise steadily by 2050. They are supposed to become a substantive force in the global economy.

The relative importance of these economies will rise in a shorter term than realized before. New demand growth and the spending power of China and India may cause a shift in the global balance of economic prowess. These two economies could become an important source of global spending in the not-too-distant future. The projection exercise by Goldman Sachs (2003 and 2004) revealed that the Indian economy would be larger than Japan's by 2032. The Chinese economy would overtake Germany by 2010 and be the second largest economy by 2016, displacing Japan from its high perch. By 2041, the Chinese GDP was projected to overtake that of the US⁴.

These developments in the global economy are nothing short of a tectonic shift. Major shifts of this kind in the global economic balance take place infrequently. The trend growth rate of global GDP was projected to be favorably affected by the brisk growth rates of China and India. The growth rate of global GDP averaged 3.7% over the last 20 years. The average for the next ten years is likely to remain higher than 4% because of the contribution made by GDP growth in China and India. The size of middle class in China and India will increase from its small base. In China, households with income over \$3000 could increase by 10 times in ten years. This increase is projected to be 14 times in India. Both the nations are partly dependent on the software export for their growth rate and it is quite natural that the software engineers from both the countries flock to the Silicon Valley in the US in

search of greener pastures. Globally, there are 18.5 million software developers of whom 11 million are professional developers and 7.5 million hobbyist developers (amateurs). There are 29 million skilled IT workers, including professional software developers, and 18 million operations and management skilled workers.

While the US houses 19 percent of global software developers (both professional and hobbyists), China, with a 10 percent share, is now ahead of India, which has a 9.8 percent share. The US also accounts for 22 percent of global IT-skilled workers, followed by India with 10.4 percent, and China with 7.6 percent.

Silicon Valley

Silicon Valley is located in the southern part of the San Francisco Bay Area and is the largest concentration in the world of cutting-edge technology firms in information and communication technology (ICT), biotechnology and nanotechnology. Chinese and Indian ICT experts and engineers have successfully created a place for themselves in Silicon Valley. This is an achievement of global significance. In 1999, 24% of the high-technology firms were led by Chinese or Indian CEOs (Saxenian, 1999). Over a third of the workforce in the Silicon Valley is highly qualified immigrants, dominated by Chinese and Indians. A local joke is that the abbreviation IC does not stand for integrated circuits but for Indians and Chinese. They meaningfully contribute to the activities of these highly innovative business firms. In the process, these highly qualified and skilled technicians have made the US extremely competitive in these three areas. They not only work as technicians but also as entrepreneurs and middlemen who facilitate trade and investment links with their countries of origin. These highly skilled immigrants have created a rich fabric of professional activities. They rely heavily on ethnic resources, simultaneously integrating into the mainstream technology industry. Their long-distance networks facilitate globalization of these three technology industries, enhancing opportunities of

investment. The Chinese in Silicon Valley have a higher proportion of US degrees, a higher level of technical education, and lower levels of managerial education than Indians⁵.

The latter have a higher presence in professional services and executive jobs than Chinese. This was facilitated by their management education and linguistic ability. Indians also have a higher presence in start-ups than Chinese. While Indian strength is software, the Chinese focus is largely hardware⁶.

Global Integration

Rapid growth in China, followed by India, and their endeavors to move towards the center of global economic stage is being referred to as the 'China syndrome' in the industrial economies, in a disapproving, if not disdainful, manner. Sinophobia, and to a lesser extent Indophobia, is brewing not only at Capitol Hill but in the other industrial economy legislatures as well.⁵ Should the economic re-emergence of China and India be a cause for ringing alarm bells for the other regional and global economies? Economic history has the answer. The emergence of China and India, with an inexhaustible capability to supply a large array of manufactured products by China, and to a lesser degree ICT-enabled services and back-office outsourcing of business services by India, is creating a similar situation once again for the global economy. Indeed, in the short-term, these two will also cause significant disruption to the established global economic order.

Although China's contemporary success in global trade after the adoption of outer-orientation strategy has been widely discussed and incessantly analyzed in the academe, when the annual rate of export growth in constant dollars for the other successful Asian economies is compared, China's export growth rate does not appear out of line. For instance, over the 1954-81 period Japan's annual average export growth rate averaged 14.2%. For Korea, during the 1960-95 period it was 21.5%, while for Malaysia over the 1968-96 period it was 10.2%. For the four NIAEs it averaged 13.1% for the 1966-97 period. Against this backdrop, China's export

growth rate of 11.9% for the 1978-2002 period fails to appear exceptionally remarkable or excessively favorable. China was not a trailblazer but merely followed the Asian economic tradition of outer-orientation, and kept up with its energetic neighbors in trade performance⁷.

However, the lesson of history in this regard is that, notwithstanding the short-term disruption, such periods of transition bring with them enormous opportunities for all the economic players in the global economy. Take the example of the rise, and integration with the global economy, of Japan, the four newly industrialized Asian economies (NIAEs) (Korea, Hong Kong, Singapore and Taiwan) and subsequently the ASEAN-4 economies with the global economy in the latter half of the 20th century. They eventually provided a significant lift to both Asian and global economies⁸.

PPP versus Market Exchange Rate Considerations

In PPP terms, China became the second largest economy after the US in 2003. To be sure, China's share of world output at PPP exchange rate soared faster than that of Japan, the NIAEs and the ASEAN-4 economies at their corresponding stage of development and integration. However, using PPP exchange rate is not a relevant measure in this case because we are concerned with the impact on other global economies. This effect is created by trade and other flows, which are conducted and computed at market exchange rates, not the PPP exchange rates. Therefore, we need to change the measure. China's output growth rate measured at the market exchange rate is not extraordinary. It is far below that of Japan, and not much higher than that of NIAEs and the ASEAN-4 at corresponding phases of their integration into the global economy.

As China prepared for accession to the World Trade Organization (WTO), its tariff rates levels and dispersion - steadily plummeted, which led to a fairly rapid increase in its imports. The growth rates of China's exports and imports are comparable to those of Japan,

NIAEs and the ASEAN-4 economies. In terms of share of world trade, China is far below Japan and the NIAEs, but slightly above the ASEAN-4 economies, at corresponding phases in their integration process (OECD, 2003; WEO, 2004). Indian exports have not created much anxiety and resentment among the politicians and policy leaders. They have not drawn ire from these groups because a rapid increase in them is confined only to the information and communications technology (ICT) sector and back-office outsourcing of business services. India has lately started exporting high-end services like management services and design. The rest of the export sector is showing only normal increases, with the exception of textiles and apparel, which is becoming another high growth sector, particularly after the dismantling of the multifiber arrangement (MFA)⁹.

Comparison with the other Asian countries

Like the three previous episodes of integration of newly industrializing and up-and-coming economies into the global economy during the latter half of the 20th century, China's rapidly expanding trade was directly resulting in expansion of its market share in all the three major markets, namely, the European Union (EU), Japan and the US. Initially, during the 1980s and 1990s, China's exports to these markets were essentially concentrated in labor-intensive and primary products, which included textiles and apparel, shoes, leather goods and light manufactures. However, its share of world manufactured exports increased steadily and, by early 2000s, these exports had become extremely diversified. Remarkably impressive growth was observed in the exports of the following categories of manufactured goods: office machinery, telecommunications equipment, travel goods, furniture and industrial supplies. By the early 2000s, China became a competitive exporter of a large range of manufactures from kitchenware to car tires and circuit boards, none of which were the products of sunset industries. Its export composition altered and the importance of primary products in exports steadily dwindled. China's export composition changed further

during the recent period. It has made discernable strides in assembling and exporting technology- and knowledge-intensive products, such as automated data-processing equipment. Electronic products and ICT hardware and software formed more than 20% of China's total exports and this trend is expected to grow very fast. The structure of Indian exports has also changed and the proportion of manufactured products has increased, but India has neither been a successful and aggressive exporter to the large industrial country markets nor it has captured their domestic markets in the manner that China's exports have. Its success in ICT-induced services and back-office outsourcing of business services has jolted the industrial economies in a much smaller way. In the foreseeable future, India is likely to progress more in the same direction and gradually draw lower- and medium-end ICT jobs away from the industrial economy and participate more in outsourcing of business services from the industrial economy. Its foray into high-end services is rather recent. Together these do not qualify to be called a shocker to the industrial economies. It is nothing more than globalization-induced changes in the division of labor¹⁰.

China's imports have also grown fast. it is the third largest importer of goods from developing economies after the US and the EU. China's imports from the surrounding Asian economies have risen at an extraordinarily rapid rate. The later category includes the NIAEs and the ASEAN-4 economies. A novel trend in Asian export has developed, in that China has become an energetic center for regional reprocessing and a manufacturing hub for re-export to the industrial economies. This is the role of the regional engine of growth, which so far was largely played by Japan. During the recent period, China's regional imports of electronics parts and components have grown markedly. This was due to China's increasing electronics exports to the EU, Japan and the US. In the foreseeable future, China is likely to become a larger regional engine of growth than Japan, integrating further with the surrounding regional economies.

In keeping with the role of a regional locomotive for growth, China's imports of primary commodities from the global markets went on increasing from the early 1990s and it became a prominent importer of several key commodities. It has been importing a rising share of world exports of oil, copper, nickel, steel and soybeans. It is one of the largest importers of iron ore and aluminum. China became an important player in several product markets and has contributed to a recent surge in global commodity prices. During 2004, nickel prices doubled in the global markets because of insatiable demand from China. It has dictated the global prices of many products from cement and steel to microchips. These observations do not apply to the Indian economy and it has not played the role of a locomotive economy even for the south Asian economies an opportunity that should have been deftly created by the Indian business and policy community. Thus far, they have tended to ignore this valuable opportunity¹¹.

China has been attracting large amounts of foreign direct investment (FDI), while Indian weakness on this count has persisted for a long time. Yet, China's receipt of FDI, when compared to Japan and NIAEs during the comparable period of their growth and global integration, is not impressive. Measured as a percentage of GDP, the three comparators received higher proportions of FDI than China during the comparable period of growth and integration. It is partly explained by the slow development of the Chinese financial markets, and the stock markets. In terms of the magnitude of FDI, Singapore and Taiwan were the champions, attracting the highest amounts of FDI measured as a proportion of the GDP¹².

China's GDP growth, trade expansion, FDI inflows and its impact over the global economy have been more or less in line with those of Japan, the NIAEs and the ASEAN-4 economies. Nevertheless, China's growth has not been unprecedented in scope or pace. China abided by the Asian traditions of economic growth established by the earlier successful cases of the Asian high-

performing (AHP) economies. The performance of the Indian economy remained far below the achievements of China at present and Japan and NIAEs in the past. India is also not regarded as an economy that is having a comparable impact over the global economy, except in a couple of economic sectors, like the ICT. Notwithstanding the recent acceleration, Indian economic performance cannot be fairly compared to that of dynamic AHP economies¹³.

Global Impact of China

Thus far, the impact of the Chinese economy has not been larger than that of the comparators, but there are good reasons to believe that it is not likely to be so in the future. However, further down the road, China will cast a longer shadow over the global economy than did Japan, the NIAEs and the ASEAN-4 economies. The process of China's rapid GDP growth and integration into the global economy has begun only recently and is sure to continue for an extended period. There are several economic factors that will buttress continuance of future growth to a higher trajectory. The first is the high saving rate, which is sure to decline in the medium-term. It will continue to provide China with support in capital formation and Total Factor Productivity (TFP) growth in the short- and medium-term. India has not been able to match China in terms of global impact¹⁴.

Second, human capital formation has been going on in China for a while, but its level is still substantially lower than that in the comparator economies. It can be rationally expected to continue to grow for many more years until it reaches at least the level achieved by Japan, the NIAEs and the ASEAN-4 economies. Human capital formation is known to make a decisive contribution to economic growth. Third, GDP growth was driven *inter alia* by reallocation of human resources from low-productivity employment in the rural-primary sectors to high-productivity employment in the urban-industrial sectors. This reallocation is only in its initial stage and has to go much further¹⁵.

The majority of the ASEAN-4 economies also have higher per capita income. Therefore, the convergence process has to continue for a long time to come, at the end of which China will have a larger economy than any of the comparators. By this time, China's emergence will make a much larger impact on the global economy and its factor endowments than any of the previous three episodes of global integration. It may potentially entail a sizable impact over some sectors of the global economy, the economies themselves and regional economies¹⁶.

By the latter half of the last decade, the Chinese economy had grown resilient. It could ward off the Asian crisis (1997/98), while many of the NIAEs and the ASEAN-4 economies were badly mauled. China offered to assist the crisis-affected neighboring economies. For all appearances, China's economic momentum would continue into the next quarter century, if not longer. It is a highly diverse, resource rich and continent-size economy; its internal dynamics can sustain growth for much longer than small economies.

Conclusion:

The two economies of China and India were noted for their prowess and prosperity in the remote past. Until the early 19th century, China and India were among the largest economies on the planet, but thereafter both went into a precipitous decline and became marginal economies, known for impoverished masses and economic stagnation. Early in the 21st century, China and India are once again being seen as two emerging economic powers of the global economy. First, China, after a long period of isolation, and then India, after an inward-looking and semi-isolationist period, began opening up and trying to be a part of the global economy. China proved to be a far superior success in this endeavor. The two economies adopted very different political systems as well as diverse growth strategies, which resulted in different trajectories of growth.

The closing decades of the 20th century were remarkable for both economies. China in particular turned in a stellar economic

performance. At the beginning of the 21st century, it was being seen as the economic superpower of the future. It emerged as a low-cost manufacturing juggernaut invading global markets with a sizeable array of products, with a high and rapidly rising level of merchandise exports and imports. In comparison, India's post-1991 growth performance has shown improvement but did not match that of China. The economic weight of China and its integration into the global economy is going to continue to increase, and India could follow suit.

Over the next few decades the growth generated by China and India and the other large EMEs could become a much larger force in the global economy than they were at the opening of the 21st century. China has become an important player in the global markets for oil, autos and capital. India has not made a comparable impact. Chinese and Indian ICT experts and engineers have successfully created a niche for themselves in Silicon Valley. This is a marvelous accomplishment of global significance.

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China & India on the Economic sprint line; Border dispute between two is an Achilles Heel

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Abstract

According to most political observers, the global political architecture is undergoing a transformation as the power is increasingly shifting from West to the East, in what has been called the "Asian century". The relations of China and India have entered into a distinct phase in the post-globalization and post cold war era. While bilateral and political issues dominated the agenda of bilateral relations for forty years since 1950, the economic and strategic issues have surpassed the earlier agenda. The reasons are not far to seek. In the last two decades, both China and India have registered impressive economic growth in the liberalized global regime. However, the growth of China as an emerging global economic power house is more impressive than India. In 2010, China has become the second largest global economy after the US.

In spite of many differences between the two countries trade and investment relations have progressed well in the last 20 years. The bilateral trade between the two countries has reached the level of \$61.7 billion in 2011, from merely \$2.3 billion in 2001. China emerged in 2010 as the largest trading partner of India.

During the visit of Chinese premier Wen Jiabao to India in December 2010, it was decided to initiate strategic economic dialogue on regular basis annually to broaden the scope of economic partnership between the two countries. Nevertheless, both countries have celebrated the year 2011 as the 'year of exchanges'. As of today, however, the trajectory of Sino-India relationship remains as complex as ever to decipher, despite some positive developments in the last few years. But as of now China & India are on the economic sprint line. But the border dispute betwixt the two is an Achilles Heel.

Introduction

India and China being the two most populous countries of the world, besides being the most ancient civilizations of the world, both occupy pre-eminent position in Asia. China and India have interacted with one another for thousands of years, especially in the areas of trade and religion. For centuries, however, the scope of their interaction was limited by the barrier of the Himalayan

Mountains. When each country established a new government - India in 1947 and China in 1949 - the relationship began to shift, and the two countries established formal diplomatic relations in 1950. The same year, China invaded Tibet, thus eliminating the geographic buffer between China and India. Both countries share a long cultural past (Rosenfield M Julia 2010: 2). Buddhism¹ was the common cultural ground for the two nations, which date back to second century BC. India and China started their journey as modern nations nearly at the same time. While India became independent in 1947 after the long colonial rule, a new China was born in 1949 after the communist revolution under the leadership of Mao Tse Tung. The establishment of communist regime in China was not appreciated by the US and other western powers. They kept on recognizing Taiwan or Formosa as the real China and opposed the succession of communist China as the permanent member of Security Council.

Despite generally improving relations in recent years, China and India face challenges - such as the ongoing border dispute, the tensions over economic and foreign policy issues, and the Tibet question that place limits on how close they can become. China and India will likely continue to partner with one another on a pragmatic basis on issues of mutual interest; however, no broad consensus exists between the two countries (Rosenfield M Julia 2010: 1). In spite of these, it is evident that India followed the policy of maintaining friendly relations with her neighbours. India was the first non-communist member to recognize communist China in 1949. India also supported China's claim for membership in the United Nations. It also acknowledged China's claim over Formosa (Taiwan). India refused to brand China as aggressor when China intervened in Korea war on behalf of North Korea. India supported China even though the western bloc especially USA was displeased with it. However, China occupied Tibet in 1950, disregarding India's sensitivities in this matter.

On the boundary problem, Nehru advocated to extend the borderline to the China side as far as possible. Neville Maxwell, a

famous British expert of Sino-India relations, held that the decisions made by Nehru government toward boundary problem in 1951 and 1954 would inevitably cause a conflict (Maxwell Neville 1981: 59). Nehru has said in the parliament in 1950 that the McMahon Line is the border of India (Maxwell Neville 1981: 64). And then a new map was published by the Indian mapping bureau, the word "Undemarcated" on the McMahon Line disappeared. On the Tibet issue, Indian government intervened in the process of Tibet liberation, and it regarded the Tibet entrance by the PLA (the Chinese People's Liberation Army) as "aggression" (Gupta 1990: 216). With these sources, it is evident that India treated Tibet as the buffer state between the two countries for the security considerations. India compromised on this issue and both India and China signed the Sino-Indian treaty of friendship in 1954. Under this treaty India recognized Chinese suzerainty over Tibet as its autonomous region. This treaty also contains the famous "Panchsheel" principles. The friendship between the two countries was marked by the slogan of Hindi-Chini Bhai Bhai². However the Tibet issue led to the Chinese aggression against India in 1962. In this war, China captured 35000 sq. Km territory of India in the Laddakh sector. China also made claim on 78000 sq.km area of India in Arunachal Pradesh. Since then boundary dispute has been the major irritant in the bilateral relations between the two countries.

Asia's rivalries are bitter and are keenly felt, both for historical reasons and strategic ones (Bill Emmott 2008: 239). It is evident that Sino-Indian border dispute is the result of the failure of India and China to agree upon the exact delimitation of their boundary within the complexities of the Himalayas. India maintains that there were treaties between India and Tibet delimiting certain sections, while the rest of the boundary was well-known and established through custom and tradition. The Chinese question Tibet's past authority to conclude treaties, and insist that the Sino-Indian boundary still requires delimitation. At present in the west, China occupies the Aksai Chin plateau, which India

disputes; in the east, China claims territory in the Indian state of Arunachal Pradesh.

The Sino-Indian war of 1962 was probably the most important episode in the history of India's foreign relations. This particular paper mainly covers two parts, where the first part deals with the Sino-Indian border dispute and the 1962 war between India and China, where India had to face the serious humiliation, of course it was not a huge debacle but it was the worst enough for India at that time. And this 1962 war between two countries has given relevant lessons for India to raise the questions like; does India learn the relevant lessons from the 1962 war? What would be the future prospects to challenge the rising China? Is India ready if war is likely to back out again? The Sino-Indian boundary dispute is one of the oldest pending disputes of its kind in the world and given the "rising" of the two powers in the international system, it is also potentially one of the most problematic.

The second part of this paper walks on another shade of relations between China and India. China and India started normalization of relations in 1970s as diplomatic relations were re-established in 1976. Many trust building measures as well as efforts to solve boundary issues were taken by the two countries. China's growing influence in south Asia particularly its strategic nexus with Pakistan has also been a cause of concern for India. The onset of globalization and of cold war has changed the entire framework of international relations which have also affected Indo-China relations. There is nothing serious about the intensity of the current Chinese campaign to convince its neighbours in Asia that its new profile in the world system doesn't threaten anyone (Raja Mohan C 2004: 3699). Over the longer term, India faces a challenge similar to that of china in convincing the world that its increasing weight in the regional and international system will not lead to a systemic disruption (Raja C Mohan 2004: 3699). Submitting his work report to the national people's congress on March 15, 1993, premier Li Peng asserted "improvement and development of Sino-India relations will not only confirm to the

interests of the two peoples, but will also have a positive impact on peace and stability in Asia and in the world as whole (Dixit J N 2012: 224).

It was learnt that for the two countries, Peoples Republic of China and Republic of India their relations are said to be vital in the regional and also global context. But the bilateral relations between the two countries are quasi cooperative, conflicting, competitive and complex.

McMohan Line; The Unaccepted and Accepted Line:

Gen Ved Malik³ says that the very new Chinese rule in Tibet made Tibetans revolt against china in 1959. China had ruthlessly suppressed the movement and thus declared Tibet as the integral part of china. By that time, then head of Tibet, Dalai Lama too got a shelter in India. Immediately Tibet lost whatever autonomy it enjoyed. With this India granted political shelter to Dalai Lama and his followers. India recognized Tibetan government in exile in India, which is based in Dharamashala, Himachal Pradesh. This anger to China and led to Chinese aggression in October 1962 to teach India a lesson. In this war, India suffered a humiliating defeat. Anyhow the war came to end by an unilateral declaration of ceasefire by China. All this dramatically happened at the border line famously known as McMohan Line. One of the other reasons for 1962 war lies in the demarcation of McMohan Line by the British empire.

Simla Conference was held by the Britain in October 1913 and July 1914. China, Britain and Tibet attended the conference. Its focus was on the Tibet issue. The Chinese representative emphasized that Tibet was a part of China, has rejected the proposal of Tibet independence and refused to sign on the "Simla treaty" which denied the Chinese sovereignty in Tibet. The Conference did not confirm the border between China and India, but Henry McMahan, the chief representative of Britain, made a secret deal with the Tibet representative Lonchen Shatra, and demarcated the eastern borderline between India and Tibet, which was called "McMahon Line" (Bai Jie 2006: 16). McMahon made this as a part

of the Simla treaty, but because China refused to sign the treaty and the local government could not conclude the treaty with the foreign government according to the International Law, the McMahon Line was treated illegal (Baxter 2002: 117).

The Sino-India boundary question has historical roots involving some aspects of international law as part of British imperial frontier policy in India in the last century (Chien peng Chung 2004: 97). A major part of what would become the disputed Sino-Indian boundary took shape at a conference in Simla from October 1913 to July 1914 with the foreign secretary of the British India, Henry McMahon as host and mediator (Ibid...). The Simla accord treaty which was signed in 1914, deals with the McMahon Line. This McMahon line is named after 'Sir Henry McMahon' , who was a foreign secretary of the British run government of India and mainly the chief negotiator of this Simla convention. The "McMahon Line was in fact drawn at a tripartite conference held at Simla in 1913-1914 among the plenipotentiaries of the governments of China, Tibet and India... although the Chinese plenipotentiary at the conference objected to the boundaries between inner and outer Tibet and between Tibet and china, reservation in respect of the India-Tibet frontier either during the discussions or at the time of initiating the convention" (Gupta 1980: 1265). This McMahon line extends upto 890km from Bhutan in the west to 260km east of the great bend of the river Brahmaputra in the east, largely among the crest of the Himalayas.

India accepted the McMahon Line, where China did not, further the paper stated that Tibetan government was not sovereign and so it did not have any right to conclude the treaties. Since it had cleared its stance during the Simla Accord the Simla Accord was always rejected by the Chinese Government and McMahon Line as well. The letter to Indian Prime minister Jawaharlal Nehru by the then Chinese Premier Chou En-lai includes the following comment, "The McMahon Line was a product of the British policy of aggression against the Tibet region of China and aroused great

indignation of the Chinese people” (Gupta 1980: 1267). It was evident by this comment of the Chinese Premier to the Indian Prime minister very officially that China was not accepting the McMahon Line and further claimed that it was a forced boundary by the British Empire.

By disputing McMahon Line, China first started to claim large parts of Indian territory in North East Frontier Agency (NEFA), now Arunachal Pradesh and Laddakh (Jammu and Kashmir) by circulating maps in which these areas were shown as part of China. Indian maps based on 1899 surveys showed the Aksai Chin areas as parts of Ladakh, India and when the Chinese built a strategic road across it in the mid 1950s to connect Xinjiang with Tibet, India objected (Surjit Mansingh 2011: 43) to it. China started following expansionist policy and constructed a 110 mile long road across Aksai Chin area of India in 1956. In addition it started claiming 90000 sq km of Indian territory in Arunachal Pradesh.

By having a closer look at the Sino-India conflict, one thing comes to mind immediately with a question. What is the reason for China to be aggressive towards India on border Issue? Is it the Tibet issue? or Is it the China's future strategy towards India to showcase its dominance in the South Asia region? However and whatever be the case, by 1954 all Indian government maps showed the McMahon Line and elsewhere on India's northern boundary as a thick, continuous line, with the Kashmir border running along the Karakoram , making Aksai Chin a part of India (Chien peng Chung 2004: 97).

Figure(1) Full image of the China-India Border Area



Source: The Economist, “Indian and China: A Himalayan rivalry”, updated: 2012/05/19, date of viewing: 2012/05/19, URL: <http://www.economist.com/node/16843717>.

As it is very clearly stated and evident China has not accepted the McMohan Line and the main argument is that there were representatives of the three governments; Republic of India, People's Republic of China and Tibet in the Simla Accord. China claims that the British imperial government was biased towards India and Tibet and did not like the Chinese sovereignty on Tibet and moreover the British government wanted autonomy for the Tibetans. This made the Chinese government not to accept the McMohan Line as boundary line and forced led to the initial aggression of the Chinese against India.

Sino-India Co-operation

The rapid economic growth of China and India has been associated with much more rapid growth in their trade. In some cases, this has created enormous opportunities for their trading partners. In others, it has created strong competition either in home markets or in third markets. Those who face pressure in competition are frequently more vocal but a balanced assessment is needed to help develop appropriate policy responses (Dimaranam B and Elena I and Wil Martin 2007). Sino-India relations are said to be vital for the future of the Asian continent and world at large. Both countries realized this and didn't lose the importance of their relations. Before looking at the brief history of the economical, cultural, defense relations of the two countries, let us raise some possible questions to understand the Sino-India areas of co-operation. What are the factors that contributed to resume the bilateral relations at a high rate between China and India? Can China and India forge a durable, stable and positive bilateral relationship devoid of mistrust and suspicion? Let's look at the areas of co-operation betwixt the two countries and answer the questions raised at the possible instances.

China and India have long history of trade and cultural exchange dating back to at least the early part of the first millennium A.D. The early Sino-India relations stemmed from trade along the ancient silk route which was the path for the exchanges of silks, spices, precious stones and much later the spread of Buddhism

between the two countries (Asia Briefing Ltd 2012: 16) China and India are not the two societies but are two civilizations. If one looks at the ancient history quiet before the transmission of Buddhism, the Shang-Zhou and the ancient Vedic civilization in 1500-1000 B.C. showed evidences of conceptual and linguistic exchanges.

After coming out of the colonial clutches, following the independence of India on August 15, 1947, the formation of People's Republic of China in 1949, both countries started acknowledging each other. Both, People's Republic of China and Republic of India signed Five Principles of Peaceful Coexistence or Panchsheel in 1954. At that time there was a very famous slogan "Hindi-Chini bhai bhai" or "India and China are brothers". After all those things are not certain in the Sino-India relations. The demarcation of boundary line by the colonial world which was known as McMohan Line was accepted by only India, China didn't accept and further said that it was a forced line drawn by the colonial masters. And with the passage of time both the countries came into direct confrontation in October 1962, where India was badly defeated albeit it was a short war it was worse enough for India at that times. After some years with the help of some high level visits and by signing the September 1993 agreement, there was a drastic change in the bilateral relations between China and India.

Economic Co-operation; Resumption for mutual Growth;

After the disintegration of Soviet Union and the end of cold war in 1990s, the global environment had enormously changed. Albeit China and India could not able to sort out their bilateral differences and the problem of boundary demarcation so far, the liberalized global economy have offered new opportunity for economic co-operation between the two countries. This could be one of the factors responsible for the resumption of India and China relations. Thus at present, though India and China have differences over a number of bilateral, regional and global issues,

the trade and economic engagement between the two has improved over the last two decades.

According to the most political observers, the global political architecture is undergoing a transformation with power increasingly shifting from the West to East, in what has been called the 'Asian Century' (Harsh V Pant 2011: 233). By and large, this could be another factor which prompted China and India to forge co-operative relations. It is pertinent here to mention that in one of his meetings with the Indian Prime Minister, in 2004 Asia-Europe Meeting (ASEM), the Chinese Premier, Wen Jiabao, remarked that 'when we shake hands, the whole world will be watching' (Harsh V Pant 2011: 233).

Yes, Chinese Premier had rightly uttered. What were the intentions behind Wen Jiabao's speech like that? Was there any truth in his claim like that when both heads shake hands, the whole world will be watching? Or is that a Chinese strategic move?

The answers would be quiet different, keeping in view of the 'Asian Century'. Both countries should bite off as much as they by maintaining stable relations. The shift of the global architecture from west to east will obviously make the world stare on Indo-China relations, In other sense China dream of becoming world power should make it extend its hands to its neighbours. There was a suspicion that China-India equation could one or the other way challenge the US hegemony.

In the last two decades, both China and India have showed impressive economic growth in the liberalized global regime. However, the growth of China as an emerging global economic power is quiet more impressive than India. In the year China has become the second largest global economy of the world. India has also moved rapidly in the economic growth and rightly it is now counted as the emerging global economy power. As said the 'Rise of Asia' thesis is largely anchored on the economic growth capability of China and India.

Accelerated growth through efficient improvements in China and India especially in their high-tech industries, will intensify competition in the global markets leading to contraction of the manufacturing sectors in many countries. Improvement in the range and quality of exports from China and India have the potential to create substantial welfare benefits for the world and for China and India. However, without efforts to keep up with China and India, some countries may see further erosion of their export shares and high-tech manufacturing sectors (Dimaranam B and Elena I and Wil Martin 2007).

A roundtable participant stated that the economic relationship between China and India has been largely positive to date, noting that China is currently India's largest trade-in-goods partner. In recent years, the two countries have been encouraging their economic relationship with trade increasing from \$270 million in 1990 to an excess of \$60 billion in 2010 (Rosenfield M Julia 2010: 2). For a clear understanding of the China-India economic relations, it is reasonable to have an idea of at least the two decades of the economic relations between China and India. The bilateral trade between China and India since 1990-2000 is shown in the following figure.

Figure(2) China-India bilateral trade, values are in US\$ millions

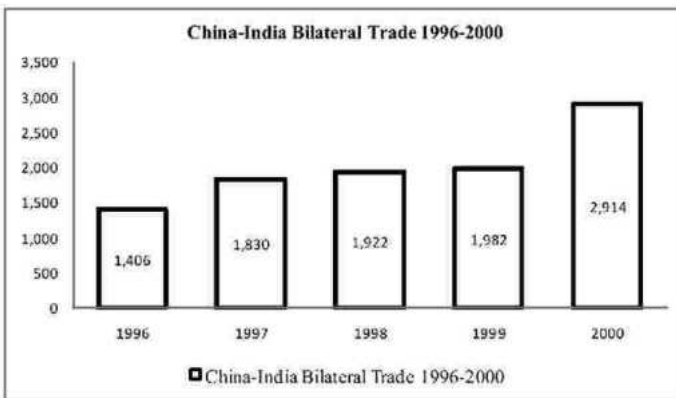


Source: China Statistical Year Book

The above figure clearly shows the progress in the bilateral trade between China and India. If we look at this period in the early 1990s, these were the years when both China and India just came out of their clutches of their indifferences to each other with a few healthy agreements. The relations are said to have resumed in 1988 because of the then Indian Prime Minister. The figures show that in the year 1991 the trade was 264 US\$ millions and then it increased year by year. In the year 1992, a slight progress can be seen with figures 338 US\$ millions. And this slight leap is seen till 1995 as the figures shows in 1993 476 US\$ million, in 1994 894 US\$ million, in 1995 1,162 US\$ mill. In the year 1995 there was some huge progress while compared with the previous years. And now take a quick look at the bilateral trade in the late 1990s.

The following figures show the China and India bilateral trade values in the years 1996-2000.

Figure(3) China-India bilateral trade, values are in US\$ millions



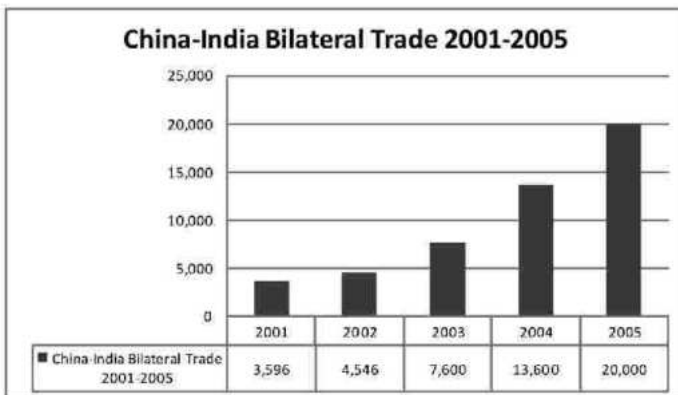
Source: China Statistical Year Book

By looking at these huge cylinders it can be said that the bondage between China and India started getting stronger. Remember, this phase was a very important one in the China-India bilateral relations. The reason is that it was a time, when two countries were entering the golden phase of the Twenty First century, which is often referred to as Asian Century.

Now in these years, both China and India became very strong, they tried to increase the maximum amount of trade values year by year. In the year 1996 it was 1,406 US \$millions and in the next year 1997 it was 1,830 US \$millions. In the year 1998 and 1999 the trade values are 1,922 US \$millions and 1,982 US \$millions. And now if we look at the end of the decade in the year 2000 it increased by 100 US \$millions to 2,914 US \$millions. This was a tremendous leap shown by China and India together. Now two countries China and India are heading towards the golden phase the 'Asian Century'.

Both China and India realized the value of their cooperation. The figures literally show that China and India ended up the decade by doubling the trade which was in the 1999. The significance of the Asian Century is clearly discussed in the following chapters. The bilateral trade values between China and India in this Asian century are given below in the following figures. This Asian Century witnessed a few landmarks in the history of Sino-India relations. The important one of this is that China emerged as India's largest trading partner in this Asian Century.

Figure(4) China-India bilateral trade, values are in US\$ millions

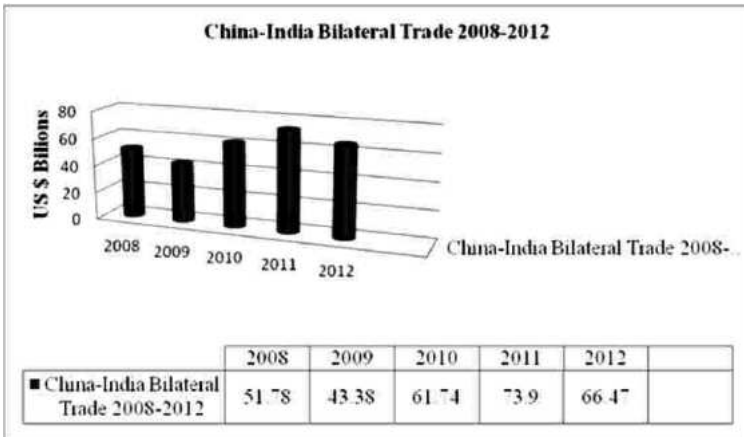


Source: China Statistical Year Book

The huge Egypt Pyramids show is disputed by both China and India. In this repeatedly said Asian Century, the two countries China and India had decided to increase the bilateral trade growth. In the year 2001 the figures were 3,596 US \$millions and in the year 2002 it was 4,546 US \$millions. It was again increased by 100 US \$millions over the values in the year 2002. In the year 2003 and 2004 the figures show the values like 7,600 US \$millions in 2003 and 13,600 US \$millions in 2004. At this point the values were almost doubled. And in the year 2005 it was very high and reached beyond expectations to 20,000 US \$millions.

Just note that the bilateral trade values of China and India in the year 1995 was 1,406 US \$millions. And now compare it with the trade value in the year 2005 the trade values in this year are like this 20,000 US \$millions. The main reasons are that both China and India have the same global aspirations , for fulfillment of aspirations two countries need a stable economy and especially a peaceful environment in the region and the other reason may be to lead the Asian Century. And let us take a look at the recent bilateral trade values of China and India. The values from 2008-2012 are shown in the following figure.

Figure(5) China-India bilateral trade, values are in US\$ billions



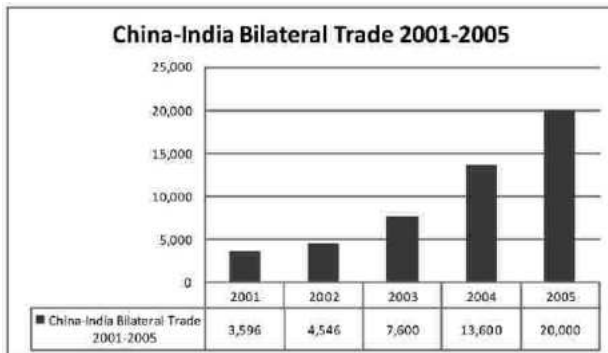
Source: China Statistical Year Book

The above figure shows the pretty recent past bilateral trade values. In the year 2006 the bilateral trade values was 51.78 US \$billions and in the year 2009 the bilateral trade value for first time decreased a little bit and the values show only 43.38 US \$billions. And the bilateral trade values in the year 2010, 2011, 2012 are like this, it was 61.74 US \$billions in 2010, 73.9 US \$billions in 2011, 66.47 US \$billions in th2012. In these recent times Both China and India had shown huge leap in their bilateral trade values. These were the values which were never seen and never expected by the countries because of the bilateral cooperation.

Now a comparative bilateral trade values in these two decades will give a clear picture of the Sino-India overall bilateral relations. China and India are the two countries that had the major difference since 1962 on the long distant sharing border line and they fought a war on this regard. And these are the same two countries that came up with a tremendous growth in the bilateral trade that gained the world attention. And this changed the rhetoric of the Sino-India relations and the critics too started admitting the change in the bilateral relations betwixt China and India.

The bilateral trade values in the year 1991 show very low as 264 US \$millions and the bilateral trade values in the year 2010 are 73.9 US \$billions. Take a look at the decade wise bilateral trade in the following figure.

Figure(6) China-India bilateral trade, values are in US\$ billions



Source: China Statistical Year Book

It clearly portrays that China and India tend to improve their bilateral relations. In this Asian Century, China and India celebrated the year 2011 as the 'Year of Exchanges', moreover China emerged as the India's largest trading partner for almost three years starting from the year 2007-2010. Each year when the two countries China and India meet together, they come up with goals of bilateral trade of a particular value for a particular time. In this regard China and India decided to increase their bilateral trade to 100 US \$billions by the year 2015. Actually the two countries have achieved it in the year 2010 itself, if bilateral trade data includes the service sector it almost reached the set goal of 100 US \$billions. This service sector data was not included in the government data. The unofficial reckoning clearly states that China and India had achieved the 100 US \$billion bilateral trade value.

One of the most significant developments in the still recent twenty-first century is the rise of China and India; the economic takeoffs of the world's two most populous nations occurring simultaneously (Vincent Wei-Cheng Wang 2009: 10). The economic logic also prevailed over the bilateral differences between the two great neighbours. The bilateral trade and economic cooperation between the two countries has increased to the extent that China has become the largest trading partner of India in 2010. The bilateral trade which was merely \$ 2.32 billion in 2001 has reached to \$ 60.58 billion in 2011 (see the table given below). China and India wanted to increase the trade to \$ 100 billion by the year 2015. That was not an impossible target in view of the potential of the bilateral trade and huge domestic markets and high middle class population in the two countries. Both China and India decided that in spite of the border dispute, they would take their strategic cooperative relations to a new height. The joint declaration for this was named 'Strategic and Cooperative Partnership for Peace and Prosperity'. In the year 2005 the two countries decided to conduct regular annual summits to facilitate highest level consultation on various issues of mutual interest between the two countries.

The overall bilateral trade figures for Jan-Oct, 2011 released by the China Customs are as follows:

Figure (7) (All figures in US\$ billions)

	2009 (Jan-Oct)	2010 (Jan-Oct)	2011 (Jan-Oct)
India Exports to China	10.73	16.97	18.89
Growth %	-42.38	58.12	11.34
China Exports to India	23.57	32.87	41.68
Growth %	-12.51	39.45	26.82
Total India-China Trade	34.30	49.84	60.58
Growth %	-24.72	45.29	21.56
Trade Balance for India	-12.84	-15.90	-22.79

Source: (www.mea.gov.in)

Highlights:

- India-China trade for Jan-Oct, 2011 stood at US\$ 60.58 billion, recording an increase of almost 22%.
- India's exports to China for Jan-Oct, 2011 reached US\$ 18.89 billion, a growth of more than 11% when compared to the same period in 2010.
- China's exports to India for Jan-Oct, 2011 reached US\$ 41.68 billion, recording an increase of almost 27% compared to Jan-Oct, 2010.
- The trade deficit for India for Jan-Oct, 2011 stood at US\$ 22.79 billion.
- Iron Ores, cotton & yarn, fabric, copper, precious stones, organic chemicals, plastic, salt, sulfur, earth & stone, machinery, reactors, boilers continued to dominate the Indian export basket.
- Among the products exported from India to China, iron ores, slag and ash (HS 26) constituted a dominant share of 49% though the export declined by 10% y-o-y. The share of cotton, yarn and fabrics in the total exports from India to China stood at 10% for the period Jan-Oct, 2011.

- Spectacular rise was seen in the exports of copper and articles thereof (HS 74), plastic (HS 39), food waste (HS 23) and miscellaneous chemical products (HS 38) recording increases of 164%, 71%, 64% and 63% y-o-y respectively.

So, as of now, China and India are in the right path to benefit each other with a win-win situation for both sides. The significance of the Asian Century has been very much utilized by both the countries and hopefully this would be strengthened in the foreseeing future and would be devoid of suspicion and mistrust and it will forge ahead with the necessary results making them view each other as partners and not threats.

The Sino-India Economic cooperation for the last two decades came out with flying colours. It could be said that both countries did not lose the importance of keeping cordial relations between the two. Both countries had the strategic economic dialogue, during the visit of Chinese Premier Wen Jiabao to India in the year 2010. At that visit it was decided to initiate Strategic economic dialogue on regular basis annually to broaden the scope of economic partnership between the two countries. The main intention of this dialogue is to forge adjustment and coordination in economic policies of the two countries and to discuss the economic issues of common interests. But for a scholarly person the relations betwixt China and India may appear as complex as ever. One notable thing is that the war of 1962 made both countries realize especially India to acquire nuclear power which could deter each other. From then on China and India had developed their military power and parallel economy. Whatsoever the terms, conditions and limits are between China and India, it is in the hands of New Delhi to tread on very carefully with Beijing. Here what one has to underline is the word careful, careful in the sense that India should not be panic about China's might or China's threat theories. It is that India has to act prudently in playing China card, where India is challenging China's rise, that itself can in one or the other way deter China. So, keeping in view of its potentials India is set to take on China a

peaceful coexistence. China's expanding economy is now regarded more as an opportunity than threat and its more polished foreign policy exudes confidence and poise (Vincent Wei-Cheng Wang 2009: 4). It was discussed in a meeting that New Delhi and Beijing would work towards finalizing a Memorandum of Understanding on the Chinese industrial park in Uttar Pradesh. This is seen as a crucial move to attract Chinese investment' (Indian Express 2013). So, till today all the economic co-operation made by China and India are said to be remarkable. New Delhi and Beijing have to bite off as much as they can in this 'Asian Century'.

During the visit of Chinese premier Wen Jiabao to India in December 2010, it was decided to initiate strategic economic dialogue on regular basis annually to broaden the scope of economic partnership between the two countries. Nevertheless, both countries have celebrated the year 2011 as the 'year of exchanges'. As of today, the trajectory of Sino-India relationship remains as complex as ever to decipher, despite some positive developments in the last few years. But as of now China and India on the economic sprint line but the border dispute betwixt the two is an Achilles Heel.

Endnotes:

¹Buddhism is culturally and religiously deep rooted in India and China. In this regard India had transferred this Buddhism to China. Now in China, Buddhism is dominant. So, now we can easily trace the cultural exchanges between China and India. Buddhism became one of the prominent factors in Sino-India relations.

²In 1950s the Sino-India relations were described with catchy phrase as 'Hindi-Chini Bhai-Bhai' it means China-India are brothers. And after 1962 war this began to be diluted and now in the recent times this phrase got its popularity back.

³Gen Ved Malik former chief of the Army staff, his lecture titled '1962 war Lessons and way forward', in the conference conducted by Center for Security & Strategy on Nov 25th 2012. For more details see <http://www.youtube.com/watch?v=mCLKjVfK9g8>

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India and China in the Indian Ocean: Cooperation or Competition

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“India's growing international stature gives it strategic relevance in the area ranging from the Persian Gulf to the Straits of Malacca...India has exploited the fluidities of the emerging world order to forge new links through a combination of diplomatic repositioning, economic resurgence and military firmness”.

-Dr. Manmohan Singh

“We see the Indian Navy as a significant stabilizing force in the Indian Ocean region, which safeguards traffic bound not only for our own ports, but also the flow of hydrocarbons and strategically important cargo to and from the rest of the world across the strategic waterways close to our shores...And so, the safety of SLOCS will always remain a priority for India in the foreseeable future”

-Admiral Suresh Mehta

Introduction

Obviously, Indian Ocean has been emerging as a pivot in political, economic and security scenario of 'Asia-Pacific' and Indo-Pacific regions. These concepts were coined by the scholars in view of the interests of the US, Japan and Australia and their intention to play a major role with less developed Asian countries. The growing strategic significance of the Indian Ocean and the changing geopolitical world order, India wants to be more active and the same has been reflected from the statements of the former Indian Prime Minister and Army Chief. Though India is not a member country of the Asia Pacific Economic Cooperation (APEC) but its engagement with the key states of Asia Pacific is the most important part of its regional security in the 21 century. However, India has been perceived as being outside the Asia Pacific region and as being playing a peripheral role in the region. But the launching of India's Look East Policy in 1990s paved the way for

better economic, political, strategic and security ties with the Southeast Asian and East Asian countries.

This is all happening out of the sphere of maritime security of the Asia Pacific region. When maritime security is considered as one of the major concerns of the geopolitical and strategic issues of the region, Indian Ocean plays a major role. Obviously India may have a sufficient space to play in the blue waters of Asia Pacific region, if not to emerge as a global power but to protect its own national interests in the Indian Ocean. This is one side of the coin the other side most significantly emerging China has also been serious about the Indian Ocean which is the most strategic path for the transportation of the oil and gas from the Middle East and Africa. This situation may generate a question like what are the interests of the littoral states and interests of external players. If it is a contest between two countries or groups, leads to a competition; an attempt to promote mutual interests and benefits, leads to a bilateral or multilateral cooperation in this region.

China has only two purposes in the Indian Ocean economic gains and the security of Sea Lines of Communication (SLOC)... Such freedom of navigation in the Indian Ocean surely depends upon two countries, the US and India. The US is the only country that has the full capabilities to control the chokepoints in the Indian Ocean and cut off the SLOCs all the way to China, but it is unlikely to exercise such capabilities, unless, perhaps, in an all-out war with China. Even during the Cold War neither the U.S. nor the Soviet Union endeavored to cut off any SLOCs in the world. Besides, the SLOCs are life-lines for all states. Cutting off China's SLOCs will also affect U.S. allies of Japan, ROK and Australia. So long as Sino-American relations remain manageable, such a worst-case scenario is unlikely to occur.¹

¹ 2014, The String of Pearls and the Maritime Silk Road, China US Focus, accessed on 5 August 2014, <http://www.chinausfocus.com/foreign-policy/the-string-of-pearls-and-the-maritime-silk-road/>

India and the Indian Ocean

Apart from being a largest democratic country and competent economy, geography plays a major role to make India an appealing candidate for greater claims and cooperation in the Indian Ocean. Indian peninsula penetrated into the center of the Indian Ocean and having the long coast line of 4,500 miles on east and west of the southern part of the country. Naturally, India has the advantage of sitting at the center of the world's third-largest ocean, through which transit half of all containers and more than 70% of oil products.² Maritime trade becomes increasingly significant for interconnected economies of any region. India has been accounting for nearly 40% of its trade with littoral nations along the Indian Ocean rim,³ and also depends on shipping lanes for a significant portion of its growing energy needs.⁴ With this background, securing the Indian Ocean that connects the Straits of Hormuz to the Straits of Malacca will be essential for India specifically and global stability in general. If India wants to emerge as a major geopolitical player in Asia and the world, it needs to leverage its geographic location to its full advantage. Nirupama Rao, India's Foreign Secretary, categorically expressed her views that "India and the Indian Ocean are inseparable. In the midst of the third largest ocean in the world, India's location is in many ways her destiny. That is not just a statement regarding a fact of geography but of deeper civilizational, historical, cultural, economic and political linkages that have been forged between India and the Ocean that bears its name. Throughout history,

² Colin Geraghty, 2012, India in the Indian Ocean Region: Re-calibrating US Expectations, American Security Project, accessed November 2014, <https://americansecurityproject.org/ASP%20Reports/Ref%200091%20-%20India%20in%20the%20Indian%20Ocean%20Region.pdf>

³ According to Foreign Secretary Nirupama Rao, in a speech at the National Maritime Foundation: "India as a Consensual Stakeholder in the Indian Ocean: Policy Contours," New Delhi, November 19, 2010, accessed October 2014, <http://www.mea.gov.in/mystart.php?id=530116701>

⁴ Indian Ministry of Statistics and Programme Implementation, Energy Statistics 2012, March 2012, accessed September, 2014. http://mospi.nic.in/mospi_new/upload/Energy_Statistics_2012_28mar.pdf

India's wellbeing and prosperity was linked to its access to the Indian Ocean region". A strategic and security analyst, Akhilesh argues that "India can also use its central location in the Indian Ocean to become a hub of transportation, communication, and trade. Although these facts should be obvious to anyone who looks at a map, India has often punched below its weight instead of taking full advantage of its strategic location. However, India is blessed with many resources and manpower reserves, which in addition to its geography, can be useful in establishing India as the dominant power in the Indian Ocean. By taking advantage of its geography and projecting power in neighboring regions where it can, India would improve both its security and prestige, foster a domestic climate of strategic thinking, and increase its overall influence in Asia."⁵

A reputed geopolitical analyst, KM Pannikar argued in the middle of the 20 century that "to other countries the Indian Ocean is only one of the important oceanic areas, to India it is a vital sea. Her lifelines are concentrated in that area, her freedom is dependent on the freedom of that water surface."

The visit of Indian Prime Minister, Narendra Modi in March 2015 to Seychelles and Mauritius, outlined a bold framework that overturned the political approach that India had taken towards the Indian Ocean for half a century. Delhi also initiated a trilateral security arrangement, coordinated at the level of national security advisers, between India, Sri Lanka and Maldives in 2011 to expand maritime security cooperation.⁶ During his visit Modi said that primarily Delhi "will work to ensure a safe, secure and stable Indian Ocean Region that delivers us all to the shores of prosperity." Modi's government has a comprehensive policy on

⁵ Akhilesh P, 2014, Geography and Indian Strategy, *The Diplomat*, July 30, 2014, accessed November 2014, <http://thediplomat.com/2014/07/geography-and-indian-strategy/>

⁶ Raj Mohan C, 2015, Revealed: India's Master Plan for the Indian Ocean, *The National Interest*, June 26, 2015, <http://nationalinterest.org/blog/the-buzz/revealed-indias-master-plan-the-indian-ocean-13198>

India and Indian Ocean. Firstly, India has been committed whatever may be necessary to secure India's mainland and island territories and defend its maritime interests; secondly, deepening security cooperation with regional partners; thirdly, a framework that relates to building multilateral cooperative maritime security in the Indian Ocean; and finally, maritime policy may be in support of sustainable development. The entire framework or policy indicates that India has discarded the longstanding reluctance to cooperate with other major powers in the Indian Ocean. Further India insisted that Indian Ocean littoral states hold the primary responsibility for peace, stability and prosperity in those waters.⁷

China's Quest for Energy Security

The world's second largest economy and ambitious to emerge as world power, China's interests in the Indian Ocean are growing. The vigorous maritime diplomacy and the growing demand for its energy needs directly or indirectly indicates China's intentions of active engagement in the Indian Ocean. In terms of geography and the location of Indian Ocean, it attracts much of the strategic attention of China for its energy security, and particularly oil supply. The focus of this anxiety is the vulnerability of seaborne energy imports. At present, China lacks the naval power necessary to protect its sea lanes of communication (SLOCs). Beijing fears that during a national security crisis ships carrying energy resources could be interdicted by hostile naval forces. Any disruption to the free flow of energy resources into China could derail the economic growth on which the Chinese government depends to shore-up its legitimacy and pursue its great power ambitions.⁸ On the other side, China's rapid economic growth has led to a huge increase in oil imports. This has raised great concern regarding its energy security because China depends on a single chokepoint, the Strait of Malacca, with nearly three-quarters of its oil imports flowing through the Strait. Given its strategic

⁷ *Ibid*

⁸ Ian Storey, 1969, China's "Malacca Dilemma", China Brief, Vol. 6, No. 8.

importance to China and China's little sway on the waterway, this viewpoint focuses mainly on China's concerns about and efforts at both demand and supply sides towards energy security, in particular regarding the Malacca dilemma.

China's dependency has been heavily increasing on the Malacca and Lombok/Makassar straits in Southeast Asia in view of its growing domestic energy demand. The Malacca Strait is a narrow and congested waterway separating Indonesia and Malaysia, with Singapore located at its southern tip. As the shortest route between the Indian and Pacific oceans, the strait is one of the world's most important waterways. More than 60,000 vessels transit the strait each year, carrying 25 percent of global trade. The Lombok/Makassar Strait passes through the Indonesian archipelago and is used mainly by Very Large Crude Carriers. The strategic significance of these two straits have been projected not only at global level but for China too. At present, approximately 60 percent of China's crude oil imports originate in the Middle East, and this figure is expected to rise to 75 percent by 2020. Oil from the Persian Gulf and Africa is shipped to the PRC via the Malacca or Lombok/Makassar straits. Over the past few years Chinese leaders have come to view the straits, especially the Malacca Strait, as a strategic vulnerability.⁹ In November 2003 President Hu Jintao declared that "certain major powers" were bent on controlling the strait, and called for the adoption of new strategies to mitigate the perceived vulnerability. Thereafter, the Chinese press devoted considerable attention to the country's "Malacca dilemma," leading one newspaper to declare: "It is no exaggeration to say that whoever controls the Strait of Malacca will also have a stranglehold on the energy route of China".¹⁰

Just over a period of a decade China's dependency for its oil imports have been concentrated from Southeast Asian countries to African countries apart from the Middle East. For instance, the

⁹ Ian Storey, 1969, China's "Malacca Dilemma", *China Brief*, Vol. 6, No. 8.

¹⁰ *China Youth Daily*, June 15, 2004.

share of China's oil imports from African has gone up to 30.2 per cent in 2005 from 7.2 per cent in 1995. On the other side the growth of the share of the Middle East has been a meager from 43.3 in 1995 to 47.2 per cent in 2005.¹¹ Though the growth rate is smaller but still Middle East stands first in exporting the bulk of oil to China. These trends indicate that China largely looks at the Middle East and African countries for its oil supply. Under the given circumstances and obviously, the strategic significance of Indian Ocean has been enormously increasing.

China and the Malacca Strait

Perceived lacks security in the strait engendered concerns that transnational terrorist groups might link up with pirates to disrupt maritime traffic and hence global commerce. International criticism led the littoral states (Indonesia, Malaysia, and Singapore) to step-up strait security through the establishment of coordinated air and naval patrols. As a result of these and other initiatives, the number of pirate attacks in the area declined in 2005. Yet piracy and other transnational threats in the strait remain major concerns. Due to sensitivities over sovereignty, Indonesia and Malaysia have firmly rejected the idea of external powers such as the U.S., Japan or India permanently stationing military forces in the strait. They have welcomed help from external powers, however, in the form of capacity building, intelligence exchanges, and training.¹²

Being one of the major dependents of Malacca Strait, China has a vested interest in avoiding transnational threats in the waterway. Many strategies have been made by China in this direction but still Beijing remains uneasy at the prospect of a greater role for external powers in securing the strait. At the same time China has not been comfortable with efforts of the US and Japan of using the threat of terrorism as a pretext to expand their naval presence in and around the strait. Apart from Indonesia, Malaysia and

¹¹ Zhong Xiang Zhang, 2011 *China's Energy Security, the Malacca Dilemma and Responses*, Energy Policy, Vol.39, No.12, December 2011, pp.76127615.

¹² Ian Storey, 1969, *China's "Malacca Dilemma"*, China Brief, Vol. 6, No. 8.

Singapore, China attributes much significance to India because of its enhanced presence in the area, especially the modernization of military facilities on the Andaman and Nicobar Islands located near the northern entrance to the Malacca Strait.

Some Chinese newspaper commentaries have bordered on the paranoid. At the heart of maritime security in the People's Republic of China lies a predicament that President Hu Jintao has referred to as the Malacca Dilemma put simply the dilemma is that the Chinese economy relies too heavily on transiting petroleum and other vital goods on oil tankers through the Malacca Strait¹³. For instance, when the United States restored the International Military Education and Training (IMET) program to Indonesia last year, one Chinese newspaper accused US-Indonesia military cooperation as "targeting China" and aimed "at controlling China's avenue of approach to the Pacific"¹⁴. Nevertheless, China does not want to be left out and has offered the littoral states its assistance to improve security in the strait. At a meeting held in Jakarta in September 2005 to discuss strait security, Ju Chengzi, Director General of China's Ministry of Transportation, said the PRC government was willing to assist the littoral states with capacity building, technical support, training programs, hydrographic surveys, and navigation aids (Xinhua, September 7, 2005).¹⁵

The PRC's dependence on Malacca gives rise to security concerns because the surrounding region is vulnerable to disruption that could block maritime traffic and substantial portion of the PRC oil supply. Malacca's prominence in the global economy also makes it a potential target for terrorism or a naval blockade. On the other side the rest of East Asian countries such as Japan and South Korea rely on the Malacca route as much as China does. But these

¹³ Daniel Brutlag, Compiled data, http://sites.tufts.edu/gis/files/2013/02/Brutlag_Daniel.pdf

¹⁴ Takungpao, 2005, as quoted in Ian Storey, 1969, China's "Malacca Dilemma", China Brief, Vol. 6, No. 8.

¹⁵ Ian Storey, 1969, China's "Malacca Dilemma", China Brief, Vol. 6, No. 8.

countries likely depend on their alliance with the US military to secure the strait. As non-US ally, the PRC feels more uneasy with the Strait's volatility.

China's String of Pearls and India's Response

Of course, China has been advocating and seriously engaging itself with a grand strategy in Indian Ocean in the name of string of pearls, otherwise observers say that 'encircling India'. India need not reply every question or strategy out of string of pearls but it should be cautious with the Chinese activities and strategies in the member countries of SAARC. India's maritime security has been mainly depends upon the internal political stability and the role of external powers within the matters of its immediate neighbours like Pakistan, Sri Lanka, Bangladesh and of course Myanmar and in the realm of Indian Ocean. Therefore, an attempt has been made to analyze the status of China's relations with such South Asian countries and implications for India.

China - Sri Lanka: The relations between China and Sri Lanka, of course, are not new but have been continuing since the independence of these countries. The base was established in the form of 'Rubber-Rice' pact was signed in 1952 followed by the serious efforts to speed up the socialist march of Ceylon. There is a clear change aftermath of the Cold War, as China's economic power has grown, investing overseas has been a tactic used across the world by China to help bolster the national interest. Its financial foreign policy rests on two strategies: "accumulating foreign currency reserves and sending money abroad in the form of FDI, aid assistance and loans. China is Sri Lanka's biggest source of FDI as well as providing development loans for projects such as the \$500 million new Colombo Port Terminal, Hambantota Port, Sri Lanka's first four-lane expressway, and a new National Theatre, among others. These lucrative benefits for Sri Lanka have played a pivotal role in building the current relationship.

Another huge strategy of China has been to build 'Maritime Silk Road', as per Chinese official which is a naval idea and Sri Lanka

has been the first country to support China's idea. As per the Chinese Foreign Ministry's spokesman, Hue Chunying, "this initiative is just an idea for cooperation. It is an open ended platform. The purpose is to integrate all kinds of ongoing cooperation especially cooperation on connectivity in the spirit of (ancient) silk road so that they can connect with each other and promote each other and accelerate regional countries' common development."¹⁶

The political scenario in Sri Lanka has been further drifting towards China for further closer relations. The war on LTTE and consequently Sri Lanka has been targeted and isolated for its violation of human rights during the war. Of course, India has no other alternative other than condemning the action because of political pressures from Tamil Nadu. Most of the western countries have also accused the Sri Lankan government for the same reason. In face of these Western-led accusations, Sri Lanka has found a political ally in China through a shared policy of non-interference in internal affairs. This translates as China's view that issues in relation to human rights are the prerogative of the sovereign state to deal with internally. China's soft power in Sri Lanka will grow, almost unintentionally, if Colombo's disenfranchisement with the West continues over the matter of an independent investigation.

The recent change of government in Sri Lanka may be the right time to pursue proactive and dynamic diplomacy to surpass China in Sri Lanka. India has been keenly watching the China's investment in ports, highways and other infrastructure in Sri Lanka. Just before the defeat of Rajapaksa, Chinese submarines visited the Colombo port. The successful President of Sri Lanka, Maithripala Sirisena has visited India and had warming submit with Mr. Modi. Still Sri Lankan relations with India has been far beyond the

¹⁶ As quoted in Zee News, Sri Lanka backs China's plan to build Maritime Silk Road, February 13, 2014, accessed on 15 December 2014, http://zeenews.india.com/news/south-asia/sri-lanka-backs-chinas-plan-to-build-maritime-silk-road_911219.html

relations with China in terms of many dimensions.¹⁷ “Indian Ocean security as new manifestations of China's engagement in the region leads observers to question India's preeminence in its own backyard.”¹⁸

Indian Prime Minister Mr. Modi visited Sri Lanka in March 2015 which gave a boost for the bilateral relations. This happened after 28 years, in 1987 Mr. Rajiv Gandhi visit was the latest, though Mr. Manmohan Singh visited once in 2003 but it was part of SAARC summit and again he avoided Commonwealth Head meet in 2008 that left little room for bilateral indulgence between the two neighbours. Moreover, Modi's visit has a political significance from Sri Lankan side, it was the first visit by Modi after the end of cold war between LTTE and Sri Lankan government and also after the new government of Mitripala Sirisena.

The new government in Sri Lanka has been very clear about China-Sri Lanka relations. The Foreign Minister, Mangala Samaraweera, made a statement that Sri Lanka will keep China out of its bilateral relations with India, the same was also reiterated during Indian Foreign Ministers visit to Sri Lanka.¹⁹ While addressing the Sri Lankan Parliament Modi said, “The security of our two countries is indivisible. Equally, our shared responsibility for our maritime neighborhood is clear.” He said the two countries need to build a “climate of trust and confidence.”²⁰ Ultimately the Chinese major investments in Sri Lanka either halted or under scrutiny.

¹⁷ Nilanthi Samaranyake, 2015, India's Key to Sri Lanka: Maritime Infrastructure Development, *The Diplomat*, <http://thediplomat.com/2015/03/indias-key-to-sri-lanka-maritime-infrastructure-development/>

¹⁸ *Ibid*

¹⁹ Modi's Visit a New Bridge to Sri Lanka, *The Indian Express*, March 13, 2015, <http://indianexpress.com/article/opinion/columns/a-new-bridge-to-sri-lanka/>

²⁰ Gordon Fairclough, India's Modi Pledges Deeper Sri Lanka Ties, *The Wall Street Journal*, <http://www.wsj.com/articles/indias-modi-pledges-deeper-sri-lanka-ties-1426252797>

China-Pakistan: There is no direct rivalry between India and China when compared with Pakistan. The Kashmir issue is one of the major setbacks to hamper the bilateral relations. Of course there is an issue between India and China, line of control, surprisingly it creates a greater hype in the international politics but nothing is happening along the border unlike the border with Pakistan. After the end of the Cold War and strained relations with the US, Pakistan has been maintaining closer relations with China. On the other side the US has been trying to maintain better and strategic relations with India, this may be in view of growing capabilities of China. Under these circumstances, China's presence and investment in Gwadar leads to multiple speculations.

Gwadar is one of the strategic investments in the Indian Ocean. Currently the entire oil transportation has been reaching the east coast of China and again lifted by land to its western part. This is a domestic problem, but the reaching east coast through Malacca Strait has been a herculean and expensive task of China. Gwadar port may emerge as an alternative to transport the entire bulk of oil through Karakoram Highway which is much safer and cheaper route to the western part of China.²¹ The \$45-billion worth of agreements signed by Pakistan and China included a multibillion-dollar LNG pipeline and terminal deal, which will work as an alternative to the troubled gas import project with Iran as the pipeline will be extended to the Gulf state after international sanctions are lifted.²²

The oil and gas pipeline runs from Gwadar in Balochistan through Pakistan occupied Kashmir (PoK) to China's western province of Xinjiang. In addition, Chinese assistant foreign minister Liu Jianchao said that "The project between China and

²¹ What is Chinese Interest in Gwadar?

²² Zafar Bhutta, 2014, Investment in Gwadar: China to help build \$3b LNG pipeline and terminal, The Express Tribune, November 25, 2014, accessed on 3 January 2015, <http://tribune.com.pk/story/796544/investment-in-gwadar-china-to-help-build-3b-lng-pipeline-and-terminal/>

Pakistan does not concern the relevant dispute between India and Pakistan. I do not think the Indian side should be over-concerned about that."²³ As per the Chinese media China's investment in Gwadar port is not aimed at "encircling" India, but the move is crucial to the country's economic interests as it gives western China access to the Arabian Sea to access oil supplies from the Gulf. At the same time the West and India critically draw a hard line that the intensions of China not simply access the oil and gas to its western province but crucially to build naval bases at Gwadar port.²⁴

Currently, Gwadar port seemed to be the only permanent strategic investment as part of the theory of string of pearls. In view of the scrutiny of all the agreements between Sri Lanka and China by the new government in Sri Lanka, hopes are being narrowed to proceed as per the expectations of China. On the other side, the same may be happened in Myanmar in the near future, as per the analysts. It is logically true that irrespective of the government or the head of the government in Pakistan, there will not be any sort of opposition to the Chinese investment as long as India-Pakistan relations strained. But the proposed pipeline of oil and gas may hit by the terrorist activities (groups) in the region. Moreover, the Muslim population in the Xinjian province, supposed to be detrimental in the form of expanding terrorism and the helplessness of Pakistan's government against the terrorist groups may be the only suspected challenge from the minds of Chinese policy makers.

China-Myanmar: Myanmar's domestic political disturbances since 1980s were a rare opportunity for China to improve its bilateral relations through large scale investments in different

²³ Minhaz Merchant, 2015, How India can rebalance the China-Pakistan axis, Daily O, <http://www.dailyo.in/politics/india-china-pakistan-xi-jinping-nawaz-sharif-narendra-modi-gwadar/story/1/3288.html>

²⁴ 'China's take over Gwadar port not aimed at encircling India', The Economic Times, Feb 1, 2013, http://articles.economictimes.indiatimes.com/2013-02-01/news/36684468_1_gwadar-port-global-times-china

strategic sectors. As a littoral of the Indian Ocean, Myanmar's strategic value further increases. Its 1930 km long coastline dominates the eastern arch of the Bay of Bengal, leaning on to the Malacca Strait. This makes Myanmar a strategic pivot for India, China and Bay of Bengal.

Beijing's fundamental interest in Myanmar includes three basic factors like border stability, economic cooperation and an energy transportation route. Currently, the oil and gas pipeline project from Myanmar to Yunnan province is seen by China as the most important project in Myanmar. China hopes the project will mitigate its dependence on the Malacca Strait for most of its oil imports from North Africa and the Middle East. During Thein Sein's visit to Beijing in May 2011, China and Myanmar announced the elevation of their bilateral relations to a "comprehensive strategic cooperative partnership" and China sought reciprocation for its long-time diplomatic support in the form of Myanmar's endorsement of China's positions on regional multilateral forums. China's investment in Myanmar can't be ignored in terms of bilateral perception but more is underlined to contain India and the US.

The Indian Ocean ports of Gwadar in Pakistan, Hambantota in Sri Lanka and Chittagong in Bangladesh have all benefited from Chinese investment and account for 30 percent of global trade, according to Indian Ocean Rim Association.²⁵ Out of all the chokepoints and the strategic points, Gwadar stood first with its locational advantages both for Pakistan and China. Gwadar seems to be the biggest port as well as emerging commercial hub of the country itself. At the same time, this may be the biggest source to China to access its Northwestern part of China and to have a shortest route for transportation of Gulf oil to western China. The second largest and strategic investment of China may be in Myanmar. In recent times, Chinese investment in Myanmar

²⁵ Jack Goodman, 2014, Sri Lanka's Growing Links with China, *The Diplomat*, March 6, 2014, accessed on 13 December 2014, <http://thediplomat.com/2014/03/sri-lankas-growing-links-with-china/>

has been multiplied to make sure its second coast and to connect Kunming with the Bay of Bengal. Of course, investment in Hambantota, Sri Lanka has its own merits, since it is located on the southernmost tip of the South Asia and moreover it can also be considered as the midpoint between Malacca and Hormuz straits. There is no single strategic merit in investing in Chittagong, Bangladesh and Maroia in Maldives. It is nothing but exposing the expansionism of China and simple to check another emerging neighbor (India) in different forms.

Conclusion

At the first instance there is no comparison between India and China that who would play a greater role or seek cooperation. Obviously, there is no point of competition between them, because the Indian Ocean is the life line for the Indian economy and security. Whereas China it is only a matter of strategic interest to enjoy the freedom of navigation for its free transportation of oil and gas from the West Asia and Africa. Being one of the biggest littoral states (coast line of 7517 km) no other littoral country has the advantage, India's industrial development, economic growth, energy requirements, political stability, maritime security etc., has been completely depend upon the peace and prosperity of the Indian Ocean region. China's efforts have been multiplying, in recent times, in the form of string of pearls and huge investments in establishing modern harbours, for instance, Hambantota in Sri Lanka. Undoubtedly, all the small island or mainland economies of the Indian Ocean are eagerly waiting for a large scale FDIs into their economies and inviting without any other intentions.

At the same time none of the countries of South Asia (considered to be the part of string of pearls) may invite any sort of rift with India. In addition to the locational advantage India has been trying to cement its position in the Indian Ocean after conducting joint naval exercises with the US and Japan. Moreover, any aggressive approach/attempt from China may not win the appreciation of international community. On the other side India can go to any extent within its legitimate claims to secure its

sovereignty. The only option left to China is to extend the hand of cooperation with all the littoral states of Indian Ocean, including India to sustain the peace and prosperity of the region which creates a conducive atmosphere to transport its oil and gas through Indian Ocean. In the simple form to sum up that the rivalry between India and China is often hyped, but India would not challenge China, unless presumed provocation. The most interesting point is that there is no direct dispute/claim between China and India in the Indian Ocean. On the other side, the Line of Actual Control along the Sino-Indian border has by and large remained peaceful.

India and China: Conflicting Interests in the Indian Ocean

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Abstract

Indian Ocean is the third largest body of water in the world which contains vital sea lanes that help feed some of the Asia's largest economies and the importance of Indian Ocean has long been clear. However, the relative decline of US power in the region has left a void that is increasingly being filled by India and China, both being eager to secure their position as major power brokers in global affairs. It is this confluence of events and interests that are being looked as strategic developments in the region.

The Indian Ocean is vital to India; at present 97% of India's trade by volume and 70% of its energy imports transit through the Indian Ocean. As India's economy continues to grow, its energy requirements and trade relations will increase manifold. India has (2.2 million sq. Km.) exclusive economic zone (EEZ). A large Indian Diaspora exists in countries situated all along the Indian Ocean. On the other hand China is making forays into the Indian Ocean with its aggressive soft power diplomacy which has been widely seen as arguably the most important element in shaping the Indian Ocean strategic environment, transforming the entire region's dynamics. By providing large loans on generous repayment terms, investing in major infrastructure projects, and offering military assistance and political support in the UN Security Council, China has secured considerable influence among the countries in the Indian Ocean region. In the present paper an attempt is made to study the factors that are influencing India and China to compete with one another in the Indian Ocean Region.

Indian Ocean as base of Activity

The Indian Ocean has become a key strategic arena in the 21st century. One reason is the growth of the Asian economies and their increased need for raw materials, including energy from the Middle East, to provide for their economic growth. But trade is a two-way street and we have witnessed an increasing flow of Asian labor, capital, and consumer goods, particularly to the rich countries of the Arabian Peninsula.

The Indian Ocean, world's third largest Ocean and the only ocean to be named after a nation state (India) is crucial to the making of the present trial and future destiny of India located at the center of this ocean with its triangular peninsula shape. The Indian Ocean is fast becoming the centre of gravity for states that rely more on the trade and economic activities in the Indian Ocean Region because it unites Asia, Europe and the US. The Indian Ocean Region (IOR) contains an enormous quantity of energy resources. Two thirds of world's oil reserves are in the Indian Ocean littoral states. It accounts for nearly 35 per cent of the world's gas reserves, 60 per cent of uranium, 40 per cent of gold, 80 per cent of all diamond deposits and a large variety of other mineral substances. Nearly, half of world oil production is transported by crude carriers and tankers through the Indian Ocean and 36% of the oil comes from IOR. More than 80% of this oil passes through three Indian Ocean straits: Hormuz, Malacca and Bab-el-Mandeb¹.

The sheer imperative of geoeconomics over the erstwhile geopolitics and the shift of balance of power from the Atlantic to the indo-pacific (earlier referred to as Asia-Pacific by the western strategic community) and the strategic location of the Indian Ocean has made as the noted US strategic thinker Robert D, Kaplan has opined in a well researched work *Monsoon: The Indian Ocean and the Future of American Power* (2010) the 'centre stage for the 21st century' revisiting the Mahanian terminology of 'sea power' in the coming future in which the new Great power game in the IOR is slowly but steadily being unfolded.

The great US naval strategist Admiral Alfred Thayer Mahan, celebrated globally as the enunciator of the 'sea power', observed way back in 1890 itself in his great work, *The Influence of Sea Power Upon History 1660-1783*, thus; "whoever controls the Indian Ocean dominates Asia. This Ocean is the key to the seven seas. In the twenty first century, the destiny of the world will be decided in its waters"²

The relative decline of US power in the region has left a void that is increasingly being filled by China and India, both eager to secure their position as major powerbrokers in global affairs. It's this confluence of events and interests that's starting to make strategic developments in the region particularly interesting right now.

The sea lanes in the Indian Ocean are considered among the most strategically important in the world - according to the *Journal of the Indian Ocean Region*, more than 80 percent of the world's seaborne trade in oil transits through Indian Ocean choke points, with 40 percent passing through the Strait of Hormuz, 35 percent through the Strait of Malacca and 8 percent through the Bab el-Mandab Strait. But it's not just about sea lanes and trade. More than half the world's armed conflicts are presently taking place in the Indian Ocean region, while the waters are also home to continually evolving strategic developments including the competing rises of China and India, potential nuclear confrontation between India and Pakistan, the US interventions in Iraq and Afghanistan, Islamist terrorism, growing incidence of piracy in and around the Horn of Africa, and management of diminishing fishery resources³.

As a result of all this, almost all the world's major powers have deployed substantial military forces in the Indian Ocean region. For example, in addition to maintaining expeditionary forces in Iraq and Afghanistan, the US 5th Fleet is headquartered in Bahrain, and uses the island of Diego Garcia as a major air-naval base and logistics hub for its Indian Ocean operations. In addition, the United States has deployed several major naval task forces there, including Combined Task Force 152, which is aimed at safeguarding the flow of oil through the Persian Gulf, and Combined Task Force 150, which is tasked with countering piracy from the Gulf of Oman to Kenya⁴.

France, meanwhile, is perhaps the last of the major European powers to maintain a significant presence in the north and southwest Indian Ocean quadrants, with naval bases in Djibouti, Reunion, and Abu Dhabi. And, of course, China and India both

also have genuine aspirations of developing blue water naval capabilities through the development and acquisition of aircraft carriers and an aggressive modernization and expansion programme⁵.

China's aggressive soft power diplomacy has widely been seen as arguably the most important element in shaping the Indian Ocean strategic environment, transforming the entire region's dynamics. By providing large loans on generous repayment terms, investing in major infrastructure projects such as the building of roads, dams, ports, power plants, and railways, and offering military assistance and political support in the UN Security Council through its veto power, China has secured considerable goodwill and influence among countries in the Indian Ocean region⁶.

The balance of power in the Indian Ocean is changing, driven by the erosion of the longstanding US strategic predominance and the rise of China and India as major powers. Many analysts see a significant danger of an increasing strategic contest between China and India in the Indian Ocean as they jostle for influence and position in ways reminiscent of US-Soviet rivalry during the Cold War. China's strategic relationship with the United States in the Indian Ocean is relatively stable. But China faces considerable long term geostrategic disadvantages in the Indian Ocean as compared with India and has few options available to mitigate those disadvantages. In a recent article in the *Journal of the Indian Ocean Region*, David Brewster explores these vulnerabilities and contrasts them with a common narrative in which a Chinese juggernaut is developing a threatening security presence in the region⁷.

India and Indian Ocean

India is an Indian Ocean Power. This is not only a geographical but also historical fact. Pandit Jawaharlal Nehru, In his address to officers and sailors of INS Mysore in March 1958 had said, "history has shown that whichever power controls the Indian Ocean has, in the first instance, India's sea borne trade at its mercy

and, in the second, India's very Independence"⁸

India's Geo strategic location is unique in nature which is a strategic advantage. It is peninsular in shape and it acts like a hub for all the commercial activities that takes place in the IOR. India has Island territories like Andaman and Nicobar and Lakshadweep which help India to enjoy bigger territory in the Indian Ocean. Indian Ocean is often referred as 'Ocean of 21st Century'. The international Law of the Sea provide vastly extended areas of sea to littorals and island states. This comprises of a territorial sea of 12 nautical miles, a contiguous zone of 24 nautical miles and Exclusive Economic Zone (EEZ) of 200 nautical miles⁹.

The steady growth of India's economy after its gradual embarking on a policy of market-economic reforms in 1991 has been triggering a massive increase in demand for hydrocarbon resources in order to fuel the continuous expansion of industry and the sensitive transport sector in the country. Although post-independent India has always been a net importer of oil, stagnant growth in domestic production and massive increases in demand in the course of the economic transformation and development of the South Asian giant in the post-Cold War era have made India largely dependent on imports and thus more vulnerable to supply disruptions.

India is the fourth largest consumer of energy in the world after the US, China and Russia. The Energy Information Agency (EIA) projects India and China will account for the biggest share of Asian Energy demand growth through 2035, Saudi Arabia is India's largest supplier, at about 19 per cent of oil import. In total, 64 per cent of India's imported oil comes from Middle East countries and the next largest supplier is Africa and it is very important to note that all the energy imports to the Indian subcontinent have to pass through the IOR. Therefore, it is very vital for India to keep its sealanes secure and free from any sort of danger¹⁰.

Due to its geographic location and the growth trajectory, India occupies a strategic location in the turbulent IOR. India has a self interest in the security of this geostrategic maritime area as its long coastline, well-endowed EEZ (Exclusive Economy Zone), foreign trade over sea and the offshore installations need protection. Piracy, smuggling, illegal fishing, sea level rising, natural disasters, rampant poaching and terrorism will continue to demand maritime response and will remain critical to national security. It is important for India to create a secure maritime environment through a strong and effective military especially naval capability. Indian Navy today is a blue water navy with a sizable force projection capabilities. As its capabilities get further enhanced in future, so will its role as a net security provider in the IOR¹¹.

Andaman and Nicobar Islands which provide India with potential to dominate the strategic sea lanes and choke points in the east, remain a cornerstone in Indian maritime strategy. Andaman and Nicobar Command, needs to be energised with resources to make it a viable military outreach into the IOR. The level of synergy and jointness achieved in the only Unified Command also has tremendous scope for improvement. In the true spirit of the Government's new policy of "Act East" the islands are to be looked at as a "Spring Board" towards furthering India's strategic outreach in the Southeast Asian region. This could be the first step towards a more robust Indian Ocean Strategy. India also needs to graduate to a maritime power; whose components include shipbuilding industry, modern port handling facilities and large merchant shipping fleet as all of them impinge either directly or indirectly, on maritime security¹².

Indian Initiatives

India's previous United Progressive Alliance (UPA) government took a number of new initiatives on the Indian Ocean. It sought to inject renewed dynamism into the moribund Indian Ocean Rim Association that was set up in the 1990s to promote regional cooperation in the littoral. It launched the Indian Ocean Naval

Symposium that convenes all the naval chiefs in the littoral for professional exchanges and engagement to promote maritime security. Delhi also initiated a trilateral security arrangement, coordinated at the level of national security advisers, between India, Sri Lanka and Maldives in 2011 to expand maritime security cooperation. Yet, as in so many areas, the UPA government did not have the energy to pursue these initiatives with urgency or purpose¹³.

Despite recognizing the crucial location of SIDS (Small Island Developing Nations) and their centrality in India's foreign policy, India's profile in its neighbourhood has been at the receiving end, not only due to China's aggressive surge or USA's centrality to Asia-Pacific in its rebalancing, but also due to some diplomatic miscalculations on India's part. More than two thirds of Mauritian population is of Indian origin, yet continuing uncertainties over the tax treaty with India are having a negative impact on the island nation's financial services industry. Sri Lanka is a maritime hub connecting India with rest of the world, and has the potential to play similar role in China's growing trade with Africa. Yet, narrow political considerations during the former coalition regime of UPA soured the Indo-Lanka ties, and the vacuum thus created was swiftly filled up by China and Pakistan. India's failure to take a firm stand on the internal political turmoil in Maldives led to the emergence of a dynastic Islamist regime which, under covert Chinese support, threw out the Indian firm GMR from the Male Airport contract and challenged India's eminence in the region. In the ongoing face-off between Nasheed and Gayoom, India has failed to break the ice between two leading to cancellation of Modi's visit to Maldives in the backdrop of a 'probable Chinese choreographed' arrest of the former President and champion of democracy, Mohamed Nasheed. The cost of mismanagement of neighbourhood policy would be severe, as India's rivals would spare no stone unturned to encash the situation in their favour¹⁴.

The recent visit of Prime Minister Narendra Modi to the island nations has helped the Indian Government to take damage control measures in these nations. Modi's March 2015 visit to the Seychelles and Mauritius provided him with an opportunity to signal that the Indian Ocean littoral is at the "top of [Delhi's] policy priorities." In his remarks in Mauritius, Modi laid out a five-fold framework for India's maritime engagement with the Indian Ocean littoral.

Modi's first principle is that Delhi will do whatever may be necessary to secure India's mainland and island territories and defend its maritime interests. Since the terror attack on Mumbai at the end of November 2008, Delhi has been acutely conscious of the potential terrorist attacks coming via the sea. At the same time Delhi has also been deeply aware of the growing strategic significance of the Indian Ocean in global politics. While the primary focus is on India's own interests, Modi said, Delhi "will work to ensure a safe, secure and stable Indian Ocean Region that delivers us all to the shores of prosperity"¹⁵.

The second dimension of Modi's framework focuses on deepening security cooperation with regional partners. India has long had close security partnerships with both Seychelles and Mauritius; Modi now wants to elevate them. In Seychelles, Modi announced the gift of a second Dornier aircraft for maritime monitoring, signed an agreement for conducting hydrographic surveys, and launched a coastal surveillance radar project. The radar initiative is part of an ambitious project to build a maritime domain awareness network across the Indian Ocean. It calls for the establishment of eight surveillance radars in Mauritius, eight in Seychelles, six in Sri Lanka, and ten in Maldives. These will be linked to over 50 sites on the Indian coast and connected to an integrated analysis center near Delhi. In Mauritius, Modi attended the commissioning of the Indian-made offshore patrol vessel 'Barracuda', marking his commitment to maritime capacity building in small island republics. He also announced agreements to be concluded to develop infrastructure

for connectivity in the Assumption Island in the Seychelles and Aga Lega in Mauritius. These strategic moves are likely to strengthen the defense capabilities of the two republics and give India a valuable foothold at critical locations in South Western Indian Ocean¹⁶.

The third level of Modi's framework relates to building multilateral cooperative maritime security in the Indian Ocean. Modi also said India's will help strengthen regional mechanisms in combatting terrorism and piracy and responding to natural disasters. He expressed the hope that Mauritius, Seychelles and other countries will join the trilateral security initiative it already has with Maldives and Sri Lanka. This sets the stage for very productive multilateral maritime security cooperation in the littoral with India at the core. According to some analysts, India's access to strategic facilities in Seychelles and Mauritius marks a major departure from its traditional opposition to foreign military bases. Although calling these arrangements "bases" might be premature, they point to future possibilities for an expanded Indian strategic footprint in these littorals. In Seychelles, Modi announced a joint working group to expand cooperation on the "blue economy" that will increase littoral states' understanding of ecology, resources, and allow them to harness the ocean in a sustainable manner. He also demonstrated considerable sensitivity to climate change concerns in the island nations¹⁷.

But it was on the last leg of his trip to Sri Lanka that Modi gained the most attention. It was no secret that under former president Mahinda Rajapaksa, Sri Lanka was titling towards Beijing. This has been exacerbated by the fact that no Indian prime minister had paid a visit to Sri Lanka in the last 28 years. But the India Sri Lanka relationship has begun to change following the election of President Maithripala Sirisena. Sirisena made India his first foreign destination after taking office. During his visit India and Sri Lanka signed a civilian nuclear deal¹⁸ and also offered a new US\$318 million line of credit to Sri Lanka to upgrade its railway infrastructure. He also paid a historic visit to Jaffna city in Sri

Lanka's Tamil heartland. During the Sri Lankan civil war, India sent troops the Indian Peace Keeping Force - to Sri Lanka and the Tamil heartland had seen heavy fighting¹⁸.

In the past, central governments in India have found it difficult to articulate a clear foreign policy towards Sri Lanka. Shaky coalition governments in New Delhi have relied on support from political parties in the south Indian state of Tamil Nadu for their survival. They have, therefore, found it extremely difficult to take a strong stand on issues related to Sri Lanka, which is home to a significant Tamil minority. As Modi leads a majority government in New Delhi, he can afford to make strong decisions on Sri Lanka without succumbing to pressure from interest groups in Tamil Nadu. One of the reasons why India has reached out to these Indian Ocean nations is China's Maritime Silk Road initiative, which is seen by many in India as an attempt to undercut New Delhi's influence in the Indian Ocean region¹⁹.

China and Indian Ocean

China, the largest nation on the Asian continent that borders 13 countries, is traversing the globe in search of energy resources and is seeking to keep the SLOCs safe for their uninterrupted shipment. Currently, China imports 80% of its oil and gas through the Malacca Strait which is just 2.5km at its narrowest point. Therefore, has geared its diplomacy to safeguard the 'choke points' in the Indian Ocean Region. Especially, the Malaccan Strait has been "Malaccan Dilemma" in the words of former President of China Hu Jintao²⁰.

China is well aware of its Malacca Dilemma at sea and therefore is engaged in building a 'chain of port and naval facilities' across the Indian Ocean region with future potential of military use (which Beijing strongly denies) termed as 'String of Pearls' by the US Department of Defence 2005 report titled *Futures in Asia* which is also called as *The Booz-Hamilton Report*. But many in India's strategic community believe that it solely aims at an "encircled strategic containment of India" as part of China's 'Containment of India Policy

String of Pearls

The String of Pearls theory is a geopolitical theory regarding potential Chinese intentions in the Indian Ocean region. (for more details on String of Pearls see <http://csis.org/publication/issues-insights-vol-14-no-7-revisiting-chinas-string-pearls-strategy>) It refers to the network of Chinese military and commercial facilities and relationships along its sea lines of communication, which extend from the Chinese mainland to Port Sudan. The sea lines run through several major maritime choke points such as the Strait of Mandeb, the Strait of Malacca, the Strait of Hormuz and the Lombok Strait, as well as other strategic maritime centers in Pakistan, Sri Lanka, Bangladesh, the Maldives and Somalia. The term 'String of Pearls' has never been used by official Chinese government sources, but is often used in the Indian and western media.

China's rapid economic development in the course of the last quarter century has been largely due to the uninterrupted supply of energy by foreign sources, and it is likely that foreign sources of energy will prove even more critical to the continued growth of the Chinese economy. The sea lines of communication that link the Chinese mainland with ports throughout the Middle East and coasts of Africa, have become a major source of conflict with respect to China's future energy security²¹.

China is the world's second largest oil consumer and the largest oil importer. Oil consumption is expected to grow in China by 5.8% annually until 2015. Oil imported from the Gulf States and Africa comprises 70% of total Chinese oil imports, and remains China's most critical source of energy apart from domestic coal production. In order to meet future demand, China has signed a number of long term contracts to develop Iranian oil fields and to build a pipeline, refinery, and port in Sudan for oil export²².

The overseas transport of oil from existing production areas will continue to remain the primary mode of energy importation for the foreseeable future. Efforts to secure new supply lines in Central Asia have proven difficult, with poor infrastructure,

political instability, logistical challenges, and corruption hampering energy development there. Energy security also sits at the core of China's anti-piracy efforts, which figure its larger maritime objectives. The expansion of Chinese naval patrols off the Coast of Somalia, and China's decision to join multi-nation defense patrols in 2010, indicate China's greater assertiveness in the policing of shipping corridors²³.

Chinese possessions in the Indian Ocean consist primarily of commercial ports owned and operated by Chinese firms, as well as resupply stations operated by the Chinese. However, China's two largest projects are, a Chinese-financed commercial shipping center in Hambantota, Sri Lanka and a Chinese-controlled deep-water port near the mouth of the Persian Gulf in Gwadar, Pakistan. Both sites have raised the concern of neighboring powers, most significantly India, which fears the possibility of a string of Chinese bases situated just off its coast. Chinese investment in Hambantota, and Sri Lanka's dialogue partner status in the Shanghai Cooperation Organisation (SCO), are seen by some Indian analysts as reflective of a wider encirclement strategy on the part of the Chinese²⁴. The port at Gwadar, which is connected to the Karakoram Highway linking Western China and the Arabian Sea, is of even greater concern to the Indian government, which views it as a powerful evidence of Chinese and Pakistani collusion against Indian security and economic interests²⁵.

Similar port construction projects are also underway in Myanmar and Bangladesh. The Chinese government has financed a container shipping facility in Chittagong, Bangladesh. However, despite reports of Chittagong's potential military role for the Chinese, the Bangladeshi government has insisted that the port is of an entirely commercial nature and declared it off limits to military vessels. Furthermore, given Bangladesh's close economic ties with India, and agreements for the expansion of Indian investment in Bangladeshi infrastructure projects, it is not an easy task for China to make play Bangladesh against India²⁶.

Strategists have also identified the Marao Atoll, in the Maldives, as a potential Chinese military base of operations. Reports in the Indian press have referred to Chinese plans to construct a submarine base in Marao since at least 1999. However, to date there exists no evidence that suggests a Chinese military presence of any kind in the Maldives. But China is resorting to neo imperialistic tactics by using tourism diplomacy to promote its presence in these island nations and thus making their tourism driven economies dependent on China. As per *Minivan News* daily newspaper of Maldives, 'in a phenomenon that caught many industry experts by surprise, the number of Chinese tourists visiting the Maldives tripled from about 100,000 in 2010 to more than 300,000 last year. In 2014, Chinese tourists accounted for nearly one-third of arrivals with a 30% market share, representing the single biggest source market for tourists to the Maldives.' Timing and signaling is vital in diplomacy, and the nature of signals emanating from China at such a juncture raises questions about the 'peaceful rise of China' amidst the hunt for string of pearls²⁷.

According to India's former Foreign Secretary Shyam Saran, China's Indian Ocean Policy is to 'select location meticulously, make deployment discreetly, give priority to cooperative activities and penetrate gradually'. The 'roll out' of guidance is apparent in the wake of the recent Chinese activities of port building, ship visit and Maritime Silk Route project in India's neighbourhood, he argues. China has spelt out its Indian Ocean Strategy in a 'Blue Book' prepared by a Chinese think tank, which says; "If China cannot have a positive impact on the Indian Ocean littoral states, then future situation will be even more severe, affecting China's development and peace negatively". It further stated: "A clear development strategy in the Indian Ocean Region is not only a sign of China's self-confidence, but a clear demonstration of its strategic interests"²⁸.

Senior Captain Zhao Yi, who is Associate Professor at the Institute of Strategy of the elite National Defence University in Beijing, said

"I admit that geographically speaking India has a special role to play in stabilizing the Indian Ocean region and South Asian region. But (for the Indian Ocean), backyard is not a very appropriate word to use for an open sea and international areas of sea," and he went on to say that "If the Indian side views the Indian Ocean as its backyard," he added, "it cannot explain why navies from Russia, the United States, Australia have the right of free navigation in Indian Ocean,". Even though Captain Zhao Yi has clearly spelt out the Chinese stand on the Indian Ocean, it is very ironic that China has different views about its role in the South China Sea, where it does not want navies of non-regional countries to operate²⁹.

Conclusion

In this globalized era, the Indian Ocean Region has emerged as the most dynamic yet coveted and unstable region. Major sea lines of the world, accounting for two third of global trade, pass through this region which is surrounded by energy scarce developing countries. Even pre and post-cold war geopolitics have made this region a fertile ground for proxy wars. Hence, muscle show in Indian Ocean has become a tool of diplomacy to secure allies who are vital for surveillance and to protect trade and military interests of a nation. Hence, be it under the pretext of cold war or pivot to Asia or Maritime Silk Route; every major power wants to establish its dominance on Indian Ocean, by bringing littoral nations under its sphere of influence. This has challenged India's historical pre-eminence in this region.

The interplay between China and India would decide the reconfiguration of geopolitics in Indian Ocean Region. Other major powers and littorals will also influence the same. India needs to learn to deal with the Chinese emergence as a power, its growth, its interest and concerns in Indian Ocean Region along with US rebalancing. India with or without them must become the net security provider for the region.

Chinese presence in the Indian Ocean is no longer a possibility, it is a reality. For India the challenge is in managing this

development while securing its strategic interests in the region. The Indian Ocean has always been an area of primary interest for New Delhi and an increasing Chinese presence is bound to challenge the existing security order in the Indian Ocean region. India and China have always had troubles along their land boundaries but their strategic interests are now converging into the maritime domain as well. There will be serious ramifications for maritime security in the Indian Ocean if relations between the two rising Asian powers can't be managed.

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India, China and the Contest for Myanmar

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Abstract

India-China relations have been undergoing phenomenal shifts, particularly since the early 2000s. Contrary to the past when only a couple of issues used to dominate the discourse, now not only issues of common interest are numerous but also their relationship is becoming multi-faceted and hence complex. One dimension that has acquired considerable salience relates to the emerging East Asian security and changing economic equilibrium where the interests of India and Chinese intersect. Nowhere it is most visible than in Myanmar ever since New Delhi changed its policy in the early 1990s. It is here that China and India meet most directly and prominently. Though India is a latecomer compared to China, its endeavour in developing a multifaceted relationship with Myanmar is noteworthy. While there is a competition between China and India to gain strategic space, no showdown is likely.

Introduction

It needs no underscoring that East Asia is undergoing an unprecedented transformation economically and also the security architecture that underpinned the post-World War II period, which is being replaced by a new order. This order is marked by rapidly shifting power structure. It is evident firstly with the decline of the super power-dominated bipolar regional order replaced by the US-led unipolarity, which turned out to be short-lived. This once again is substituted by a regional multipolarity wherein Asian great powers, which had limited role to play during the cold war, are rising in a big way and are becoming principal actors in the new structure. If multipolarity is a reality in East Asia, according to the Realists, it tends to less stable, which means the likelihood of wars and political turmoil. While it may be true, one needs to recognise that firstly rise of new power centres is a fact and secondly East Asia is unique in many

respects and hence need not follow what the theory suggests. True, the rise of new power centres is most likely to lead to a clash of interests as they increasingly intersect more starkly in East Asia. This to an extent is already visible in the growing unease about each other. The Senkaku/Diaoyu dispute surfacing in a big way or growing instances of incidents along India-China border or increasingly frayed relations between the US and China are some examples. Another manifest manifestation of great power competition is in the way they have been jostling with each other to increase their influence in the geostrategically and geo-economically important region like Southeast Asia. Consider this: the U.S. has announced vociferously its 're-balancing' strategy toward Asia in which Southeast Asia is the centrepiece, Japan under Prime Minister Shinzo Abe has made Southeast Asia a top priority as part of its 're-engagement' policy and is not hesitant to fully make use of tensions over South China Sea disputes to enhance its security role, China, which has always considered Southeast Asia its backyard, is trying to consolidate immense diplomatic and economic gains it has made in the past two decades by launching the 'diamond decade' and undertaking a diplomatic 'charm offensive', and India is upping the ante with its own 'pivot' to the region through the Look East policy, which is likely to get further intensify in the coming years in the coming years as its strategic and economic stakes swell. Perhaps never in the past has so many powers vied with one other with such vigour and passion to make themselves consequential players in Southeast Asia.

To be sure, insofar as the Asian great powers are concerned, it is not the first time they have risen; they had exercised huge influence and held sway during the course of history of East Asia since ancient times. What is different is the fact that all three - China, India and Japan - are on the rise near simultaneously.¹ Yet, one needs to keep in mind that the big powers such as India and China that virtually dominated the East Asia in more ways than one for over two millennia till the onset of colonialism were never

competitors for power. It is also a fact that despite their rapidly growing footprint and overlapping interests, great power relations have been fairly stable, notwithstanding occasional flare-up of tensions. As explained below, the region will most likely witness prolonged peace and concomitantly make huge economic strides.

Now the issue to consider is what are the factors that underlie in keeping great power relations stable and the expectation that they are unlikely to degenerate into open armed conflicts. A principal reason is a phenomenal increase in economic interdependence. The intra-regional trade in East Asia has witnessed a phenomenal growth since the early 2000s (along with corresponding decline vis-à-vis the US and Europe) at about 59 percent by 2013. More importantly, the East Asian production networks are expanding rapidly and getting consolidated and if the planned east-west and north-south connectivity fructifies, interdependence will further deepen due to growing investments and trade within the region. Thus, the region's investments complement trade in what is called "networked FDI" and hence these two should be seen as a single economic activity. There could not have been a better example to prove it than China's record of relations with its neighbours. Perhaps no one can deny that Beijing had been far more belligerent when its economic interdependence was minimal especially with its neighbours. It had been involved in military conflicts with its neighbours directly and indirectly starting from the Korean War (1950-53), in Indochina War (1954-1975), war with India (1962), war with the Soviet Union (1969), and the war with Vietnam (1979). Besides, it had also been the prime supporter of communist-led armed separatist movements across Southeast Asia. China was involved in the above when it was least globalised and when it pursued a command economy of self-sufficiency. Leaving aside some minor incidents of clashes around the disputed territories, the last major war that China fought was in 1979 with Vietnam, that was on the eve of the launch of the 'Four Modernizations' programme. China has also

completely stopped aiding the communist movements in Southeast Asia by the mid-1980s once the reforms began to take roots and the imperatives of economic links with the rest of East Asia became obvious.

Of course, it would be foolhardy to premise the argument on regional stability almost exclusively on China's economic interdependence or its behaviour, however, pivotal it is. One can cite three other reasons that have significantly aided in the maintenance of nearly three and a half decades peace in East Asia, unprecedented in its recent history. One, the US-led alliance system and the forward deployment of troops in Japan and South Korea and to a lesser degree in Singapore, Australia and the Philippines, despite its relative decline, will be a critical dimension. Two, China's rise and its huge accretion of economic and military power coupled with its aggressive stances in its claims over disputed territories triggering a realignment of forces. This dimension is evident in the way Japan-India and India-US strategic partnerships are taking shape. Both these have an explicit connotation to East Asia. Finally, the role of ASEAN and ASEAN-led regional multilateralism in productively engaging the great powers and also to an extent in reducing misunderstanding among them because of frequent meetings of top political leaders.

Against the above backdrop, the emerging India-China relationship, which constitutes a significant facet of evolving East Asian politico-security and economic environment in general and in the context of Myanmar in particular, is examined below. The paper proposes to deal briefly firstly with how India-China relations are being fashioned in the background of momentous developments across the vast Indo-Pacific region. Then it evaluates their ties with Myanmar, and finally, analyses how the contest in Myanmar is shaping up and its likely consequences.

India-China Relations in the Aftermath of Cold War

The paper is not a treatise on the bilateral relationship in terms of looking at the entire gamut of India-China relations since it is

beyond the scope of this study. Thus, it only broaches the broad contours and vital developments that undergird bilateral relations. In order to understand the dynamics that operate between India and China, it is necessary to keep in mind that both these powers had not been major factors in East Asia till recently, but in a remarkable shift of events they are now emerging as important determinants of regional economic and security order; and two, along with their growing roles in the region, their bilateral relations are witnessing an unprecedented transformation. Backed by rapidly expanding economic relations, they are becoming multifaceted and thus increasingly complex. While there is no denying that there are elements that suggest that they do compete intensely across an array of issues, but they are also mindful of their limitations and the need to keep differences from boiling over, which can have serious consequences.

For over two millennia, India and China exercised enormous influence on East Asia culturally, politically and economically. Whereas there are certain common elements derived from both countries that are visible in the entire region, Chinese influence is more pronounced in Northeast Asia and India's in Southeast Asia (except North Vietnam). They traded with each other and frequent religious and cultural voyages took place. Their meeting was mostly in the ports of Southeast Asia that also served as major learning centres and for the exchange of ideas. What is noteworthy is that they managed their relations remarkably well without stepping on each other's toes. Notwithstanding a long colonial interlude of more than two centuries that virtually snapped off the previous vibrant links, relations took off despite China going communist. The bonhomie in the 1950s is in fact testimony to the fact that ideological differences were hardly an issue. Two events probably were responsible in marring the relationship virtually beyond repair. One, Tibet's occupation by China followed by the Dalai Lama's flight and India allowing him to set up a government in exile in 1959. Growing political

differences were exacerbated by Nehru's forward deployment of troops along the disputed border by underestimating the Chinese military power leading to the Chinese launching an attack in 1962. Subsequently China developing close links with Pakistan and propping it up as a counterweight to India further worsened relations. Ever since, the India-China bilateral relationship has been marked by strong suspicion and increasing strategic rivalry. Consequently, two issues dominated bilateral relations: China's military aid to Pakistan (including generous help in enabling it to become a nuclear power) and the border dispute involving some 95 thousand square kilometres of land.

This underwent a notable shift beginning from the late-1980s (1988 Rajiv Gandhi visit was a turning point) but certainly prominently since the early 2000s. Consequently, a host of other issues has come to acquire considerable prominence in bilateral relations. For instance, economic links, which had hardly figured or mattered in the past, are now acquiring enormous salience. China is India's largest trading partner with bilateral trade of around US\$ 66 bn. As China emerges as a major capital exporting country (is already the third largest), a large and fast expanding economy like India would offer innumerable opportunities. Indian investors too, especially in the information technology and pharmaceuticals, are vying for a massive market like China for investment opportunities. As a result, these two have started an 'economic strategic dialogue' to deepen further the economic engagement. There has also been a notable improvement in bilateral political relations as exemplified by regular high-level exchanges. Since entering into a 'strategic partnership' agreement, defence and strategic exchanges have also increased remarkably. The vexing border issue, which is unlikely to be resolved any time soon, has been relatively more peaceful after signing a series of agreements.

Perhaps what is noteworthy is that India-China bilateral relations are increasingly becoming broad-based. Unlike previously, they are being influenced by several other factors rather than just the

border or the Pakistani issue. To be sure, an unsettled border remains a source of tension and unease but no one expects an armed conflict breaking out. China's military support continues to vex Indian policymakers, but no one believes that China can use Islamabad as a strategic counterweight to New Delhi. India is now too powerful to be balanced by a Pakistan that is mired in grave domestic problems of all sorts, not least by religious fundamentalism and terrorism that it was instrumental in creating. Besides India, China has also become a target of terrorism and religious extremism emanating from Pakistan. Indeed, notwithstanding grandiose declarations that their relationship is deeper than the Indian Ocean or taller than the Himalayas, Pakistan hardly serves any strategic utility to China now and as a result it is increasingly becoming a liability that it cannot get rid of. Thus, for India and China issues of mutual interests have been constantly expanding from Central Asia and the Middle East to Afghanistan and Pakistan and from the Indian Ocean to East Asia.

On the other hand, thanks to its successful Look East policy, India has become an inalienable part of East Asian economic and security equation. In the new balance of power that is beginning to take shape in East Asia, India is considered to be a crucial power since it is the only Asian country that comes closest to matching China's power, including nuclear weapons. Hence, despite initial resistance, Beijing has come to terms that India is an East Asian power with legitimate interests. That has set off a new dynamics in the region.

Now several issues in East Asia can be related to India and China one way or another. Indeed, fascinatingly one can observe the twin developments of competition and cooperation taking place concomitantly. There is an intensifying competition that is seen virtually across the entire East Asian region to varying degrees - from wooing ASEAN, as was evident when New Delhi (and Tokyo) offered to sign a comprehensive economic cooperation agreement in 2003 to match a similar initiative by Beijing in 2002,

to joining hands with Japan (and the US) aimed at East Asian security, strengthening of strategic links with Vietnam, active participation in regional multilateralism, rising stakes in the South China Sea, and more intensive engagement with Myanmar. Both have also expressed deep desire to improve bilateral relations. The top political leaderships of both China and India have time and again have begun to underline that East Asia is vast enough to accommodate both rising powers. China's new leaders President Xi Jinping and Premier Le Keqiang have gone out of the way to find a common cause with India as developing countries facing problems of development. Beijing has generously extended an invitation to New Delhi to be a founding member in the proposed Asian Infrastructure Investment Bank (AIIB) in June 2013.² China has also strongly pitched for India's participation in the proposed Maritime Silk Route, a maritime infrastructure corridor in the broader Indo-Pacific region involving the construction of ports, logistical stations, storage facilities and free-trade zones. It is, of course, a different issue that New Delhi is still undecided on both these proposal. In other words, both are aware of their strengths and weaknesses as well as limitations and importantly consequences of spiralling rivalry. Consequently, there seems to be some self-imposed red lines that they would not cross. Nonetheless, Myanmar presents a unique case as it is one place in East Asia that is witnessing an intense, but low profile, competition to gain influence between China and India. An attempt is made in the following to understand the dynamics behind this.

India, China and Myanmar

Among all the Southeast Asian countries that have experienced Indian influence, Myanmar probably stands out for three reasons. One, India shares nearly 1600 km of land border and a maritime boundary in the Bay of Bengal (both have been settled); two, Myanmar had been part of the British India for over a century since 1824 till it was made an autonomous region within the British empire in 1937; and three, there are several people who

share similar ethnicity living on both sides of the border. There is thus strong affinity and bond between the two countries. Some of the fiercest battles were fought in Myanmar by the Indian soldiers with advancing Japanese troops during World War II. The bonhomie was evident starting from the freedom struggles since the early twenties century. Post independence, India extended generous military help to Myanmar to deal with armed insurgencies. It was also the first country with which India signed a Peace and Friendship Treaty in 1951.

The momentum, however, could not be maintained as both the countries increasingly got caught in the domestic issues - a series of wars that India had to fight and the threat the insurgencies posed that undermined Myanmar's unity. The 1962 military coup in Myanmar was the culmination of growing chasm between the two. Deprivation of citizenship to and deportation of a large number of Indians that had been living in Myanmar further strained the relationship although Nehru believed it was purely a domestic affair of Myanmar. As the country went into self-imposed isolation, there was very little that India could do.

It did not matter for India so long as developments within Myanmar did not affect its interests in any way. However, that began to change in a major way beginning from the mid-1980s with China entering the scene. At a time when Myanmar was faced with grave separatist movements while India was reluctant, China was ready to extend generous military aid at 'friendship prices'. By then prompted by massive economic reforms that it had undertaken, China had not only abandoned its policy of supporting communist movements across Southeast Asia but had launched a new diplomatic 'charm offensive' to woo the Southeast Asians who had been very wary of China due to its actions. Nearly \$2 bn arms deal just before the infamous August 8, 1988 event that resulted in the brutal suppression of the movement for democracy was a turning point as China firmly stood by Myanmar in the wake of global condemnation of the ruling military junta. Myanmar was left with no choice but to

move closer to China for desperately needed military and economic aid.

This set-off alarm bells ringing in New Delhi for the first time but it just did not know how to react. The bitterness in Myanmar was palpable when several pro-democracy leaders and cadres were offered shelter in India. New Delhi was so enamoured by pro-democracy that Aung San Suu Kyi, who was spearheading the movement for political reforms, was awarded Nehru Award for International Understanding. It further infuriated the ruling military, which openly began to provide shelter to insurgent groups waging armed struggle against India. Besides insurgency, India also had to deal with increased menace of drug and gun running problem, whose links extended all the way to the leftist extremists.

China had made major economic, military and diplomatic inroads into Myanmar. While China's generous military, political and economic support helped the military rulers to weather acute difficulties they were faced with, India's fortunes correspondingly declined even as New Delhi came out openly in support of the democracy movement.

However, it must be mentioned that the domestic political environment in India needs to be kept in mind with a rainbow coalition of political parties of diverse hues that was in power in the late 1980s supported by both left and right-wing parties from outside. Apparently there was considerable confusion that led to a kind of policy paralysis, including towards Myanmar. Political situation stabilised only after Narasimha Rao took the reins of power in June 1991 who also was instrumental in introducing radical economic reforms and thoroughly revamping the foreign policy, prominently the launch of the Look East policy. As part of this policy, New Delhi also ushered in a new policy of engaging Myanmar starting from 1993.

As a key neighbour sharing a long border and whose support in fighting India's own insurgencies in its north-eastern region was

critical, the last thing India wanted was Myanmar becoming a satellite to China. Sustained re-engagement and political cultivation enabled India to regain considerable ground. Although Myanmar joined ASEAN in 1997, the Association's influence had always been rather limited, whereas what mattered for Myanmar was its relations with China and India.

The cold war ending and the economic crisis, which compelled India to undertake radical economic reforms, also offered an opportunity to fundamentally re-examine the entire gamut of foreign policy, including its policy towards Myanmar. Thus, consequent to the belated recognition of the dangers of alienating Myanmar, a new engagement strategy was initiated in 1993.

On the other hand, China has steadily built up the relationship with Myanmar steadfastly standing by it politically, extending generous aid and investments economically and helping the rulers by supplying the hardware that the Myanmar military badly needed to fight myriad insurgencies. Interestingly, as soon as India shifted its stance, there was an immediate positive response from Myanmar, an indication that it was not completely comfortable depending excessively on China. Thus, India offered a chance to Myanmar to revert gradually back to a kind of traditional equidistance policy between China and India. Whereas China continued to enjoy upper hand because of huge economic clout it had established, India provided a strategic cushion to Myanmar, which slowly translated into robust defence and security cooperation from training to arms supplies. Even though Myanmar joined ASEAN in 1997, it remained a kind of pariah state as far as the West was concerned living under a sanctions regime because of lack of progress on democracy. Yet, for Myanmar, India and China were the most critical powers.

What upset the applecart somewhat insofar as Beijing was concerned were the unexpected sweeping political reforms that were ushered in after the November 2010 parliament elections. Despite the military retaining considerable hold over political

power directly and indirectly, no one could brush aside path-breaking reforms that began to occur. Of course, reforms are yet to take roots and there are still lingering doubts whether the military is willing to give up a privileged position it has carved for itself in the new constitution. It also precludes Aung San Suu Kyi from becoming the president since she has foreign citizenship. The forthcoming general election in 2015 will be a marker whether Myanmar is going to see true democracy rather than rehashed version of Indonesian model under Suharto where the military had been the *de facto* ruler.

A major upshot of these developments was the sudden interest major powers such as Japan, the US and the West European countries began to take in Myanmar. A series of historic visits by UK Prime Minister Cameron in April 2012, by President Obama in November 2012, by Japanese Prime Minister Shinzo Abe in May 2013, PM Manmohan Singh in March 2014 certainly undercut China's previous predominant position. Certain high-profile projects that Chinese companies had been contracted to undertake, prominently the \$3.6 bn Myitsone Dam Project and the multi-billion Letpadaung Copper Mine Project, have been cancelled in the wake of popular protests. The relatively free press and nascent civil society have played a significant role in raising certain issues especially concerning environment and displacement of people due to huge projects.

Another major setback to China's ambitious plans was Myanmar's reluctance to participate in the high-speed rail connectivity with China because of prohibitive costs. Similarly, China is having a rough time in completing the energy pipelines as they are insurgency affected areas. Meanwhile, Japan has come up with massive economic plans. Not only Tokyo has written off several billions of past loans but is chalking out plans for major investments and generous fresh aid. Now that the US and West Europe have lifted the sanctions, companies from those countries are swamping Myanmar with investment proposals. Since sanctions have been lifted, Myanmar has also not to worry about

getting cornered in international forums about its lack of democracy and human rights record. Moreover, as ASEAN's integration progresses rapidly with the creation of the ASEAN Economic Community by 2015, Myanmar's stakes in the rest of Southeast Asia will increase in a big way. All these mean decreasing China's importance in a relative sense both politically and economically.

Yet, China remains a major factor both in Myanmar's domestic and external fronts. President Thein Sein's first major overseas sojourn soon after his election was to China, underscores how crucial it remains although things are changing rapidly. For one, China remains the largest trading partner and is likely to be so for the foreseeable future. Second, there is a substantial Chinese diaspora in Myanmar that plays a key role, which no government can ignore. Third, if it wants China can foment trouble through insurgencies by ethnic minorities, which largely continue.

Now the issue is where does India figure in all this? True, India cannot match China in providing generous economic assistance and military aid, but its upper hand is its soft power and strong historical linkages. Myanmar also understands that excessive dependence on China is imprudent and, hence, as soon India changed its policy, it was eager to embrace it in order to maintain equidistance between India and China. By the early 2010s, India's trade grew more than tenfold to cross US\$ 1 billion in a decade and it managed to get several investment opportunities in energy, telecommunications, railways, hydroelectric power, the Kaladan Multi-Modal Project and the development of Sittwe Port. India is also engaging with Myanmar through the Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation (BIMSTEC), an interregional mechanism involving countries from South and South-East Asia.

The growing political comfort between India and Myanmar can be judged by the fact that India is probably the only foreign country that Yangon has been sending its naval ships to for periodic exercises and to participate in the Milan naval exercises

since the mid-2000s. More recently, Myanmarese troops have also been receiving training in jungle warfare and counter-insurgency operations in India, and in conducting hydrographic surveys with the Indian Navy. After the transfer of the British Islander aircraft, India has also started training the Myanmar Air Force at the Kochi naval base.³ In January 2007, during a visit to Yangon, the Indian external affairs minister announced that “India would be supplying certain military equipment to Myanmar to boost the defence cooperation between the two countries”.⁴ By April 2007, a leading Indian daily claimed: “After equipping it [Myanmar] with 105 mm artillery guns, T-55 tanks and Islander aircraft, New Delhi plans to help set up a naval aviation wing and to provide training to their personnel.”⁵ Some also see BIMSTEC as a counter to China's Kunming Initiative (renamed Bangladesh-China-India-Myanmar Initiative).

India's interests in Myanmar are in fact more critical and wide-ranging than China's. Unlike China, India needs Myanmar's cooperation in tackling the long festering insurgency in its northeastern parts. There are serious narcotics and weapons smuggling problems with roots in Myanmar and tentacles spreading all the way to the Indian and Nepali Maoists to the Sri Lankan Tamil Tigers. Added to these there are mounting economic interests, especially in the energy sector. Whereas India seems to fare better on the security and cultural front, it is no match to China with respect to economic relations. In 2013 India's trade with Myanmar was about \$2 bn compared to China's \$8 bn. China is not merely the largest trading partner for Myanmar but it is also crucial market especially for commodities. In terms of investments, China's cumulative investments exceeded \$14 bn by 2013 whereas Indian investments amounted to less than \$300 mn. Although investments are pouring in a big way from Thailand, Singapore, South Korea, Hong Kong and more recently from Japan, UK and the US, China's poll position is unlikely to be challenged any time soon. Hence, China will continue to be critical to Myanmar's economy.

Enormous progress in re-building a strong relationship notwithstanding, it should be clear that for Myanmar China remains critical. While Myanmar is likely to gain in trying to balance its relations with its two giant neighbours, India and China will continue to compete with each other. So long as this does not degenerate into a major rivalry, the Myanmar issue is unlikely to undermine India-China relations. The situation is most unlikely to change irrespective of political changes.

Conclusion

It cannot be denied that the Look East policy that was launched in the early 1990s had a major part in reshaping India's foreign policy towards East Asia in general and Southeast Asia in particular in a big way. It would, however, be misleading to contend that the entire Look East policy was because of China; there had been strong economic and politico-strategic reasons that led its enunciation. Insofar as reengagement with Myanmar was concerned, China certainly was a significant factor.

No question that India and China are in a kind of competition to enhance their respective leverage in this geostrategically located and resource-rich nation. Each has their own strengths and weaknesses. If China is important economically, India is strategically. Since the August 2010 elections, Myanmar witnessed unprecedented political changes and economic reforms. The establishment of democracy has fundamentally altered its foreign policy orientation, with the US and Japan taking a lead in reengaging with Myanmar but the question is whether it has any offered any advantages to India. The cancellation of certain high-profile projects involving large investments has certainly affected relations with China contributing to its reduced influence. With respect to India, while it cannot match China's economic power, it can successfully exploit considerable soft power potential. India and China do compete in Myanmar but it is unlikely to affect their relationship.

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³ 'India to Firm up Military Ties with Myanmar', *Hindu*, June 24, 2007, <http://www.thehindu.com/2007/06/24/stories/2007062451200900.htm>

⁴ See Siddharth Varadarajan, 'India to Supply Military Equipment to Myanmar', *Hindu*, January 22, 2007, at <http://www.hindu.com/2007/01/22/stories/2007012208851400.htm>

⁵ *Hindustan Times*, April 19, 2007.

India, China and Myanmar

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Abstract

One of the key factors in India China Relationship is the Myanmar Factor. India and China both view Myanmar has geo-strategic implications for the region. They do not want to give each other a free hand and through greater economic strategic cooperation they want carve out their own sphere of influence over Myanmar.

Due to Myanmar's strategic location, China has always been key in India-Myanmar relations. Security and strategic interests of India and China seem to clash with each other over Myanmar. While China has gained a lot siding the military regime since 1962, India has lost all its leverage supporting the pro-democracy movement in Myanmar.

China taking advantage of Myanmar's splendid isolation with the rest of the world has developed a deep involvement in Burma.

Much to India's strategic nightmare, China on Myanmar's Coco Island has built its naval listening and weather posts.

Also, China and Myanmar have agreed to establish a 30,000-square-mile offshore economic zone to facilitate exploitation of natural resources. This may have bearing on India's maritime and economic interests in the Indian Ocean.

India's strategic thinking towards Myanmar is also guided by Sino-Myanmar relations. India's warming up relation with Myanmar is to check Chinese free run in that country.

Although China and Myanmar have drawn closer for various reasons, Myanmar is keen to develop ties with India since it does not want to remain isolated with the rest of world.

Myanmar is aware of its strategic importance to both India and China and want to play one against the other. This was seen during the time of selling of its natural resources i.e gas. After considerable bargaining with both these countries, Myanmar finally signed the deal with China.

Introduction

Myanmar sits at the crossroads of Asia's two great civilizations; India and China. Myanmar has a strategic importance in the Indian Ocean region as it opens up in the Bay of Bengal in the west

and the Andaman Sea in the south. It shares common borders with India and Bangladesh in the West, China in the North and Northeast, Laos and Thailand in the East. Myanmar shares 1,643-kilometer border with India and 2,185-kilometer border with China.

Though, China and India have competing security and economic interests in Myanmar, there has not been any direct confrontation or threat to national interest of both the countries. Strategically, India and China both believe that the strengthened ties with Myanmar are the key to dominance in the Indo-Pacific region.

Myanmar undertook democratic reforms in 2011 and opened up to the world under President Thein Sein. Both the Chinese and Indian officials have strengthened their hand with a deep confidence of gaining much more from the new regime. Since then a flurry of activities are witnessed between India, China and Myanmar. The competition between India and China is a healthy one and there is no need to worry that it may develop into some confrontation, though some may be included to think so.

The focus of this paper is to update the contemporary developments in India, China and Myanmar relationship. The effort is to bring out the nuances of India and China's foreign policy towards Myanmar.

The executive summary of the paper is that though both India and China are competing for the strategic and economic space in Myanmar, both have able to carve out a pie in the neighboring country. The objectives of both India and China in many ways suits Myanmar's national interests. Myanmar likes to bargain with both India and China for its national gains. Using its importance for leverage purposes it likes to court both of them for its developmental purposes.

India and Myanmar

India's major shift in its foreign affairs policy was initiated towards Myanmar during Narshima Rao's regime in 1990. However, the implementation of India's new policy towards

Myanmar became possible only when the BJP led Vajpayee government came to power in 1998.

There were three reasons stated for the new thaw in India - Myanmar relationship. India's security concerns in its northeastern states and the necessity to check insurgency, drug trafficking, smuggling etc on its borders. Second was India's Look East policy, where Myanmar played a central role to reach out to the South East Asian countries. Third was to check China's growing influences over Myanmar.

Since 1998 a new momentum was infused in the dormant Indo-Myanmar relations and a flurry of diplomatic engagement with Myanmar were made to achieve India's stated objectives.

India Myanmar security Concerns

India and Myanmar share 1,643 kilometer-long common border along India's four states of Mizoram, Manipur, Nagaland and Arunachal Pradesh. The security issues that surround Indo-Myanmar relations are: cross border insurgency, narcotics trade, border posts, border fencing etc.

Cross border insurgency: The key drivers of the India-Myanmar strategic relationship are cooperation in counter-insurgency operations and the need for India to ensure that Myanmar is not driven into "area of influence" of any other power in the region through Indian neglect of its security concerns. India faces insurgency problem in its states of Nagaland, Manipur and parts of Mizoram across the Myanmar borders, whereas Myanmar faces insurgency from Naga (Khaplang group) from the Indian side. Indian insurgent groups from the northeastern states consider Myanmar a safe haven. Similarly, the rebels from these areas in Myanmar take refuge in the bordering areas of Indian Territory. Therefore, it is in the interests of both countries to cooperate with each other to fight these insurgent groups in a coordinated manner. India and Myanmar have agreed to strengthen the mechanism to exchange intelligence along the international border to check the cross border insurgency. This is

similar to China's approach of solving its problem of the Yunnan province in its southwest border.

Narcotics Trade: India faces the problem of narco-terrorism through the porous Myanmar border wherein drugs are smuggled to India and exchanged for arms and ammunition. Myanmar remains the primary source of drugs problem in Manipur, Mizoram and Nagaland. A number of agreements has been signed between India and Myanmar to collaborate to fight the drugs menace along their common border.

Border Security: India and Myanmar had inked a MoU on border cooperation to provide a framework for security cooperation and intelligence exchange between the security agencies of both the countries. It provides for coordinated patrols and exchanging information and intelligence in the fight against insurgency, arms and drugs smuggling, and human and wildlife trafficking between the two countries.

Border Fencing: Border fencing is important to check the narco-terrorism along the India-Myanmar border. Recently, India has sanctioned to raise an iron fencing, along Mizoram's 404-km border with Myanmar. It has also ordered the fencing of the 14 kilometers of the porous international boundary at Moreh in Manipur. There had been some problem on this but both countries have agreed to amicably resolve it.

Border post: Currently, India-Myanmar border posts are operational at Moreh in Manipur and Zowkhatar (Mizoram) and Lungwa in Nagaland's Mon district. Additional posts at Bihang in Manipur's Churachandpur district and at Sapi in Mizoram are being considered for cross border trade and people's movement. The border posts are trade points and the two countries are engaged in trade through these points. The border trade between India and Myanmar touched \$36.2 million in 2012-13.

India-Myanmar Trade- India is one of Myanmar's major trading partners and the fourth largest market for its goods. The most startling fact is that the bilateral trade between India and

Myanmar has grown nearly eight-fold in recent years. The bilateral trade stands at \$1.9 billion in 2012-13.

India's Look East Policy

Myanmar shares a 1,643-km land border with India, touching the states of Arunachal Pradesh, Nagaland, Manipur and Mizoram. It is thus strategically positioned as the gateway for India to other Southeast Asian nations. There has been a flurry of activities going on since 1998 to meet India's vision of its Look East Policy. India is going all out in its connectivity mission with Myanmar, investing heavily in the field of infrastructure development between India and Myanmar. India has offered huge financial assistance for its various developmental projects that connects India and Myanmar. This includes multi-modal transport system, road, railways and air and other network.

Road: India is helping in the construction of Kalewa-Yargyi section of the Trilateral Highway which envisages a seamless link between India, Myanmar and Thailand by 2016. Further, India is building and upgrading 71 bridges on the Tamu-Kalewa-Kalemyo road. Work is in progress at the National Highway-39 that connects Manipur with Myanmar. The road from the border town of Moreh in Manipur to Kangla that's 110-kms-long stretch has been made operational. There are plans to build another road connecting Zakahtar in Mizoram with the Chin state of Myanmar. India's Border Roads Organization has started the survey work of the 225 km stretch road that would connect Mizoram to Tidium in Myanmar. The road network is to help people's movement and to promote bilateral and regional trade.

Bus Service - A bus service from Imphal (Manipur) to Mandalay (Myanmar) is set to start soon. The bus service would provide a breakthrough in people-to-people connectivity between India and Myanmar.

Air Service - Presently Air India runs a tri-weekly service to Yangon from Kolkata. India and Myanmar had inked an agreement for enhanced air connectivity in 2012. The Buddhist

circuit is an important link in the air connectivity. Air service from Yangon to New Delhi and then on to Bodh Gaya in Bihar, Mumbai and Yangon is being planned. A tri-weekly flight service is under consideration. The feasibility of allowing private Indian players to fly to Myanmar is also being explored.

Rail: India is playing a big part in helping Myanmar to meet its rail infrastructure needs. India is supplying rails and rolling stock and assisting in upgrading its rail network. This assistance is part of the ambitious Mekong-Ganga Cooperation (MGC) project that would link New Delhi with Hanoi. India is also assisting in upgrading the Yangon-Mandalay sector of Myanmar railways.

Waterways: India is involved in important connectivity projects with Myanmar, including the Kaladan Multimodal Transit Transport Project which is a combination of river transport, building of highway and laying gas pipeline. As a part of this project, India is to rebuild Myanmar's Sittwe port. The port is intended to link Mizoram to the Bengal Sea, via Arakan's Kaladan River that connects to Assam's river in India. This project which is near completion will help in the transportation of gas and other natural resources from Arrakan to India's northeastern states.

India and Myanmar Gas controversy

Myanmar supposedly has world's tenth-biggest gas reserves estimated to be more than 90 trillion cubic feet. India has evinced keen desire to procure gas from Myanmar to meet its energy needs. India's ONGC Videsh Ltd and Gas Authority of India Limited, together has acquired 30 per cent stakes in the exploration and production of gas in Myanmar's A1 and A3 off-shore blocks located in Sitwe area of the Arakan state. India however could not resolve the problem of the transportation of the gas from Myanmar. As a result Myanmar after giving ultimatum to India to decide fast on the gas transportation finally announced selling its gas to China.

India - Myanmar Defence Cooperation

The strategic importance of Myanmar in the Indian Ocean has

made India initiate defense cooperation with Myanmar. A number of India's defense personnel of all the three wings of the armed forces have been visiting Myanmar off late. There is a series of defence cooperation projects initiated between the two countries.

China and Myanmar

China, which shares a 2,000-km border with Myanmar, has a strong economic presence in that country with major investment in pipelines, railways, hydropower projects and in mines etc. It views Myanmar as its gateway to the Indian Ocean.

China's influence in Myanmar began from 1962 military coup. Myanmar needed China's support particularly in diplomatic fora such as the United Nations Security Council. China saw strategic and economic opportunities in Myanmar. Over the years there has been an enormous growth in China's influence in Myanmar, significantly since 1989, when Western sanctions were heavily imposed on Myanmar. China is investing heavily in developing ports in Myanmar, gaining greater access to the Indian Ocean. Beijing is also investing heavily in infrastructure, mining projects, hydropower dams and oil-and-gas pipelines to help feed southern China's growing energy needs.

Chinese companies are also developing special economic zones and power plants and devising strategies for building a deepwater commercial seaport at Kyaukpyu's natural harbor.

China and Myanmar have also agreed to continue to strengthen communication and coordination to accelerate the formulation of mid-term and long-term goals of bilateral exchanges in politics, economy, trade, culture, security and other areas to steadily push forward the comprehensive cooperation.

The two sides have also conducted feasibility study for construction of Ruili-Kyaukpyu road that would act as China-Myanmar corridor. This would satisfy China's need for energy security as well as link to Bay of Bengal, Indian Ocean and beyond.

It also plans to build a highway and a high speed railway line by 2015 that would allow people and cargo to travel from Kyaukpyu passing through Mandalay to Yunnan. This would later be connected to Chittagong in Bangladesh, thus joining up Yunnan to Bangladesh via Myanmar through a tri-nation highway.

It is noteworthy that Myanmar occupies a critical space on China's south-western flank. It is important as a trading outlet to the Indian Ocean for its landlocked inland provinces of Yunnan. Yunnanese companies are big investors in mining, rubber and other industries in the bordering state of Kachin in Myanmar. Hence, China's Myanmar policy has been dictated to a large extent by what will help Yunnan's economy move forward.

Beijing's economic presence in Myanmar continues to grow with the inauguration of the gas pipeline. The pipeline will be transporting about 12 billion cubic meters of gas across Myanmar and into the southern Chinese province of Yunnan.

China's role in Myanmar is decisive as it is one of the country's largest trading partners (India stands at fourth) and its biggest source of foreign investment.

China Factor in India-Myanmar Relations

This discussion may not be complete without analyzing India's stated objective that views China's involvement in Myanmar to have geo-strategic implications for the region.

China taking advantage of Myanmar's splendid isolation with the rest of the world since 1962 has developed a deep involvement in Myanmar. India that had lost all its leverage over Myanmar because of supporting the pro-democracy movement since then woke up to the reality of growing China-Myanmar relationship that could become a huge security concern for India. Much to India's strategic nightmare, China has built its naval listening and weather posts on Myanmar's Coco Island. China has agreed to establish a 30,000-square-mile offshore economic zone to facilitate exploitation of natural resources in Myanmar. This has bearing on India's maritime and economic interests in the Indian

Ocean region. Such developments and other became key factors in the India's warming up relation with Myanmar.

The security and strategic interests of India and China seem to overlap with each other in Myanmar. This necessarily does not mean confrontation with China. The concerns could be addressed by engaging Myanmar through greater economic and strategic cooperation. Although it may be difficult for India to match the depth and range of China's involvement in Myanmar, it would not be impossible for India to provide Myanmar an alternative choice to China.

India's strategic thinking needs to develop a holistic relationship with Myanmar to check Chinese influences in the region. Although China and Myanmar have drawn closer for various reasons, Myanmar is also keen to develop ties with India. Myanmar is aware of its strategic importance to both China and India and likes to utilize its considerable bargaining options with both these countries. The strategic location of Myanmar compels both India and China to negotiate independently to serve its interest. At the moment both the countries have tried to co-exist peacefully in Myanmar. It would be in India's interest to avoid confrontation with China and the best course could be to check Chinese influences by forging deeper relationship with Myanmar.

Conclusion

There are a few salient features in the India China Myanmar relations. Indian and Chinese interests overlap in Myanmar. While Myanmar is gateway to India to reach out to the ASEAN, for China it's a gateway to the Indian Ocean. Myanmar acts as a major source of energy for the rising population of both the countries. A deep economic relationship with Myanmar is in the interest of both India and China. To India it would give a tremendous boost to the development of its northeast region and for China to the development of its south-western flank, particularly Yunnan province.

Given that, building up the rail-road connectivity is high in the priority lists of both the countries for their land locked provinces at the borders. Further both India and China greatly get benefitted by forging stronger relationship with Myanmar. Myanmar too is getting highly benefited by the deep involvement of its neighboring country. Myanmar wants to develop deep relations with both India and China for its own developmental purposes. It's a win-win situation for all the three parties.

China as a factor in India-Myanmar Relations

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Abstract

With the shifting of global power gravity to Asia, India and China are reckoned as the key players in the region in shaping the regional security architecture. In this changing scenario, Myanmar occupies a geostrategic location connecting East, South and Southeast Asia. Both India and China have been trying to promote their own interests in Myanmar. It means that it is in Myanmar that India and China are going to confront each other directly or indirectly. Scholars from Indian strategic community claim that China's policies, calculations and approaches towards Myanmar are triggering troublesome scenario. India is sceptical about China's interest in Myanmar while China continues to build and going ahead with its oil and gas pipeline, waterways, roadways, dam projects etc. inside Myanmar. The Chinese military facilities inside Myanmar are considered as a threat to India. While India is actively engaging with Myanmar for most part India's policies are often seen as a reaction to Chinese strategies in Myanmar rather than being proactive. The paper will attempt to understand India's threat perception emanating from China's policies in the context of India-Myanmar relations.

Key Words: India, Myanmar, China, engagement, Lookeast Policy.

Introduction

The positioning of the China factor in seeking the rational for India's engagement of Myanmar can be examined within the framework of the realist paradigm against the background of intensifying relations between China and Myanmar. It is with the understanding that befriending Myanmar's generals with the policy of engagement and trying to gain a strategic foothold in Myanmar would enable India to deal with the potential threat posed by China on its eastern flank and thus it can respond to China's growing influence and military presence in this strategic space.

Myanmar occupies a geostrategic position lying between South Asia and Southeast Asia and shares a land boundary with India, China, Bangladesh, Thailand and Laos. The country has abundant natural resources, oil and gas. It also has the potential to produce hydropower that can be sent to neighbouring countries to meet their needs. Myanmar shares a boundary with China in the Northeast without any insurmountable geographic barriers except the Hengduan Shan range to separate the two lands. This also provides India a transit route to Southern China. China has exerted considerable influence in Myanmar ever since China's Yuan (ethnic Mongol) dynasty invaded Myanmar in the 13th century. Myanmar was one of the countries that recognized PRC in 1949 and has been supporting 'one China' principle for a long time.¹

Faced with increasing international isolation following the 1988 crackdown, the military leadership in Burma had no alternative but to depend on its sole supporter- China, which provided the much needed economic and military aid besides a diplomatic cover in the Security Council. Around the same time, following the Tiananmen massacre Beijing found itself faced with a similar predicament. China grabbed the opportunity by establishing closer relationship after Myanmar's uprising of 1988 when military took over the country. The relationship blossomed when internal stability in Myanmar was in great turmoil and China aided the country with massive arms supply, signed trade agreement in 1994.² In 1992, Myanmar agreed that China would modernize Myanmar's naval facilities and since then, Chinese technical experts have prominently improved and militarized Myanmar's port facilities in the Bay of Bengal at Akyab (Sittwe), Kyaukpyu and Mergui, constructed a major naval base on Hainggyi Island near the Irrawaddy river delta and upgraded the

¹ C. S. Kuppaswamy, 2008, "Myanmar, Sandwiched between China and India and gaining from both", *South Asia Analysis Group*, No. 2574

² Renaud Egretreau, "India's Ambition in Burma: More Frustration than Success", *Asian Survey*, vol.58 (XLVII), No.6, Nov/Dec, 2009, pp043-944.

naval base on Great Coco Island.³ The two cases that stood out of the existence of Chinese military bases are namely the Great Coco Island SIGINT collection station in the Andaman Sea and a naval base on Haingyi Island in the Irrawaddy River delta.⁴ And by the mid 1990s northern Myanmar was opened up to Chinese trade in a big way.⁵ Much of the infrastructure is already underway where river and rail routes from Myanmar, Laos and Vietnam would converge in Kunming, in China's southern Yunnan province. At Ramree Island off Myanmar's northwestern Arakan coast, China is constructing pipelines to take oil and natural gas from Africa, the Persian Gulf and the Bay of Bengal across the heart of Myanmar to Kunming.⁶ The purpose will be to alleviate China's dependence on the Strait of Malacca, through which four-fifths of its crude oil imports pass at present. There will also be a high-speed rail line roughly along this route by 2015. When China completes its ongoing communication projects in Myanmar, the increased strategic cooperation between Myanmar and China would significantly enhance security threat to India's weak eastern flanks.

The growing military relationship between Beijing and Yangon not only marked the end of Myanmar's traditional non-aligned orientation, but also aroused Indian apprehensions.⁷ It forced

³ Gurpreet S. Khurana, "China's String of Pearls in the India Ocean and its Implications", *Strategic Analysis*, vol.32, No.1 January 2008, pp.13-14. Yossef Bodansky, 'Beijing's Surge for the Strait of Malacca' at <http://www.freeman.org/monline/bodansky/beijing.htm> (Accessed May 3, 2007). Cited from Kolås, Åshild. 2007 "Burma in the Balance: The Geopolitics of Gas", *Strategic Analysis*, 31:4, Pp. 635.

⁴ Andrew Selth, "Chinese Military Bases in Burma: The Explosion of a Myth", Griffith Asia Institute, Regional Outlook Paper, no. 10, 2007 at http://www.griffith.edu.au/_data/assets/pdf_file/0018/18225/regional-ou... (Accessed on February 26, 2014).

⁵ John Cherian, "Coming Closer", *Frontline* (Chennai), vol.27, no.17, pp.24-27, August 2010.

⁶ See Fink, Christina, *Living Silence: Burma under Military Rule*. London: Zed Books 2001. See also Susan L. Shirk, *China Fragile Superpower*, (Oxford: Oxford Univ., Press, 2007).

⁷ Mitra, Kalyan K., "The China Factor in India's Security", *Dialogue Quarterly*, Vol.4, No.3, January-March, 2003, pp.151-157.

New Delhi pay attention to events across its eastern frontier with Myanmar. As one observer of Myanmar affairs noted: 'Just as China's support for Pakistan puts pressure on India in the west, so closer Chinese ties with Myanmar adds to India's strategic concerns in the east.'⁸ Beijing's reluctance to clarify matters has further complicated the situation. Additionally, with the initiation of India's Look East Policy, India has focused particularly on developing close ties with Southeast Asian countries to strengthen the continental dimension establishing good relations with Myanmar has a significant bearing.

Observers of Chinese and Myanmar affairs have attributed several reasons to China's desire to expand its economic and strategic influence down to the Bay of Bengal. A major one relates to Chinese projects to open up the old Burma Road to link up the poorer, inland provinces such as Yunnan, which have lagged behind the booming coastal Chinese provinces with the fast growing economies of South and Southeast Asia.⁹ Since 1990, the Chinese have found Myanmar a ready market for their cheap consumer goods, such as textiles, bicycles, cigarettes, beer, utensils, and agricultural products. To strengthen and increase its trade links with Myanmar, China is also providing its southern neighbour economic aid and technical help in developing infrastructure. Hundreds of Chinese experts are already working on major highway, railway and bridge construction projects in Myanmar which will significantly increase the volume of trade between China and Myanmar. Myanmar and China have been historically linked through land routes known as the Burma Road. In the post 1988 period the connectivity has improved. Several roads have been built to facilitate trade.

While India was not as much concerned about the trade links between the two, India was certainly disturbed when China

⁸ J. Mohan Malik, "Myanmar's Role in Regional Security: Pawn or Pivot", *Contemporary Southeast Asia*, Vol.9, No.1, June, 1997, pp.52-7

⁹ Donald M Seekins, "Burma-China Relations: Playing with Fire", *Asian Survey*, Vol.37, June, 1997, pp.525-39

established Signals Intelligence Facility (SIGINT) at Coco Islands located in the Indian Ocean barely 30 nautical miles away from the Andamans, developed Hanggyi as an important port for naval activities in the Indian ocean. The Irradwadi and Bassein rivers have been developed to cater to the strategic interests of the Chinese. The Chinese strategic buildup in Myanmar could enable China to monitor activities on missile testing ranges of Balasore and Chandipur in Odisha.¹⁰ At a recent seminar on Chinese national security organized by the Ministry of National Defence, Chinese defence planners stressed that 'a route from Yunnan to Rangoon (Yangon) could become an important transport line for goods and materials'.¹¹

From the strategic viewpoint, arms sales and/or military co-operation have always been an important means of funding the People's Liberation Army's (PLA's) modernization drive and in expanding China's influence abroad. For example, through its military assistance, Beijing has come to acquire considerable political influence over Naypyitaw.

Some Chinese scholars argue that Beijing's policy of non interefernece did not mean doing nothing¹² but rather it involved intervention in a softer manner.¹³ China's economic presence in Myanmar essentially filled the void when US and EU imposed sanctions. However China's presence in Myanmar did not bring about substantial benefits and instead the people of Myanmar have realised that economic relations between the two are

¹⁰ Sanjoy Hazarika, "Wisdom in Wooing Myanmar", *Staesman* (New Delhi), 5 December 2000.

¹¹ R. V. R. Murthy, "India's Security Concerns in the Bay of Bengal: With Special Reference to Andaman and Nicobar Islands", *Dialogue Quarterly*, Vol.7, No.1, July-September, 2005, pp.107-118

¹² Li Chenyang and Lye Liang Fook, "China's Policies towards Myanmar: A Successful Model for Dealing with the Myanmar Issue?", *China: An International Journal*, 7,2, September 2009, p.283.

¹³ Hak Yin and Yongnian Zheng, "re-interpreteing China's Non-intervention Policy towards Myanmar: Leverage, Interest and Intervention", *Journal of Contemporary China*, 18(61), September 2009, p.219.

unequal and often plundering the natural resources of Myanmar and disregarding their interest. The suspension of the Myitsone dam project in September 2011 indicated the growing resentment against China. The resentment that was high in upper Myanmar was felt in the whole country which had access to information with the relaxation of media restrictions.¹⁴ China for its part when reviewing the suspension of the project, China Power Investment Corporation (CPI) in 2012, president Lu Qizhou concluded that “as a central state-owned enterprise (SOE), the CPI has not been used to dealing with non-governmental organizations and local community. This is a lesson that central SOEs need to learn when going out”¹⁵

Eighty-five per cent of China's external trade is transported by sea. This, in turn, necessitates the development of a blue-water naval capability to protect vital SLOCs. Furthermore, the Chinese defence establishment is also concerned about India's ambitions to dominate the Indian Ocean and its increasing capability to project military power. Despite a significant thaw in Sino Indian relations, Chinese strategic literature continues to list India as one of China's most likely opponents in regional conflicts on China's southern borders in the 1990s and beyond (the others being Vietnam and Taiwan).¹⁶ China's policy of waterways through Irrawaddy River, Railways, Roads and Pipelines are projected to reach Myanmar coast which are close to Bay of Bengal. If these projects are completed, China is likely to short cut the route for their ships carrying oil imports from West Asia. It is also likely that the String of Pearls Strategy seems to be completed as they can station their ships starting from Gwadar Port (Pakistan)-

¹⁴ Min Zin, “Myanmar Attitude towards Chinese: Portrayal of the Chinese in Contemporary Cultural and Media Works”, *Journal of Current Southeast Asian Affairs*, No.1, 2012, pp.121-127.

¹⁵ Lu Qizhou: Central Government-owned Enterprises Going Global, Draw the Lessons from the Suspension of Myitsone Dam”, 10 March 2012, <<http://economy.caixin.com/2012-03-10/100366609.html>>

¹⁶ KhinMaungNyunt, “Sino-Myanmar Good Neighbourly Relations”, *Myanmar Perspectives*, Vol.2, No.3, 1996, pp.9-11.

Hambantota port (Sri Lanka)-Bangladesh and then to Myanmar ports. In this way one can clearly state that China will save millions of dollars as the new route will enter through Myanmar. Having established a naval presence in the Pacific, the Chinese navy's expansion into the Indian Ocean can also be seen as a demonstration of China's emergence as a truly global power.¹⁷ What worries Indian strategists is the growing military nexus between China and Myanmar and its implications for India's broader strategic objectives in the northern Indian Ocean region. The regional economic growth, the trade flows into and within Asia-Pacific and demand for energy in the region will lead to an increasing reliance on the sea as a mode of transport.¹⁸ Myanmar will become a major transit point for goods from China into the markets of the Indian Ocean. The publication of India's new *Maritime Doctrine* is quite explicit on the central status of the Indian Ocean in Indian strategic thought and on India's determination to constitute the most important influence in the region as a whole. New Delhi has been supporting ASEAN's efforts to constructively engage Myanmar. New Delhi is also engaged in various infrastructure projects such of roadways, railways, and many other connectivity projects. In addition, New Delhi has begun to study the feasibility of building a deep-water seaport at Dawei (Tavoy), on the Burmese coast. Taken together, these eastward transportation plans will give India an alternative route to the Malacca Straits sub region as well as land access to the Southeast Asia. This will enable the land sea strategy to further Indian influence and connectivity in some measure to counter China's strategic ambitions in Southeast Asia and the Indian Ocean.¹⁹ A major concern for India is that Myanmar gives China

¹⁷ Mihir Roy, "Indian Ocean in India's Security Calculus", *Dialogue Quarterly*, Vol.4, No.3, January-March, pp.58-73.

¹⁸ Joshua H. Ho, 'The Security of Sea Lanes in Southeast Asia', *Asian Survey*, Vol. 46, No. 4 (July/August 2006), p.574.

¹⁹ Sanjay Chaturvedi, 'Source Common Security? Geopolitics, Development, South Asia and the Indian Ocean', *Third World Quarterly*, Vol. 19, No. 4, Rethinking Geographies: North:South Development (1998), p.716.

access to the Indian Ocean, not only for imports of oil and gas and exports from landlocked south-western Chinese provinces, but also for potential military bases or listening post.²⁰

Nowhere is this contest for regional influence between China and India more evident than in Myanmar which occupies a critical strategic position between the two countries. China's inroads into Myanmar since 1990, especially the build-up of naval facilities in the Bay of Bengal and its possible use by the Chinese military, are, from New Delhi's perspective, serious encroachments into India's sphere of influence.²¹ Indian strategists now see China as constituting a threat in the east as well as in the north. India's determination to develop a degree of influence commensurate with its national interest means that New Delhi might slip into the role of the main counterweight to its giant neighbour. Both India and China will continue to monitor closely each other's activities to expand influence and gain advantage in the wider Asian region and will attempt to fill any perceived power vacuum or block the other from doing so. In the light of India's economic development, such a strategy makes sense domestically as well as from a foreign policy point of view. India has a history of conflicts with China beginning from the 1962 war. Even the current rapprochement has done little to quell military fears. Even though India and China have been co existing in Myanmar it has been China which has taken the lead be it economic, energy, strategic or otherwise. In this New Delhi's purpose will be best served only when a stable democratic state is established in Myanmar and when it is less reliant on China.

At present India is cautiously engaging with the opposition National League for Democracy (NLD) as well as the so called Civilian form of Government in power. India is also trying to engage its Diaspora (soft power) in enhancing people to people contact in boosting relationship. President Thein Sein visited

²⁰ "Five facts about China-Myanmar relations", Reuters, 1 June 2010, <http://in.reuters.com/article/idINIndia-48959920100601>.

²¹ Ibid.

China in May 2011, within three months of coming to power. After his meeting with China's President Hu Jintao, Myanmar President said "Having been designated as partners for multi-strategic cooperation, Myanmar-China relations have reached a new chapter and the highest level in China's foreign relations". The title "Joint Statement between The Republic of the Union of Myanmar and The Peoples' Republic of China on Establishing a Comprehensive Strategic Cooperative Partnership" is probably indicative of Myanmar's desire to indicate that special relation with China will continue. According to the news website Irrawaddy, President Thein Sein during his discussion with the Chinese President expressed Myanmar's backing for China in its territorial dispute with Vietnam in the South China Sea. Significantly, Myanmar's support came at a time when tension between China and Vietnam was building up over Vietnam's oil exploration bid in the South China Sea. This causes concern for India since India has entered into a joint oil and gas exploration project in two columns of Vietnamese waters of the South China Sea much to China's annoyance.²²

So when Myanmar's 'civilian' President talks of "multi-strategic cooperation" in partnership with China, India cannot afford to ignore this emerging strategic equation on its eastern borders. India needs to do a lot more to catch up China's strides in Myanmar which is far ahead and its projects are well planned and executed. India has been extremely concerned with China upgrading its key air and naval facilities that strengthen the line of communication between the Chinese border and the Bay of Bengal.²³ With China's well equipped navy, its growing economic might, its growing aggressive policy in the South China Sea, the String of Pearls all of these put together²⁴ certainly requires New

²² "India-Vietnam Oil Exploration Seal Must be Stopped," Global times, October 14, 2011. See also China Energy News, October 16, 2011.

²³ See Jane's Intelligence Review February 2009

²⁴ Jane Perlez., "Continuing Buildup, China Boosts Military Spending More Than 11 Percent," New York Times, March 4, 2012, <http://www.nytimes.com/2012/03/05/world/asia/china-boosts-military-spending-more-than-11-percent.html>. See Stockholm International Peace Research Institute (SIPRI), SIPRI Yearbook 2011 (Oxford: Oxford University Press, 2011).

Delhi to manage its LEP to articulate and respond to the growing tension in the region. How it responds to these challenges will be the real test of Indian diplomatic maturity. While the future beckons with opportunities, the present is still not assured. There is a good reason to be cautiously optimistic on the recent developments in Myanmar. Myanmar can attain some form of stability only when it is able to successfully address the ethnic question²⁵ and bring about the immediate national reconciliation and democratization. Although Sino-Myanmar relations are generally portrayed as pauk phaw anti China sentiments have been growing in Myanmar. Chinese projects in Myanmar primarily in the natural resources and energy sectors, have failed to bring substantial benefits to the people and locals feel that economic relations between the two countries are unequal with Beijing plundering their natural resources while disregarding their interests. The new immigrants and newly urbanized Myanmar Chinese have been accused of taking over and controlling the local economy.

The decision of the Myanmar government to suspend the China sponsored dam project at the confluence of the two rivers forming the Irrawadi indicated a strategic move adopted by the Thein Sein administration that reflects the growing anti-Chinese sentiment in the country, and at the same time a reinvention of the regime itself as a responsible government which listens more to the opposition, civil society organizations and environmentalists. In a way it also confirmed that the assumption of China having excessive control over Myanmar has been exaggerated. At the same time let us comprehend accurately the implication of what Thein Sein conceded when he told the *Financial Times* that there were 'still many differences . . . [with Suu Kyi and others]'.²⁶ It would be in India's interest to read Myanmar in transition correctly (regime reform and regime change) as the political processes in Myanmar gather momentum triggered by domestic

²⁵ See

²⁶ *Financial Times*, 12 July 2012.

and international factors.²⁷ And under the changed circumstance India will have to take into account all these factors and carve out a role for itself which is more proactive rather than reactive to what China does in Myanmar.

In the light of the changes taking place in Myanmar, it is time yet again to analyze India's policy towards its eastern neighbor. India can be a useful counterpoise for Myanmar in handling China, particularly when China's strategic ambitions seemingly override its acceptance of the civilian regime in Myanmar. India needs to cooperate with Myanmar to ensure the security of the Bay of Bengal. India can work with Myanmar to speed up the stalled projects of developing natural resources benefitting the Kachin and other ethnic groups in Myanmar. There are concerns of arms and drugs trafficking from Myanmar to Northeast India. There is some potential for strategic military cooperation, which would enable the Myanmar government to provide stability in its ethnic group regions like Shan state which in turn would help to secure India's own northeastern region.

A good beginning would be to persuade the new government in Myanmar to allow greater people-to-people contacts between the two countries at the level of students, scholars and in academic exchange. While India's policy of engagement will need recalibration to an extent depending on the degree to which Myanmar will transform and the transformation is irreversible. Interestingly, at a time when US policy toward Southeast Asia is widely seen to be underpinned by concerns regarding the People's Republic of China, the Obama administration suggested that it's a more pragmatic policy in Myanmar to support democracy and human rights as well as stability and greater prosperity in Burma, rather than being worried about China. The reality is in Myanmar the US and the EU are also driven by their

²⁷ Refer, Ashley South, *Ethnic Politics in Burma: States of Conflict*, Routledge, London & New York, 2008. His earlier writings include: Ashley South, 'Political Transition in Burma', *Contemporary Southeast Asia*, 26(2), August 2004, pp. 233-55.

own strategic and business interests²⁸ rather than by Myanmar's needs. The reality however, is that Myanmar's geography dictates that it cannot get too close to the United States without raising concerns from its giant neighbour to the north. This is where India again figures very prominently. Responding to the needs of time India should work out a concrete policy vision, that can strengthen the hands of democracy and also ensure that Myanmar is less reliant on China. India will have to reach out to Myanmar and undo the perception that it is a military threat for one.

For India, the lack of conceptualization has been a serious deficit in its policy thinking. In the past, failing to imagine India's geographic continuum as a whole has rendered space for China to manoeuvre the region. India should not waste time to compete or replace China but should reserve its energy to explore areas where it enjoys a distinct advantage over China in engaging Myanmar. India should work on strategic convergences and shared concerns of dealing with insurgency along border areas enhancing cooperation in regional development schemes and can get actively involved in Myanmar's oil and gas sector. India must use Buddhism as its policy leverage in Myanmar. The cooperation and promotion of a web of economic and cultural interdependency would go a long way in ensuring that Myanmar does not find it necessary to use the insurgency card against India. Besides a series of pilgrimage corridors from China across Myanmar could serve as engines of economic growth for the people living in the North-East.

India needs to go ahead and act on its LEP even more vigorously than ever before. Since Myanmar is an important factor in the Look-East policy, it is high time for India to reassess and reinvigorate its policy towards Myanmar with a definite

²⁸ The latest Asian Development Bank (ADB) report predicts that Myanmar could be the next rising star, as long as steps for reform proceed in the right direction. See Asian Development Bank, *Myanmar in Transition: Opportunities and Challenges*, Mandaluyong City, Philippines, Asian Development Bank, 2012.

proactive roadmap to include plans to promote soft power in the region, devise concrete strategy with actionable goals to open up its eastern frontiers to Myanmar. In this it is important for India to understand and appreciate the unique dynamics of that society taking into account all eventualities in Myanmar's political future to revalidate the *Swarna Bhumi - Bharat Bhumi* natural contacts. In conclusion India and Myanmar are likely to continue to find their mutual coordination in the more pragmatic engagement which will serve an useful purpose to both the countries.

Self-immolation in Tibet

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I Protest

In September 2014, after an interval of five months, another case was added to the self-immolation of the Tibetans.¹ More than 130 Tibetan Buddhists committed or attempted suicide, setting themselves ablaze, in Sichuan, Qinghai, and The Tibetan Autonomous Region (TAR) as well as in Nepal and India. This gruesome movement of protest, starting in 2009, expanding rapidly in 2012-13, seemed to have subsided in 2014. But it may go on, despite the wish of many conscientious observers.²

The most influential instances of self-immolation include a monk in South Vietnam who set himself ablaze on the street of Saigon in 1963 in protest against the South Vietnamese government, and a street vendor in Tunisia who set himself ablaze after an argument with the local police, attracting national attention which turned out to be the beginning of the end of the authoritarian rule.

When even one case can give such a strong impact on the society and the state, the reported cases of self-immolation by Tibetans between 2009 and 2013 amounted to more than 130, without weakening the brute force of China. Besides these, there were cases of Tibetan suicide in other forms that can be clearly interpreted as a protest against China's suppression of freedom in Tibet.³ For example, in 2012, a 30-year old Tibetan man stabbed himself and wrote on the wall of a school before he died, 'Tibet is independent and the Dalai Lama should return to Tibet.'⁴

Self-immolation in Tibet is a non-traditional method of suicide and protest having a set of patterns, such as:

- The self-immolators are usually young monks or nuns, sometimes laypersons.

- The self-immolator sometimes has young children.
- The self-immolator sometimes comes from ex-nomad family being forced to settle or resettle by the government.
- The self-immolator is normally acting alone, without letting anyone know what he or she is planning.
- The self-immolator in flames is often taken pictures or videos by the spectators, which is prohibited by the police. The Tibetans found possessing such pictures in their mobile phones are arrested⁵.
- The self-immolator sometimes leaves a written message and on the verge of death, often shouts it.
- The typical messages the self-immolators leave behind include Free Tibet, Tibetan language education, Long life of the Dalai Lama, and the Return of the Dalai Lama.⁶
- The self-immolator or his body will be taken away by the police⁷ to somewhere, possibly a hospital and often no information about his or her condition or whereabouts is given to the family or associates.
- The self-immolator does not wish to be saved but wishes to die.⁸ If the self-immolators happen to survive, they and their family members will be used for propaganda if they survive.
- The police tighten security after the incident.⁹

Monks are warned by the officials not to conduct rituals for the dead self-immolators.¹⁰

- Often the self-immolator is taken away by the police or there is confrontation between the police wanting the body and the monks denying it. The police often cremate the body and return the ashes to the family and do not permit them to hold a funeral.¹¹ The local authority may demand that the funeral be conducted immediately,¹² so that it does not grow into a mass gathering. But it is not impossible, against the will of the government, for the Tibetans to hold a mass prayer for the self-immolators.¹³

- Tibetan protests spread in the area.¹⁴ Intense confrontation, with casualties, between the Tibetans and the police is possible.¹⁵
- The police looking for accomplice arrests Tibetans, on account of association with the self-immolation. Some of them are sentenced for murder.¹⁶
- China offers large rewards for information on planned self-immolation.¹⁷
- Immediately after the case of a self-immolation of a monk, the Chinese authorities besieged his monastery with 2500 monks inside and prohibited them from moving out and getting food.¹⁸
- The Chinese police may not be united. A Tibetan police chief of a county in Tibet failed to track down the Tibetan protesters, because of his sympathy to them, was fired and began to advise for the Tibetan demonstrators.¹⁹

This type of violence against oneself is repeated, with considerable public respect, in the area where the Dalai Lama's teaching of non-violence is supposed to be followed.

This movement is not isolated but is related to other ongoing anti-Chinese trends in Tibet. What can be learnt about China and Tibet from this recent phenomenon? What needs to be done in and outside China?

II Related Factors

This situation can be interpreted as a reflection of social and political changes concerning the area.

Migrants

- (1) A big factor is the migration of the Han Chinese. With the growth of its economy and with the growth of the Han-Chinese population, centrifugal force is born inside China. More Han Chinese is encouraged to move toward the areas historically not lived by the Han Chinese. There are land disputes between the Tibetans and the Han Chinese,²⁰ and the

latter sometimes uses gang groups to attack the former.²¹ In this sense, what is happening in Xinjiang, Inner Mongolia, and Northeast China is also happening in the TAR, Qinghai, and Sichuan. Tensions simmer in Tibet, but the Tibetans can never win dispute with the Han Chinese, because the latter call it separatist politics. Chinese lawyers are scared of taking Tibetan cases.²²

- (2) Those migrants, who moved to new areas, are not necessarily people with good education and ethics. What happens among the Han Chinese ordinarily, such as robbery of properties, kidnapping of children,²³ fraud,²⁴ contamination of food,²⁵ corrupting of public officials, use of violence to settle disputes, occurs also in Tibet, which means a new stage of discrimination in the region. The Tibetans do not seem to be protected by the Chinese judiciary system. One of the recent cases of protest in Tibet is a beating of Tibetans by a drunken Chinese policeman.²⁶
- (3) Tibetan local economy is disturbed. Some Tibetans boycott Chinese shops due to their high prices.²⁷
- (4) Highly educated Chinese are probably skeptical about the legitimacy of China's control over Tibet, but ordinary Han Chinese, including those who were critical of their own political system, will never doubt what they have been taught at school for decades, that Tibet has been an essential part of China. China as a whole after the death of Mao Tse-tung may have ceased to be a totalitarian system, but in the western part of China, where information, education, meeting, and speech are controlled, and people are forced to participate in the pro-government campaign, a totalitarian system remains. In the rest of China, the Han Chinese are not exposed to different views at school or in the media, so long as territorial issues are concerned.
- (5) Some Han Chinese, however, may feel sorry for the situation of the Tibetans. There is a report that many Chinese feel

sympathy towards Tibet.²⁸ The Dalai Lama said in January 2012 that understanding toward Tibet is growing among the Chinese. The Dalai Lama once successfully communicated with the Chinese 'netizens' who addressed questions to him on the internet,²⁹ before it was blocked by China.

- (6) The physical distance between the Tibetans and the Han-Chinese has been shortened drastically. Now the Han Chinese people with dubious jobs, including prostitution,³⁰ live near the Palace in Lhasa. New military bases have been built in Tibet³¹ and the new railroad carries not only tourists but also soldiers and weapons for more powerful and swifter control of the region.
- (7) The migration of the Han Chinese raises the problem of the purity of the Tibetan language. Increasing number of Tibetans feel difficulty in speaking pure Tibetan, and the grass-roots activities to preserve the language are discouraged or prohibited. While even the Tibetan language speech contest is banned, the use of Chinese is becoming obligatory in higher education, which is a policy probably violating the Regional Nationality Law on Autonomy.³² One of the most concrete reasons of student protests in Tibet is switching the language of instruction from Tibetan to Chinese.³³
- (8) Capitalism expands in the traditionally self-sufficient Tibet. A factory processing yak meat is built in Tibet, which bribes the local Chinese officials ordering the local Tibetans to sell their animals with the price set by the officials. The Tibetans disobey, and the factory hires people to steal the animals from the Tibetans. Knowing everything, the Tibetans attack the factory and the local government arrests them.³⁴ A monk who freed the yaks being taken away to the slaughterhouse is detained.³⁵
- (9) The core values concerning Tibet, such as freedom and independence, are also the core values fought for in the 19th and the 20th centuries in China between the Chinese and the

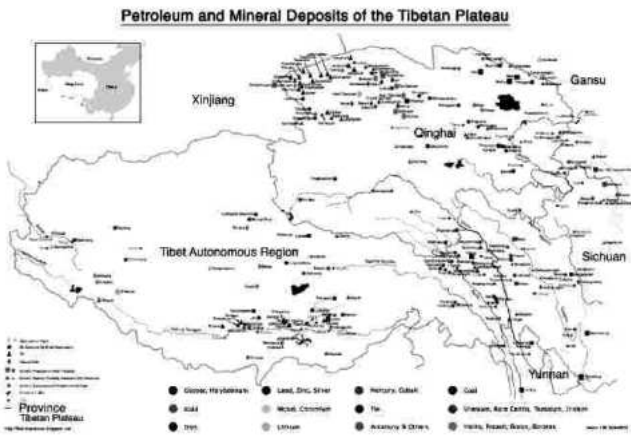
colonial powers. Whereas what the Tibetans are fighting for is almost identical to what the Chinese used to fight for, China manipulates both the Han Chinese and the Tibetans, disguising occupation as liberation.

Natural Resources

- (1) With its economy growing, China needs more natural resources and recognizes the treasures of Tibet, such as gold, copper, iron, uranium, and rare-earth. It has become the national policy of China to exploit the natural resources of the areas of the Western treasure. This trend causes various problems, besides the problems of migration stated below. One concerns religion. Many mountains are sacred for the Tibetans, but the Han Chinese industries, being guided by the national policy of China, destroys the mountains.³⁶ Another is concern with the forced evacuation of nomadic Tibetans. China has been trying to settle nomads in Tibet, narrowing down their space. Schools catering for nomad children are being closed,³⁷ which is a part of China's policy of compulsory resettlement. This policy can be understood as a way to put them under government control, as well as a way to provide land to the Chinese industries for exploitation.
- (2) Exploitation of natural resources pollutes river³⁸ and land.³⁹ The concern over the environment leads to local protests against mining, suppressed by the police working as the defender of the dubious elements of Chinese capitalism.⁴⁰

The 14th Dalai Lama

- (1) The Dalai the Lama 14 has made three great decisions in his life. The first is that he left China in 1959. If he had remained in China, he would have been demanded to play the role the Panchen Lama 11th, selected by China, plays now.⁴¹ The second decision is that he chose the middle way, an abstemious request, for genuine or meaningful autonomy, refraining from calling for independence. The ball is thus on the side of Beijing, which has to distort the words of the Dalai



<http://tibetanplateau.blogspot.ca/2012/07/best-data-on-tibets-mineral-and.html>

Lama in order to refuse talking with him. The third is the separation of political leadership and spiritual leadership. The Dalai Lama resigned from political leadership, which may be against the wishes of many Tibetans, but it has two invaluable benefits. One is that China cannot swallow the political authority of the Dalai Lama, even if it succeeds in selecting the new Dalai Lama after the death of the Dalai Lama the 14. The other is to counter the Chinese argument that the CCP liberated Tibet from feudal serfdom dominated by the religious-political dictatorship of the Dalai Lama.⁴² When Tibetan community looks more democratic than the Chinese community, the Chinese way of justification is less persuasive.

- (2) This reform of the Tibetan exile community includes democratization including creation of parties different from the political line of the Dalai Lama. Creating a political party calling for the Tibetan independence⁴³ means that China cannot forever put off talking with the Dalai Lama, as more radical views may arise after the death of the Dalai Lama.

- (3) No matter how prepared the Dalai Lama may be, his old age is inevitable, and it is likely that most of the Tibetans inside China will not be able to see him again with their own eyes. This is a pain shared by all Tibetans.

International Situation

- (1) The 9/11 attack on the US in 2001 gave China unexpected freedom to handle its internal policies without fear of criticism from the US, which needed China's cooperation in its conduct of the so-called war on terror.
- (2) The Beijing Olympic of 2008 raised the international prestige of China but probably this led to a stronger sense of isolation of Tibetans because their detachment from the fanfare in Beijing was carefully concealed in the domestic and international media.
- (3) The wealth of China has strengthened its influence over Nepal, hosting a large number of Tibetans from Tibet. It is believed by the Tibetans in Nepal, for example, that the security cameras in the huge stupa of Boudhanath were financed by China, for the purpose of watching for the anti-China activities.⁴⁴
- (4) Contradictory elements are mixed in China's relations with India. While China is a big trading partner with India, China is encircling India through Pakistan, Sri-Lanka, and Myanmar in the Indian Ocean, besides having territorial disputes with India. Stronger influence of Dharamsala will bring tensions to India-China relations, and the weak influence of Dharamsala will give China more freedom in making its India policy.
- (5) The Arab Spring, in which one case of self-immolation of a street-vendor in Tunisia led to the demise of the regime, spreading its impact far across the border, is in stark contrast to the case of Tibet, where more than 130 cases of self-immolation of Tibetans have not moved China an inch toward repentance. Each case of self-immolation gives strong emotional impact upon the Tibetans, but it may not give

enough impact to the other Chinese, partly due to differences of ethnicities and cultures, partly due to the successful propaganda by the Chinese media, and partly due to the foreign media compromising with justice before the growing huge economy of China.

- (6) The most recent move by Scotland to dissociate itself from the UK in 2014, must have pleased China, because the UK, a civilized state, did not suppress discussion on independence, demonstrations to express views, and voting possibly leading to separation. This was in stark contrast with Tibet, where a Tibetan teenager shouting for Free Tibet will be given a sentence of several years of imprisonment on account of separatist conduct. Meetings calling for independence in Tibet are raided by the police immediately.⁴⁵ Scared China is reluctant to tolerate any kind of organization in Tibet.⁴⁶ China has now authorized the local police to shoot people participating in such anti-government activities.⁴⁷ The question is when the Chinese begin to compare their state not with other Asian states but with Europe and the US, it care recognize the barbarity within their own state, undeserving the glory of the history of China. If the Chinese accept European standard as their country becomes wealthier, they may begin to adopt different standards to evaluate their own domestic policies.
- (7) The recent dispute between China and Japan on the territory concerning the islets near Taiwan and Okinawa is an eye-opener for the Japanese. While the Japanese tend to think of China as a neighbor in the East Asia and pay attention to its Eastern part, the dispute highlighted a fact that China has similar disputes with its neighbors in all directions. The Japanese may be interested in China's south-western border and China's western regions.

III Interpretation

In order to know how China views the self-immolation in Tibet, it is necessary to know how Beijing describes it.

- (1) China at first was optimistic enough to describe the self-immolation as a thing of the small part of the Tibetan population, stressing that it did not spread to the TAR.⁴⁸
- (2) China says that self-immolation in Tibet is ordered,⁴⁹ incited,⁵⁰ or funded⁵¹ by the Dalai clique. It says that some Tibetans are causing tragedies by encouraging people to burn themselves.⁵² It says that the self-immolators are suggested to do so by a foreign organizer.⁵³ It says that monks goad people to self-immolation.⁵⁴ It says that senior monks force young monks to self-immolate,⁵⁵ against the teaching of Buddhism.
- (3) China says that the Dalai Lama does not clearly condemn self-immolation but applauds it,⁵⁶ which is interesting because when protesters are shot dead⁵⁷ in Tibet by the Chinese police, and some wounded Tibetans in Chinese prisons were denied treatment and died, China asserted that the Dalai Lama was apathetic to the loss of life of self-immolation.⁵⁸
- (4) According to China, although the Dalai Lama talks about the middle way, i.e. genuine autonomy, he in fact wants independence.⁵⁹ China says that the Dalai Lama's real agenda differs from what he says⁶⁰ and that his goal is to split China.
- (5) China says that the self-immolator is a fanatic.⁶¹
- (6) China says that the self-immolators kill themselves for personal reasons. It says that one of the self-immolators was a disabled man.⁶² China even humiliates a self-immolator in Greece⁶³ as jobless, although his case is totally irrelevant to Tibet. China reports a self-immolator in Morocco as mentally ill.⁶⁴ Saying that self-immolators wanted to be remembered as heroes,⁶⁵ China tries to deny the heroic impression to self-immolation.⁶⁶

- (7) Saying that some self-immolators had family problems,⁶⁷ China insults the dead and their families. An official Chinese explanation for a case of self-immolation of a monk was the monk's 'affair with a married woman.⁶⁸ The Chinese officials demand from the family of a self-immolator a statement that the suicide was due to personal reasons.⁶⁹ If the family does not comply with the family member is even sentenced to death by reports made up by the police.⁷⁰ China is paying money to a family if it admits that the self-immolation was a result of family dispute rather than a heroic act.⁷¹
- (8) China says that the separatist forces abroad orchestrating the movement of self-immolation offer compensation for the dead.⁷²
- (9) China says that a rapid economic development of Tibet is necessary to maintain stability in Tibet.⁷³ It says that the self-immolation in Tunisia is due to the country's dire economic conditions.⁷⁴
- (10) China says that China has greatly contributed to the growth of Tibet for the past half a century. It stresses that there is a lot of social and economic achievement under the leadership of the CCP, such as GDP of Tibet and life-expectancy of the Tibetans. It says that between 2010 and 2014 the poor in the TAR will be reduced by 60 %.⁷⁵
- (11) China says that there are fabricated cases of self-immolation.⁷⁶
- (12) China regards self-immolation as terrorism or a step to terrorism.⁷⁷
- (13) China says that it is investing heavily to preserve the heritage of the Tibetan religion.⁷⁵
- (14) China says that there is already religious freedom in Tibet.⁷⁹

Saying that China should look at the matter seriously instead of blaming him,⁸⁰ the Dalai Lama ascribes the cause of the Tibetan

situation to Beijing's 'totalitarian, blind sort of unrealistic policy.'⁸¹ The UNHCR requested China to address the grievances of the Tibetans.⁸²

China has a preposterous view that the economic development is a key to the stability of Tibet. More the less stable Tibet more the growth is necessary in this region, according to this logic. Nothing can be more farther from the truth. It is the rapid expansion of the Han-Chinese economy and society that is inviting strong opposition from the Tibetans. Perhaps the Chinese leaders' mind-set is so fixed on economic development that they may be blind to the erosion of other social values. Perhaps economic development is a central propaganda term of the modern Chinese colonialism, just as democracy for the US now and civilization for the European colonialism in the past centuries.

The Chinese view that senior monks force the young monks and others to self-immolation can be used as a convenient excuse for more forceful intervention in monasteries by the Chinese officials. According to China, only the Dalai Lama is inciting self-immolation, while all the rest of the world is mourning the loss of the dead.⁸³ Then China must explain why it is so reluctant to allow the Tibetans to hold ceremonies for the dead.

It is impossible to say that the Dalai Lama is ordering the Tibetans to commit suicide, because violence against one's own body can be against his teaching. But it is understandable that he cannot condemn a Tibetan who died for the sake of Tibet, wishing him to return.

Chinese use of history is intentionally selective. If China mentions the historical relations between China and Tibet, it should also mention the modern history of Tibet. If it takes pride in the contribution to Tibet's economy, it should have regretted its destruction of Tibet in the 50s and the 70s.

China has to keep silence over the extent that the sacrifice is supported by the Tibetans. China cannot describe how much protest there is against the government. The central point of

China's propaganda on the issue of self-immolation is to conceal the simple and undeniable fact that the Tibetans are not happy with China. It can place a policeman disguised as a monk in order to film how the monks enjoy religious liberties in Tibet, but the last thing it can do is to conduct opinion polls in Tibet.

At school, use of the Tibetan language is restricted. The Tibetans see demonstrators shot dead.⁸⁴ They see beating, arrest, torture, death in prison. Often the police fabricate stories to defend its action.⁸⁵ Even death in prison can be covered up by the authorities.⁸⁶ They see the Chinese police are on the side of the Han Chinese.⁸⁷

After more than 130 cases of self-immolation, China is still repeating its official line in the past. It is hard to find an indication that Chinese view on Tibet has been changed by self-immolation. Controlling the news of self-immolation in China and outside China, China has succeeded in preventing self-immolation from becoming an issue of public debate.

China's Tibet policy looks excessively fixed⁸⁸ to the past. It is possible, that China is determined to rely on its ready-made policies even though it knows that they no longer work. It is possible to argue that China's policy toward Tibet is not made by the top leaders, who are wise enough to foresee that the suppression of the Tibetans will harm China's own national interest, but by the lower-class leaders whose personal and material interests are achieved through the domination of Tibet.⁸⁹

Although self-immolation is certainly not aggression, it is violence against oneself. It is possible to interpret that there is transformation going on among the Tibetans. The Tibetans may no longer be liberally following the teaching of the Dalai Lama, admitting that the policies of non-violence are not effective. Although the call for non-violence by the Dalai Lama was an useful voice for China, China keeps the same pattern of oppression, not sensing that the Tibetans might be deviating from the method of the Dalai Lama.

This can be interpreted in Tibetan style. Its grass-root initiative is contradictory to the leader, but the leader has no option but to underwrite it, even though he does not want to encourage it.

IV Show of Force

What is missing in Chinese policies toward its western areas is the attitude to abide by the rules of 'UN Declaration of the Rights of the Indigenous Peoples.' Adopted by the UN General Assembly in 2007, it aims at protecting the identity and the culture of the native peoples as well as their health. Violation of these rights can be attributed both to the Han Chinese and the CCP.

The Han Chinese are allowed to move to Tibet, almost freely, and engage in activities beneficial for them. They open a slaughterhouse of yaks and the land is soaked with their blood. The Han Chinese hunt for wild animals and conflict with the nomad Tibetans. The Han Chinese exploit mountains believed to be holy by the Tibetans. Seeing the economic growth as happiness, stressing the progress of Tibet, the CCP relocates Tibetans, builds dams.⁹⁰ Behind the CCP's confidence is the argument that the CCP has liberated Tibet from serfdom.

In Tibet, or in many parts of Tibet,

- Calling for mourning the killed in the 2008 protest is prohibited.⁹¹
- Online activities are monitored by a Chinese special unit.⁹²
- Internet access is often prohibited.
- Phone calls are monitored.⁹³
- Use of mobile phone is restricted, especially in Lhasa. Anyone found communicating abroad will be detained.⁹⁴
- China uses false Twitter accounts of western names and profiles to upload positive stories on Tibet.⁹⁵
- A large police station is built near a monastery⁹⁶ to keep tabs on it.

- Government officials oversee day-to-day affairs of monasteries.⁹⁷
- Lasa hotels are obliged to install electronic surveillance equipment.⁹⁸
- Private schools teaching Tibetan language and culture are closed, seen as a separatist idea.⁹⁹
- An exhibition of Tibetan art in Lhasa was forced to close two hours after it was opened.¹⁰⁰
- The house of the 13th Dalai Lama, a historical site, was destroyed by the Chinese authorities.¹⁰¹
- Movement of Tibetans from one area to another is monitored at many checkpoints¹⁰² and restricted, and is subject to permission.¹⁰³ Some areas, such as Lhasa, are virtually under military control.¹⁰⁴
- Satellite equipment for catching international waves are banned and confiscated.¹⁰⁵ Imposing heavy fines, China wants to block Voice of America and Radio Free Asia.
- NGOs in some Tibetan areas are ordered to register, otherwise they are closed by Chinese authorities.¹⁰⁶ This indicates China's fear of the growth of grass-roots organization in Tibet.
- Monasteries are ordered to hoist the Chinese national flags.¹⁰⁷ Monks are expelled if they defy the order.¹⁰⁸
- New and detailed restrictions are being imposed on monasteries.¹⁰⁹
- A Tibetan monk who discussed self-immolation in his book is imprisoned.¹¹⁰
- A meeting to study Gendun Choephel, a Tibetan thinker in the 20th century, who criticized the backwardness of Tibet but called for the independence of Tibet, was banned.¹¹¹
- Sometimes the educated or the wealthier Tibetans become targets of detention.¹¹²

- A teenage girl who called for 'freedom for Tibet, the return of exiled spiritual leader the Dalai Lama, and the release of Tibetan political prisoners' was beaten up by the police and was imprisoned, and sentenced for three years.¹¹³
- The possession of the picture of the Dalai Lama is prohibited.
- A person possessing the recording of the speeches of the Dalai Lama was imprisoned.¹¹⁴ A monk possessing Dalai Lama's cassettes was beaten to death by the p police.¹¹⁵
- The police sometimes open fire at demonstrators.¹¹⁶
- Some Tibetans believe that Tibetan prisoners are poisoned before they are released.¹¹⁷
- If demonstrators are beaten or hurt by the police, they are forbidden from seeking medical treatment.¹¹⁸
- Teachers and a school director lose their jobs when their students protest against the Chinese policies.¹¹⁹
- Prisoners are tortured.¹²⁰ Sometimes they are tortured to death.¹²¹
- If a Tibetan prisoner hires a lawyer, Chinese authorities can reject the lawyer and appoint a different lawyer for him.¹²²
- Some Tibetans are imprisoned without their families knowing about it for years.
- An ex-prisoner who tells about torture in prison is again arrested and tortured.
- Making a film about how the Tibetans see the Beijing Olympic is considered a crime and its director is imprisoned.¹²³
- "Hope in a Disaster", a movie filmed by Tibetan monks on the Sichuan 2010 earthquake, stressing Tibetan unity, was banned and its DVDs were seized.¹²⁴
- Chinese authorities in Tibet launched a reeducation campaign called "Patriotic Religion."¹²⁵

- The Tibetans were forced to pay respect to the Panchen Lama,¹²⁶ having been designated by China.
- A Tibetan critique of the disaster relief was arrested, probably because of the knowledge that the money for disaster fund, which was subject to embezzlement, will be transferred to relief activities through NGOs.¹²⁷
- A 20-year old Tibetan man who at night sought with his friends a vision of the Dalai Lama in the moon was detained.¹²⁸
- The police sometimes shoot demonstrators and a person who takes a picture of the scene is detained.¹²⁹
- Tibetans who disobeyed the order to praise the local public officials who were suspected of embezzlement, were arrested.¹³⁰
- The police sometimes beats a detainee to death.¹³¹
- Some demonstrators die of wounds, made by police shooting, untreated in prison.
- There are tensions not only between China and the Tibetans but also between the Chinese and the Tibetans. In a university in Sichuan, there were big fights between the Tibetan students and other Chinese students over the preferential treatment given to the minority groups.¹³²

The logic used often by the CCP is that the Tibetans are not sincere enough to be Chinese. Even though this may be true, the other side of the coin is that the Han Chinese, who are becoming geographically closer to the Tibetans, are not expressing empathy toward the plight of the Tibetans, their compatriots. The CPP's double standards are seen, for example, in the march of hundreds of young Han Chinese celebrities in 2012 in Lhasa, a campaign hosted by the Lhasa People's Government to raise awareness about the importance of walking.¹³³ The celebrities walked about 10 kilometers, just when ordinary Tibetans would be stopped if they were walking in a group of five or more. What is allowed to the other Chinese is unimaginable to the Tibetans living there.

The Dalai Lama warned in 2011 that the Tibetans now fear the return of semi-Cultural Revolution.¹³⁴ Tibet is now similar to the Apartheid where every move of Tibetans is controlled. Probably there must have been a way to lure the Tibetans into economic growth and make them cooperate with the CCP, but the CCP has created a more discriminated Tibet, with the help of internal migration. The CCP is too afraid to permit anything that could possibly strengthen Tibetan identity, such as the Tibetan language education,¹³⁵ speech contest, songs, and picture. The civil society of China is thus far not developed enough to despise the regional totalitarianism.

China's juxtaposition of the dictatorship by the Dalai Lama and the liberation and economic progress under the leadership of the CCP is obsolete in the 21st century. The Dalai Lama 14, with his decision to abdicate his political leadership to the prime minister elected by voting, is beginning to project a more democratic picture of his government in exile¹³⁶ and Tibet's proposed autonomy.

V Conclusion and a Way Out

The majority infiltrates into the minority areas of China, in the name of economic growth and sovereignty, showing special characteristics of Chinese colonialism different from that of Europe.. European imperialism is like tigers hunting for prays only when they are hungry. Europe needed colonies because its economy needed foreign resources and market. China is like a spider catching anytime any insect trapped its web, in order to chew it later. Tibet, caught by Mao Tse-tung in the 1950s in the web of power-vacuum after WWII, is now being eaten away by the new generations of Chinese leaders.

With China's growth intensified internal migration, the Tibetans become physically closer to the culture and the customs of the Han Chinese who failed to learn the ethics and morals in the era of the Cultural Revolution and the market-oriented socialism under the nouveau riche of the CCP. With the legitimacy of the CCP now

depending upon the continuation of the material satisfaction of the mass, the threat to the identity of the Tibetans comes both from the CCP and the Chinese society. Their call for liberation from the CCP is not likely to be heard by the CCP, because Tibet's natural resources are indispensable for the CCP and because the CCP cannot let the first domino fall, in the context of fragile relations with the minorities.

Self-immolation of the Tibetans means a new stage of protest by the Tibetans against the drastic inflow of the Han Chinese, their exploitation of land, destruction of their community, the environment, culture, and the desecration of their religion, in the time of the delicate period of the succession problem of the Dalai Lama 14 and the rise of China to the top status of the world. The relaxation of the situation depends partly on the Chinese in the rest of China, who see the current situation as more similar to the Japanese Devils than to the resistant heroes. The solution also depends in part on the neighbors of China and the UN, having power to induce China towards respectable international norms.

Practically,

- (1) Autonomy should be achieved in Tibet, but a more urgent need is to begin to establish an international regime on the rights of the indigenous peoples, with respect to industrialization and internal migration. The indigenous people must be able to appeal to the international community without having their voice filtered through their state. The 2007 UN declaration, without binding power, must be evolved into an international multilateral treaty.
- (2) Before the establishment of such norms, foreign countries are advised to relate to China on the condition that the latter respects in Xinjiang and Tibet the spirit of the 2007 UN declaration
- (3) From China's past policies toward Nepal, it is clear that China's strategy for Tibet includes burning the bridge behind Tibet.¹³⁷ China's cooperation with central Asian countries

since the 2000s in the name of anti-terrorism is one example.¹³⁸ Besides, China's control of its Nepali border is tighter than before.¹³⁹ China and Nepal are cooperating in many security areas, including the matter of illegal border-crossing.¹⁴⁰ The Tibetans in Nepal have difficulty in expressing their national identity.¹⁴¹ Nepal detains some Tibetans before some important Chinese delegations visit Nepal.¹⁴² Nepal does not allow its Tibetan exiles to vote to select the exile Tibetan government.¹⁴³ India should take counter measures for such Chinese policies of China, and the world should stand in line with such countermeasures in South Asia. In the few cases of Tibetan self-immolation in Nepal, the Nepali government, like China, denies the immolator's families the right to conduct funerals for the dead.¹⁴⁴ As Nepal is falling into the shadow China, the rights of the Tibetans in Nepal become an issue between Nepal and the US.¹⁴⁵

- (4) The Han Chinese, as well as the other Chinese minorities, must be more alert to the situation in Tibet. The news of a Chinese artist drawing every face of the Tibetan self-immolators, to keep their dignity in memory, is an auspicious sign.¹⁴⁶ A critical point is the Han Chinese can wash away their feudal sense of self-claiming centrality and lack of compassion. When what is equivalent of the Civil Rights Movement of the US in the 50-60s is born in China, with the rise of the empathy to the minority from the side of the dominant group, then only can China be able to join the community of modern values.
- (5) It is strange that the international media paying much attention to the student movement in Hong Kong in October 2014, where no one is killed or wounded, does not pay enough attention to the various forms of protest in Tibet, where many were killed or wounded. One should even suspect that what goes on in China's East is a camouflage for what China does in its West. The international media should report self-immolation not only as an aberration of protest, but as a tip of

the huge iceberg of cataclysm in China's west, closely connected to the global economy and global demography, leading to the crisis of the identity of a nation.

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China's Engagement in South Asia and Implications for India: An Overview

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Abstract

In the post cold war phase the regional settings have also been influenced to a considerable extent, along with the global settings by the shifts in power balance.

The South Asian region is one which is passing through new dynamics of power balance with China's increasing engagements in South Asia. India has been a dominant power in South Asia in a multiple context and despite a checkered history of relations with the South Asian neighbors' its position has remained unchallenged. South Asia has not been an area of geo-political priorities of China for a long time.

However, there is a shift in China's bilateral strategy in South Asia in the last some decades. Apart from its traditional ally Pakistan, China has developed bilateral relations with the other countries of South Asia. There is no doubt that despite the border tangle there has also been an opening in India- China relations. But to what extent it helps in adjusting with China's increasing interest in South Asia is a moot question.

China has expanded its relations with the South Asian countries in both geo-strategic and geo-economic contexts. Encirclement of India in South Asia has traditionally been an important motive of China. To what extent the Sino-Indian rapprochement has helped in overcoming this motive is an important issue? Nevertheless, China has important strategic, security and economic interest in South Asia. The region provides huge possibilities of trade and investment. China has vital interest in the sea lanes of Bay of Bengal and the Indian Ocean. Pakistan, Afghanistan and the Xinxiang province forms an important corridor for China's interest in Central Asia, the Indian Ocean as well as peace and security of its Xinxiang province.

The historical background is there, but China seems to be in search of a new bilateral strategy in South Asia. The smaller countries of the region also find an easy tool in the form of China card to be used against India. China's model of economic development may also be an inspiring factor for some. But China's huge military buildup and strategic infrastructure in the neighborhood may also worry some.

The issues that seem to be important here are:

**To what extent China provides an alternative for the smaller states of South Asia vis-à-vis India?*

**To what extent India is a factor in China's relations with South Asian countries?*

**Does China's engagement in South Asia add to the complexities of India-China relations?*

**Whether China's involvement in SAARC would provide new opportunities of stronger regional cooperation?*

**What are the policy options for India?*

Balance of power politics, Confrontation, Cooperation and competition

The basic objective of this paper is to understand reasons and consequences of China's widening interest and role in the South Asian region where already major international players are present and where India already exists as a predominant regional power. The paper has two broad components: China's multi dimensional engagement in South Asia and secondly, its implications for India.

Introduction

South Asia is a complex region. The geography, the history, the socio-cultural milieu and the legacies of partition of India, all have contributed to these complexities.¹ However, one important dimension adding to these complexities has been the interest of external powers and their involvement in South Asian affairs. Looking back at the history, one would find that the South Asian region had been a target of external powers. Since the early days the looters, invaders, conquerors, all made the South Asian region their favourite destination. The Mughals and later the British colonial power established their rule all over India. It was not merely the establishment of political authority of a foreign ruler over India but it also brought with them and patronized their culture, language, religion and life style and so on.² The exploitation of natural resources, people, divide and rule policies particularly during the British colonial rule and finally the partition of India all these policies sowed the seeds of discontent and disharmony and left the region in a state of conflict and enmity.

The end of the colonial rule from the Indian subcontinent also symbolized the withdrawal of a world power from the region. It

obviously created a power vacuum in the region. India though tried to keep itself out of the Cold War politics, Pakistan soon became a target and an instrument of the Cold War politics to enter into the South Asian region. Actually the United States was interested in finding a base in South Asia to assert its presence in the region and also to fill up the gap created in the region after the British withdrawal. Pakistan had its own reasons for a powerful external source of sustenance. Pakistan tried to use the US support against India. China also gradually developed a nexus with Pakistan because of its inimical relations with India. Both the United States and China viewed Pakistan as a counter balancing force in South Asia, though their motives were different. The United States believed that India was aligned with the socialist block and non-alignment was only a façade. On the other hand, China's primary interest was to isolate India in the region and also to weaken its strength and capabilities. It would be interesting to note here that South Asia was not a primary area of interest either for the United States or for China. But both of them wanted their presence felt in the region. Perhaps they believed that in the context of broader interest in the Indian Ocean region, their influence in South Asia was a necessity. Thus US-Pakistan and China-Pakistan nexus endorsed continuity of external factors in the affairs of South Asia, though the focus and the nature and scope of external presence in the region changed in the post colonial period.

China consolidated its position in South Asia after 1962. The Karakoram highway built by China in the Indian territory occupied by her in 1962, facilitated China's access to Pakistan. Pakistan used the US and Chinese assistance against India and it naturally complicated her relations with India.

In the post Cold War phase while the external factors remain important in the context of South Asia, there is a paradigmatic shift in respect to the interests and orientation of the external powers in South Asia. The disintegration of the Soviet Union, multi polarity, rise of the independent states of Central Asia, rise

of China and India as major powers, globalization and the rise of market economy, etc changed the focus of external interference in South Asia. The South Asian region also became a hot spot due to the rise of terrorism and Pakistan being its nerve centre. China's fast rise as world economic power was perceived by the United States as a threat to its supremacy. India's economic growth and the possibilities of market in South Asia, etc further encouraged the external powers to expand their influence in South Asia.

The question of Asian supremacy, the great game in Central Asia, instability in Afghanistan, etc were issues of great concern for the United States. Therefore, while there was a paradigm shift in relations with India, the United States continued to support Pakistan as Pakistan was the key factor in promoting the US interest in South Asia and Central Asia. China, apart from its interest in isolating India in the region and asserting upon its historical claims beyond the Himalayan borderland, has broader interests in the region, which include market in South Asia, control over sea lanes, resources of Central Asia, safeguarding its Xinjiang province against terrorist infiltration and ethnic upsurge, energy and so on. One would also like to add that not only that the big powers have vested interests in making their presence felt in the region, the smaller states of South Asia also look towards external sources of support and sustenance due to the Indo-centric nature of the region and also due to their many fold problems with India.

Two aspects are clear: One is that there has been a continuity of external presence and interference in South Asia. Secondly, the regional animosities, complexities and conflicts have encouraged external powers in South Asia, apart from the geo-strategic importance of the region.

China's Perception and Interests in South Asia

China's emergence as a communist power was important for South Asia. The Western bloc viewed China's emergence as a threat of communist infiltration backed by the Soviet Union across the Himalayas. However, China was more concerned

about the areas across the Himalayan borders inspired by her traditional notion of lost territories. China's occupation of Tibet in 1950 and aggression over India in 1962 were clear indicators of the Chinese intentions.

China tried to follow a dualistic approach. It took contingency of Nehru's approach to Asian unity. But China never adhered to the principles of Panchsheel. China did not accept Mc Mohan line it occupied Indian Territory in Aksai Chin and claimed over many other parts as well. Thus it is clear that China has its self imposed territorial claims in South Asia, which make her interest in the region obvious. The Western powers viewed South Asia as a conflict ridden zone. So they had limited interest in the region. China has territorial interests and linkages. Hence it was not possible for her to ignore the South Asian region beyond a limit.

China's approach has been to down size India in South Asia and encircle her in the region. China developed an economic alliance with Pakistan and also a military-strategic nexus. Countries like Nepal tried to play China card against India. China followed a sympathetic approach towards the countries of South Asia, except India.

In the recent decades China has broadened its approach towards South Asia.³ South Asia's geo-strategic importance is one important factor. The stability of Pakistan and Afghanistan is equally important in the context of her own interest in Central Asia and the security of Xinjiang province. On the whole there appears to be a shift in China's perception. Due to the emerging politico-strategic and economic issues China has broadened the scope of its engagements in South Asia and seems more assertive.

China's major objectives in South Asia may be stated as following:

Asserting upon its territorial claims in South Asia and keep the border issues alive with India;

Encircling India in South Asia so that India remains contained in the region itself;

Promoting Pakistan as a counter balancing force against India;
Strengthening relations with the smaller states of South Asia;
Promoting market in the region for Chinese goods;
Trade and investments in South Asia;
Cooperation for the exploration of energy resources in the region;
Promoting China's geo-strategic interests in South Asia;
Promoting Chinese access to the Indian Ocean and the Bay of Bengal;
Security of Sea Lanes;
Peace and stability in Xinjiang province.

Emerging Trends in China-South Asia Relations

In the beginning China was obsessed by its own traditional notions of lost territories and middle kingdom. Beyond that China did not have much to offer as she herself remained pre-occupied with modernization and development within the communist framework for a long time. However, China maintained cordial relations with the smaller countries of South Asia. As mentioned earlier, Pakistan was considered to be an important ally of China. Nepal also began to move close to China after 1955. Most of the smaller countries viewed China as an alternative vis-à-vis India.

In the recent decades particularly in the post cold war phase, there is a paradigm shift in China's relations with the South Asian countries. With India, except for asserting on border issues to the extent of India's irritations, there has been a sea change in other areas of relations. In the matters of trade, defense, regional cooperation, political relations, exchange of visits, openings for media and academics, cultural exchanges, etc. a number of new initiatives have been taken. With the other countries also China has come forward to strengthen relations. In the case of Nepal, China has earned good will by way of economic assistance and other issues. In the case of Bangladesh, Sri Lanka and Maldives,

China's interest has been strengthening its position strategically in the Indian Ocean and the Bay of Bengal, energy exploitation in the seas, building deep sea ports, keeping a watch on the important sea lanes and to oversee energy flow through these lanes. China has already got access to the Indian Ocean through Pakistan and has further developed Karakoram highway for strategic purposes. China intends to challenge both Indian and the US interest in the Indian Ocean. China has taken much interest in the economic development of Maldives during the last few years due to these reasons.

Afghanistan and Pakistan have become more important for China in the recent decades particularly due to the emerging threats of terrorism and ethnic conflicts in Xinjiang province. Though China has direct access to Central Asia the relations with Pakistan and Afghanistan are also important in the context of China's long term interests in Central Asia. As mentioned earlier, Pakistan is also important for China's access to the Indian Ocean. China may consider it an alternative trade route as well.

One another aspect of China's increasing interest in South Asia is to establish institutional linkages with the South Asian countries. China Study Centers are becoming popular in these countries. China has supported the establishment of Confucius Centers in some countries. It also indicates at China's broadening interest in South Asia and also reflects upon redefining its diplomatic postures in the region.

China's Interest in SAARC

The quest for forging regional linkages in the post cold war world also influenced China and it began to take interest in regional organizations. China formed Shanghai Cooperation Organization and joined organizations like ASIAN, APEC as observer. In this process China was accorded the status of an observer in SAARC summit in the 13th Dhaka SAARC summit in November 2005. The smaller states of the region were much enthusiastic about China's entry to SAARC. In the 18th summit of

SAARC in Kathmandu on 26-27 November 2014, some of the smaller states of the region were quite enthusiastic about China to be given the status of member of SAARC but it did not happen.

China has contributed to SAARC Development Fund. There are potentials of Chinese greater economic cooperation in SAARC. But China's entry is viewed as a politico-strategic development and that creates problems. The question is that the smaller states of South Asia have viewed China as a counter balancing force against India in South Asia. To what extent these states are in a position to change this perception is an important issue. It is equally important whether India and China will be able to overcome their mutual distrust, anxieties and animosities? China's role in SAARC can only be advantageous if there is unity among the South Asian members and they hold a clear and common perspective about China's role in SAARC. Otherwise it will create more problems for the region.

China's Interest in Indian Ocean: String of Pearl Approach

The Indian Ocean region has not only been strategically important but it carries immense economic importance as well. It connects West Asia-South Asia to South East Asia and Far East. Most of the trade between these regions takes place through the sea lanes of the Indian Ocean. During the cold war phase the Indian Ocean had also become a hot spot of super power politics.

As pointed out earlier China has been taking lot of interest in the Indian Ocean for strategic and economic reasons. A report submitted by Booz Allen Hamilton to Pentagon in 2003 on energy security used a term called String of Pearls. It Indicated the China's strategy of encirclement of the Indian Ocean region. China is in fact heavily investing in the Indian Ocean region. Some of the areas where China has taken interest are Hambantota in Sri Lanka, Chittagong in Bangladesh and Gwadar in Pakistan. China is also building deep sea port in Myanmar Sea. China is providing lot of development assistance to Maldives. Maldives

has a strategic value in the Indian Ocean. It can play an important role in oil supply to China through sea lanes. China is also said to be interested in building a sub-marine base on Marad. Some scholars have argued that China is not interested in promoting its interests in the Indian Ocean region. Such an argument might be valid in the immediate context and also looking in terms of China's engagement in the Asia-Pacific region. But from a long term perspective, the Indian Ocean is important for China. Hence, her interests in the region are obvious.

China's Aggressive Postures

China has taken aggressive postures across the Himalayan borderland. In fact, China is confronted with a complex geo-strategic situation. The new political regime in China has taken aggressive postures in Asia pacific. China has territorial disputes with Japan. China has also entered into a larger strategic competition with the United States.⁴

In the South Asian region the People's Liberation Army has been continuously infiltrating across the borders with India. In Despang valley Chinese troops were present for three weeks in 2013.⁵ Recently also there were reports of Chinese troops crossing the border.⁶ China's interest in the development of Pakistan Occupied Kashmir, diversion of the waters of the Brahmaputra in Tibet, establishing railway linkages along its border areas right up to Sikkim and Nepal border etc., are indicative of China's aggressive postures in South Asia.

Implications for India

India is the largest country in South Asia. It has its stakes in the region as well as outside the region. Any development taking place in the region has obvious implications for India. There is no doubt that China's engagement in South Asia disturbs India more so because India has conflict with China and the smaller neighbours of India have viewed China as a trump card against India. There are a number of issues which create problems for India. Some of these issues may be underlined here.

- i. The Sino-Indian border dispute has been a major problem. The frequent Chinese infiltrations inside the Indian Territory are an irritating factor. Whether China does it to assert upon its territorial claims? Whether China wants to impress its rising power upon India? Whether it wants to down size India in South Asia? Whether it is a matter of the domestic policies of China? These are all issues of deeper analysis of the phenomenon. But the point is it has its implications for India in three ways: Continuous irritations, preventive measures and disturbances in border areas.
- ii. India is compelled to make additional investments on infrastructure development and military preparations in the border area.
- iii. The Chinese infiltrations have impact on the domestic politics and the government has to face pressure from different quarters.
- iv. China's policy of encircling India in South Asia is a big challenge to India's status in South Asia. Actually India also has similar interest in the region and it makes both India and China two major players in South Asia. China's assertion for its interests pulls India back in those areas.
- v. China's expansion of trade in South Asia also has serious implications for India. India itself is the largest trading partner of China. China has captured a large part of market in South Asia and since the Chinese goods are cheaper, there is a preference for Chinese goods.
- vi. The Chinese nuclear support to Pakistan has raised nuclear threats in South Asia. In fact, China's consistent support to Pakistan has encouraged the later to go for nuclear explosions thereby further raising security threats in the region.
- vii. China's occupation of Aksai Chin area and the construction of Karakorum highway have delinked India from Central Asia. Earlier India had direct access to that region. But now India is

in great loss in terms of trade, energy cooperation, etc with the central Asian countries.

viii. China's interference in Pakistan Occupied Kashmir encourages Pakistan to raise terrorist activities across the border and violation of LOC.

On the whole it can be said that the way China has tried to engage itself in South Asia, it naturally narrows down India's role in South Asia. These are the following aspects where India feels being affected.

- i. Relations with the neighbouring countries;
- ii. India's politico-strategic interests in South Asia;
- iii. India's trade, investment and cooperation in South Asia;
- iv. India's politico strategic interests in the Indian Ocean;
- v. India's inter-regional linkages.

The Major Power Politics in South Asia

It is true that China has its wider interests in South Asia. China also has geo-political advantages in comparison to other world powers. But one has also to keep in mind that China is not the only key external player in South Asia. The US presence is very much there. The US has also broader interest in South Asia, the Indian Ocean and Central Asia. The US also has its long term interest in the Asia Pacific region. The question of Asian supremacy is extremely important for the United States. Moreover, there is a marked improvement in Indo-US relations during the last two decades. The US is aware of China's growing economic power and its implications. The United States would not be a silent spectator if its interests and role in South Asia are being challenged by any other power. India's relation with Russia is also an important factor in the South Asian balance of power.

Therefore much of the Chinese presence in South Asia, on a long term basis, would depend on the US perception and role in the region in general and the dynamics of the India-US relations in

particular. So these factors suggest that China's role in South Asia on a long term basis would be defined by the broader super-power politics in the region.

China not only has geo-strategic advantages in terms of asserting upon its position in South Asia but it also has political and economic advantages in term of trusted friends like Pakistan and the market in South Asia. Moreover, the way China is trying to build a strong infra-structure right from the Himalayan borderland up to the seas between Myanmar and Maldives is a matter of serious concern for India. India and China two giants of Asia have been viewed key drivers of Asian security and economy. To what extent it is possible for them to cooperate with each other in the context of the South Asian region is an important issue.⁷

What are the options for India? One way is to confront China in South Asia. India already has border dispute with China, which of course has the potential to raise a hot conflict between the two. Apart from its own capabilities to confront China in South Asia, India has many other disadvantages. Pakistan is a big factor which would always wish India be-sized. Whether India is in a position to seek support from its neighbors is a moot question. China seems to be a permanent factor in South Asia as it has interests in the region of far-reaching nature.

What seems to be a possibility for India is to understand that China's engagement in South Asia has become a reality. India has no option but to strengthen its regional status and power along with this reality. India needs to build its trust on its smaller neighbours.

To conclude the important issue is whether the two countries would be able to rise above the politics of keeping one another at low equilibrium. One may also keep in mind that the US is also an important player in South Asia and much of the possibilities of accepting mutual existence and interest would also depend on the role of USA. It is clear that China has expanded its interest and

role in South Asia. China has her own needs. But China is not the only player in South Asia. India's growing economic power and defense capabilities may play its role in affecting the regional balance of power. Similarly the commitment of the new political leadership in India to resolve the issues with the South Asian neighbours and develop a cooperative frame work of relationship may go a long way in building a regional synergy, which will help India to re establish its status and role in South Asia.

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China's Rising Influence in Asia: Security Implications for South Asia

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Abstract

China is playing an important role in the emerging Asian order. It is the only Asian country having permanent member of the UN Security Council, its rapidly growing economy and its large market, its geopolitical location have given China the strategic weight and influence of a major power in Asia. Given the China's steady movement towards becoming a global power, China and South Asian relations is becoming even more important today. As South Asia is brimming with many sources of future development in the new world order which is also making China to increase its interest in establishing its control over the region that holds potential for the development. If one looks at China's relations with South Asian countries, they share the multiethnic, multi-religious, multilingual and multicultural identity. However, traditionally China preferred bilateral diplomacy to multilateral diplomacy. But, the 21st century relationship of China and South Asia has been significantly changed. Until the last few years, China's policy towards South Asia was with limited aims, China had no ambition to involve in South Asian regional issues unless it identified the issues concerning to China's security. No doubt China feels stratified for having made its effort to increase its relations with South Asian countries, but still there are many problems for which China may find it difficult to resolve them. This paper makes an attempt to look into such issues. This paper begins by outlining the key characteristics underlying China's policy and perceptions about South Asia. It examines China's changing security relations in South Asia. It also highlights the growing complexity of the relationship, marked by rivalry, conflicting and cooperation. The paper assesses Chinese power projection capabilities in South Asia. The main argument of the paper is that China's relations with South Asian countries have been, and will continue to be marked by a mix of competition and collaboration.

Key Words: Security, geopolitics, conflicting, cooperation, border.

Introduction

China is the fourth largest country by landmass. It was originally a state-run economy, but after the death of Mao Zedong, Deng Xiaoping introduced major economic transform that changed it from a state-run economy to a more capitalistic economy. And

this influenced China in magical way for its development.

The rising importance of China in world affairs and especially in neighbouring countries of Asia represents a major change in the Asian affairs in the present century. An important element in China's policy in Asia is to find common ground with its neighbours. A struggle for regional leadership between China and United States is emerging, repeating a historical pattern that often results in military conflict.

China seeks to lead a “unipolar Asia” and is using the concept of “multipolarity” as a smokescreen to facilitate its dominance in Asia. Within the concept of a unipolar world, which is viewed through the prism of a perpetual struggle against the hegemonistic forces of a super power (which would mean US in common parlance) as well as the aspiration for regional leadership in a region dominated by major emerging powers like India, Japan, and Russia.

China's Role in Asia

As Asia faced a new dawn after the Second World War, its evolution throughout the Cold War occurred somewhat differently than that of Europe and the rest of the world. While the Cold War had a great impact on the political development in Asia, the region never submitted itself to the disciplines of a bipolar framework. Unlike in Europe, where the Soviet Union was a dominant threat, Moscow's influence on Asia-military, economic, and political-tended to be far more limited. The European colonial powers that initially resisted the decolonization process and sought to regain their territorial possessions eventually had to retreat. Britain, which held out for much longer than other countries, abandoned its security role east of Suez in 1971 and transferred most of its security responsibilities to the US. Japanese imperialism, which shook Asia to the core and accelerated the downfall of European colonialism, was neutralized after the Second World War when Japan was consigned to a subordinate political position to the US. While the US remained the dominant

power in Asia, the inherent multipolar tendencies in the region were underlined by the strategies adopted by two nations which had the potential to emerge as great powers—the PRC and India. Communist PRC demonstrated the capacity to align, de-align, and realign rather than accept the constraining bipolar logic of the Cold War.

After initial strong alignment with the Soviet Union, Beijing broke away from Moscow in the early 1960s and drew closer to Washington by the early 1970s. As concerns about unipolarity emerged in the 2000s, Beijing once again sought to establish a partnership with Moscow. India departed from its non-aligned ideology to seek US military support when it confronted the PRC across its northern borders in 1962, and built a de facto alliance with Moscow in the 1970s. After the end of the Cold War, talk of a natural alliance with the US dominated India's foreign policy discourse, even as it danced with Russia and the PRC in the name of promoting multipolarity. The Chinese and Indian strategic behavior brings into sharp relief their commitment to an “independent” foreign policy. Even when they were aligned with one or the other superpowers, both Beijing and New Delhi were loath to give up their strategic autonomy. A similar tendency has been visible among many other large Asian nations like Indonesia, which sought a measure of flexibility in their conduct of foreign policy. As they become stronger and develop capabilities to influence their environment in Asia and beyond, these countries are more likely to emphasize their own independent role than accept subordinate positions to other great powers. Throughout the Cold War, the many internal contradictions of Asia continued to express themselves with great vigor and complicated the larger strategic dynamic with the great powers.

A number of fault lines visible during and after the Cold War are likely to endure over the coming decades. Many Asian nations are yet to complete their internal national consolidation and resolve territorial disputes with other countries in the region. Despite

their rise, the PRC and India have significant unfinished territorial consolidation.

In spite of its techno-economic and military lag in comparison with the developed states, China has begun to play an international role far larger than its overall capabilities. Its status as Asia's only permanent member of the United Nations Security Council and nuclear weapon state, its rapidly growing economy and the lure of its large market, its size and pivotal geopolitical location have given China the strategic weight and influence of a major power. China's assertive nationalism, a strong sense of self-importance and independence, a national resolve and strategy geared towards attaining a high level of power in all its dimensions -- economic, military, technological, and politico-cultural-- are together redefining the Asian strategic environment, often in a destabilizing manner, given its unfulfilled territorial and unification agenda.

China's rising military capabilities, especially its nuclear and missile build up, has direct security implications on its neighbors in Asia with whom it has sovereignty disputes, ethnic-related insecurities and tensions, and geopolitical rivalries, and some of whom Beijing sees as potential threats. This has forced Asian states to adjust their post-Cold War strategies, with China now the dominant focus of security concern. Indeed, even the October 1997 U.S.-China agreement under which China committed to curtail its missile and nuclear relations with Iran in return for U.S. cooperation in the Chinese nuclear energy sector have been driven by non-proliferation and its own security concerns in the Gulf rather than a wider view of the strategic and security environment in Asia and how to ensure long-term stability.

China's Policy in South Asia

South Asia is defined here as the region that stretches from Iran and Afghanistan in the south-west to Myanmar in south-east and the Indian Ocean, but excluding Indonesia. The principal country in the region is India. India's strategic reach and geopolitical

weight; its pivotal location straddling the busy sea lanes of the Indian Ocean in the South, East, and West Asia on its two flanks, and China, Central Asia and Russia on the north; gives meaning and makes sense to South Asia, otherwise a region with a desperate group of small and medium states. Myanmar, Bangladesh on one side and Afghanistan, Pakistan and Iran on the other, or Nepal and Bhutan in the north and Sri Lanka or Maldives in the south have very limited strategic linkages. However, they all become an integral part of South Asia as a region because India binds and links each of them into a unit.

Following its takeover of Tibet, China became an integral part of the Southern Asian geopolitical and strategic environment. It shares borders with Afghanistan, Pakistan (given its occupation of a portion of Jammu and Kashmir), India, Nepal, Bhutan and Myanmar. As neighboring states, each is affected some positively and some negatively by China's military power, posture, strategic thinking, and evolving role. China thus shapes in a major way the regional balance of power and security environment. Only India has common borders with a greater number of states in the region than China. Beijing has over the years also developed some of its closest external relationships in the region built on defense and intelligence ties, military transfers, and political support. Unlike China's ties in East Asia where they are essentially economic, its South Asian ties are primarily politico-military in content.

China's South Asia's policy has been India-centric. China has resolved its boundary dispute with Nepal and Pakistan, territorial disputes with India and Bhutan are yet to be resolved. Second, boundary disputes have shaped China's relations with South Asia.

China's growing presence in South Asia

The growth of Chinese power has three very different implications for the regional states and is, therefore, perceived differently by these three separate clusters of states. The first group comprises the states that have close, friendly ties with

China and that welcome the growth of China's overall power and role: Pakistan, Iran, Bangladesh, Myanmar and Sri Lanka. These countries currently see China as an ally in their effort to enhance their political space, and to ensure a steady, and more affordable supply of military weapons and technology not available elsewhere. China to them is a benign state whose power and independent role enhances their security by balancing other major states such as India or the United States or Russia that are their principal concern. They do not have any border disputes with China, nor are they affected adversely by its military power. A second group comprises land-locked Nepal and Bhutan which have close security relations with India but which would be directly affected by a dominant or a hostile China, by migrations from China as a result of political turmoil in Tibet, and by deterioration in Sino-Indian relations. Neither of them is dependent on China for essential supplies or trade outlets. Their policies, economy, and security revolve around India. China has tried to expand its ties with both countries and in the past even sought to undermine India's special relations with them. Beijing sought to open up arms exports to Nepal in the late 1980s but retreated in the face of a strong Indian reaction that involved closing down of all except two of the 17 border posts that give Nepal virtually free access into India. It was an ill-conceived Chinese move that indicates immense insensitivity to India's security concerns. Nepal has in recent years been more conscious of India's concerns and has adopted a neutral posture on Sino-Indian issues. The Chinese continue to retain their presence through road building, manufacturing and other projects, and regular high-level political visits. As far as Bhutan is concerned, negotiations are continuing to settle the boundary with China. Beijing does not have an embassy in Thimpu. Bhutan has special foreign policy links with India and has therefore, been particularly sensitive to Indian reactions to its China policy. India falls in the third category. The dominant power in the region with an independent foreign policy, India has had a troubled

relationship with China over territorial and other issues such as Tibet, conflicting world views and strategic postures during the Cold War, and over Chinese policies considered hostile by New Delhi. Since the resumption of high-level political exchanges between the two countries in December 1988, regular diplomatic talks to settle outstanding issues, promote military exchanges, and agreements to prevent conflict, the relationship has improved and stabilized. But there has been little movement on resolving outstanding disputes, settle the issue of the presence of the Dalai Lama and the Tibetan refugees in India, or removing Indian insecurities regarding China's strategic postures and defense ties in the region. With the exception of Pakistan, most regional states have at times had strained relations with China.

China's Maritime power and South Asia

Maritime issues in South Asia are linked to the littoral and hinterland states that comprise the region. The Indian Ocean littoral states-Bangladesh, India, the Maldives, Pakistan, and Sri Lanka-and the hinterland states-Afghanistan, Bhutan, and Nepal-all have an interest in the Indian Ocean for political, security, economic, and maritime resource reasons. Apart from Sri Lanka and the Maldives, all South Asian countries share a border with India, the largest country in the region. As a result, any major development in India has repercussions in the adjacent countries. Bhutan and Nepal have access to the Indian Ocean through India, while Afghanistan has access through Pakistan.

Global and other regional powers interact with the South Asian region bilaterally and multilaterally in part due to their strategic and economic interests in the Indian Ocean. Global and political realities have also influenced the strategic importance of the region: the Soviet invasion of Afghanistan and the global "war on terror" following 9/11. Marine resources, navigation, and environmental changes contribute to the interest taken in the Indian Ocean by the great powers, by regional powers, and by South Asian countries.

These various factors heavily influence China's relations with its southern neighbors along the Indian Ocean littoral, not only India, but also Pakistan, Burma, and Sri Lanka. It is here the 21st century's global power dynamics where the two key players in this region are India and China- India moving east and west while China to the South.

The Indian Ocean is of growing relevance to China's security interest and China has become more outspoken about its maritime rights and security concerns. Security in the Indian Ocean is a significant factor in calculating China's interests because it involves securing China's overseas energy and trade shipment among others. More than 70% of China's imported energy supplies are transported through shipping lanes in the Indian Ocean and some major strategic chokepoints including Malacca Strait.

It is not difficult to trace the connection between the changing Chinese perceptions on the IOR and the steady emergence of maritime security interests, marking a new trend since the end of cold war, as a key element of China's overall national security strategy. To help achieving the declared goal of turning the country as a fully modernised one by middle of the century, the PRC has evolved an overall strategic approach enmeshing the requirements of land, maritime, economy and energy security. Out of these, the criticality of maritime aspect has risen as a result of the compulsions which China began to experience for getting access to all strategic resources and protecting critical sea lanes transporting energy supplies from abroad, in the overall interest of its development. As corollary, the PRC's naval objectives have undergone a shift from that of conducting coastal defence activities to offshore defence and ultimately to far sea defence. A case in point is the stress noticed in China's latest Defence White Paper (2013) on "protecting national maritime rights and interests" and "armed forces providing reliable support for China's interests overseas". It is clear that the PRC intends to expand the capabilities of its Navy, especially to operate abroad;

this indeed marks a new stage in China's development which has come into being due to the increasing needs being felt by a rising China to secure its growing global interests.

Indian response to China's Indian Ocean strategy is manifesting in its stepped up efforts to improve bilateral ties with Indian Ocean littorals. Significant is New Delhi's participation in the multilateral fora like the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) and the Indian Ocean Naval symposium. The US is reportedly under invitation to join the IOR-ARC. But perhaps as important as the economics is the fact that the Indian Ocean is where key geo-political differences will play out between the rising powers of India and China. It's with the potential for the tensions that this could spark in mind that the Association should work to build a common approach toward sharing resources and expertise over fisheries, maritime transport, marine research (this is the least studied of the world's oceans) and disaster management. There's also real potential for cooperation in science and technology, agriculture and culture.

Unfortunately, the range of interests - and the wide differences in national capabilities of the Association's members - will make cooperation difficult. Still, the IOR-ARC would do well to embrace all littoral states, including Pakistan and big external users such as China, the United States and Japan. Only through a fully inclusive mechanism can competition be translated into cooperation.

PRC "assertiveness" has alarmed and antagonized Japan, South Korea, the Philippines, Indonesia, and Vietnam - and of course the United States - making the Indian Ocean more attractive as a point of counter-pressure, even as the economic attractiveness of the region to the China's southwest will, at the same time, help to strengthen the centrifugal forces inside the country.

Thus the geo-strategic conditions in the IOR are still developing. The current trends being seen indicating that the three main powers involved - India, China and the US, have their own

priorities, with potentials for clash, may not be conducive to the establishment of regional peace and prosperity, a dream of all nations concerned.

Conclusion

In South Asia, China is positioning itself as an important actor and steadily extending its reach with its growing economic and strategic influence in the region. With the world's largest manufacturing base and the resultant deep pockets, China is emerging as a major trading partner of practically all the countries of South Asia. The most impressive is China's growing economic and strategic influence in recent years. The Indian Ocean is a major building block in China's grand project to transform itself into a great world power, and it is already playing a distinct role in China's development as both a naval and as a continental power.

Thus, China's concentration on domestic development, the Chinese consciousness of international sensitivities to the perceived and actual "rise of China," and successful pragmatism in China's international behavior in the post-Cold war era combine to preclude an excessively assertive Chinese posture toward the Asia-Pacific region.

A proposed healthy competition rather than confrontation should be a welcome mandate and proper use of soft powers will be an acceptable means to enlarge their respective interests while refraining from entering a conflict.

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China's Engagement with South Asia and Implications for India

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Abstract

China's engagement with South Asia, Central Asia and Asia-Pacific, has seen considerable rise in recent years, thereby, bringing India and China directly in competition with each other. In case of South Asia the competition is getting more intense. China's security and nuclear cooperation with Pakistan, its support for Iran, and likely bigger role in Afghanistan after US's withdrawal in 2014 is likely to turn South Asian security very complex. India would not like any further erosion in its influence within South Asian region because of ever increasing China's proximity with countries of the region. Though China has turned out to be one of the largest trading partners of India, India has a daunting task of not allowing adverse balance of power to emerge in the region. Modernization and indigenization of Indian defense sector is being expedited so as to achieve credible deterrence capabilities vis-à-vis China, also resulting in drastic cut in budget of social-welfare programmes in the country. The arrival of a non-Congress government led by Prime Minister Narendra Modi at the Center after May 2014 General Elections has shown new commitment in conduct of India's foreign relations with major power like China, as was in 1998 when India had declared itself to be a nuclear state holding China to be one of the reasons for its increasing security concerns.

This paper looks into emerging security and arms race scenarios with shifting balance of power in South Asian region when China and India are bound to compete with each other for increasing their influence in their neighborhoods. The paper analyses the modernization and rising defense budget of China and India and their implications for the region. The paper discusses new ways and means of institutionalizing and forging closer cooperation between India and China and analyzes pros and cons of China becoming SAARC's member, so as to really turn this century into Asian Century. Finally, the paper concludes that China's role in South Asia cannot be reduced; rather, India and China need to cooperate with each other for turning South Asia as one of the developed regions of the world.

Key Words: Balance of Power, Security and Nuclear Cooperation, Modernization, Arms Race, and General Elections.

Introduction

A very complex security scenario exists within South Asia because of India-China-Pakistan-Afghanistan security relations. The recent spate in terrorists attacks by 'Tehrike-Taliban' inside Pakistan when Karachi airport and some of the army, air force and naval stations came under attack by such subversive groups which resulted in the loss of planes and other resources. Around fifty Pakistani people got killed by suicide terrorists in November 2014 while watching daily 'Retreat Ceremony' at Wagah-Attari on India Pakistan international borders. These developments have raised serious question marks over the security scenario existing in India's neighborhood. The political landscape of South Asia has changed completely because of the formation of new governments in most of the South Asian countries including China where a new leadership is already in place since March 2013. The scenario in Iraq after the capture of several cities of Iraq by a group known as ISIS group has potentials to endanger the security of the region situated in India's extended neighbourhood. The close security cooperation between Pakistan and China and swinging relationship between U.S. and Pakistan in the aftermath of Abbottabad incident when U.S. Marine forces killed dreaded terrorist Osama Bin Laden and political instability in other South Asian countries like Nepal and Bangladesh remain very serious issues for the new Prime Minister Narendra Modi in India. Thus the region is witnessing an increased competition and rivalries between China and India over the issue of their engagements with South Asian countries. China in this paper is treated as part of South Asia itself as it has over the period of last few decades succeeded in connecting itself with this region through well built highways and rail-networks, which has enabled China to have unrestricted access towards Arabian Sea, Bay of Bengal and Indian Ocean. Since long, China has exerted its influence on all the South Asian countries, except India and worked along all of them for reducing India's influence in the region. This great strategy of China continues even as on today

when it has replaced former USSR/present Russia as a balancer to the USA at the global level.

The paper looks into these emerging scenarios in the near future. It makes a modest attempt to study the possibility of greater security stability in this part of the world. Any discussion regarding their bilateral or multilateral economic cooperation is out of the purview of this paper. It primarily deals with issues that are of strategic nature and confined to South Asian security with focus on China only. This paper looks into emerging security and arms race scenarios with shifting balance of power in South Asian region when China and India are bound to compete with each other for increasing their influence in their neighborhoods. The paper analyses the modernization and rising defense budget of China and India and their implications for the region. The paper discusses new ways and means of institutionalizing and forging closer cooperation between India and China, analyzes pros and cons of China becoming SAARC's member, so as to really turn this century into Asian Century. Finally, the paper concludes that China's role in South Asia cannot be reduced; rather, India and China need to cooperate with each other for turning South Asia as one of the developed regions of the world.

South Asia - a theatre for India-China Competition

One of the hallmarks of the South Asian region has been that much like China the states of South Asia are multiethnic, multi-religious, multilingual and multicultural. All South Asian states have historic, cultural, linguistic, and religious ethnic links with India and all of them share borders with India and none of them share direct borders with each other. Internal security issues in one state inevitably have external security ramifications. Scholars are of the view that India's relations with South Asian states have been guided by two major concerns: (1) geostrategic concerns, that is, a desire to insulate the Subcontinent from adverse external forces that might 'fish in troubled waters' and thus destabilize India's security environment; and (2) geopolitical concerns, that is, a desire to ensure that geographical proximity and ethno-

religious affinities do not lead to instability on or near its borders, particularly as they inevitably affect India's domestic, ethnic, religious and political relationships and could give rise to secessionist demands within India.¹ For India, South Asia has always been an area important from the point of view of its security. Indira and Rajiv Doctrine in the decades of seventies and eighties emphasized India maintaining dominant position within the region and thus the security concerns have often guided India's relations with its South Asian neighbors. At the same time, South Asian countries have always pursued foreign policies which are India centric and have always expressed concerns regarding India's domination in the South Asian region. Asymmetrical relationship between India and her neighbors on one hand, China and India on the other hand, has been responsible for complicating the security scenario and often resulted in the greater involvement of China in recent decades in the region. As a result, South Asian geo-strategy and geo-politics constantly get influenced by the presence of external powers like China and the USA in the region.

Though, China is celebrating '60 Years of Commencement of Panchsheel Policy' guiding India-China relations in June 2014, it favors policy to keep Indian influence at bay and has been of the view that problems and disputes should be handled strictly according to the Five Principles of Peaceful Coexistence without resorting to force or other means. From Beijing's perspective, 'whether China and Nepal, Sri Lanka, Bangladesh, or Pakistan wishes any particular relations is exclusively for them to decide. For India, to attempt to dictate or limit those relations is unacceptable...' Beijing has long been critical of the use of coercive strategies aimed at ensuring New Delhi's security interests not compromised by their ties with China.² The presence of all SAARC leaders/representatives during the formation of new Government under Prime Minister Narendra Modi in last week of May 2014 and visit of Indian leaders to Bhutan, Bangladesh and Nepal reflects the ensuing policies of new

government towards its neighbours. Chinese President Xi Jin Ping also visited India in September 2014 amidst the standoff continuing between Indian and Chinese soldiers over the issue of incursions in Leh-Ladhak region of India close to LAC. However, it is now a foregone conclusion that South Asian security/balance of power cauldron, often quadrilateral is characterized by the geostrategic/geopolitical intertwining of the security policies of nuclear powers China, India, and Pakistan with the presence of US as external nuclear power. China's ambitions in the Indian Ocean region, Bay of Bengal and Arabian Sea further complicate the situation. The new Narendra Modi led government in India has taken several new decisions which the previous Man Mohan Singh's government was avoiding them considering unfriendly to China and all new decisions are meant to restrict China's growing influence towards north-eastern borders of India. For China, deepening of Indo-US strategic cooperation in recent years is seen as strengthening of balance of power against it and containing its influence in Central, South, South-East Asia and South Pacific region. At the same time, Sino-Pak strategic cooperation puts strain and pressure on India's security policy.

China's Attempts Transforming Geo-Strategic/Geo-Political Scenarios in South Asia

China's deeper involvement in Nepal, Sri Lanka and Maldives has certainly raised alarm in India. Extending of its Rail network right up to Kathmandu from Tibet's Lhasa would bring it very close to Indian borders. India's perceived security threats emanating from this step of China would also depend upon the factor that to what an extent Nepal would like China to have a stronger foothold on their soil. Already Chinese presence in the name of expediting socio-economic developments in many parts of the world, especially, African Continent has started witnessing strong opposition from the local population. However, in the present scenario, Nepal prefers development of such rail cum road networks from China side so that the trade and commerce would get easier and its dependence on India gets reduced to

some extent. Connectivity is likely to increase for people located in the mountainous areas of Nepal. For India, it would still prefer that these countries look for greater Indian help in their developmental process. Modi's visit to Nepal showed such willingness on the part of India thus removing a pending regular Nepalese complaint that India does make tall promises but delivery is poor, whereas Chinese promises have been fulfilled invariably. India has been reworking for winning the trust of its smaller neighbors rather than coercing them on every issue because of its strategic consideration. The recent changes might slowdown India and China remaining in competition mode always by providing ever bigger economic aid to Nepal running into billions of dollars. India's recent initiative under Prime Minister Modi which resulted into signing of Energy/Power Purchase Agreement between India and Nepal would go a long way in balancing China-Nepal ties and prevent overshadowing India's ties with Nepal. India has adopted pragmatic approach by allowing democratic forces to grow stronger in Nepalese politics since the formation of new government under Prime Minister Sushil Koirala. However, the likelihood of not meeting the deadline of implementing the new Constitution of Nepal is expected to obstruct the process of normalcy in the near future.

Within the region, China has also established stronger relationship with Bangladesh and Bhutan. India also continues to have better relationship with them and it has received firm assurances from these countries not to allow their territories¹ to be used by non-state actors for carrying out illegal activities in India which had emerged as contentious issue in their bi-lateral relations. Last year the then Indian Prime Minister Manmohan Singh visited Dhaka though the lack of agreement on Teesta river water overshadowed the visit. In principle, India has decided to hand over 111 enclaves (about 17,160 acres) to Bangladesh; Bangladesh is to transfer 51 enclaves (about 7,110 acres) to India thus resolving one of the long pending issues with Bangladesh. However, this land agreement is yet to be approved by the Indian

Parliament. Present Modi Government has tried to cash upon the good work done by the previous government and today India-Bangladesh relations are passing through one of the best periods. No doubt, policy of non- interference in internal politics, greater accommodation over economic and trade relationships with these countries has helped many South Asian countries to not see India as their adversary.

With regard to India-Bhutan special relationship, the matter of utmost concern for Prime Minister Modi's Government in India has been China's attempt to hold boundary settlement talks with its smaller neighbor Bhutan through which it wants to pressurize this tiny country to settle its dispute in favor of China. India would be keenly watching about the outcome of such talks between China and Bhutan which has potential of bringing China further close to India's 'Siliguri Corridor' and enabling China to lay claims over Chumba valley. It is important to point out here that Bhutan in recent years has taken several steps in the direction of tuning itself into a people's republic by allowing forces of democratization to grow stronger. India has welcomed such changes that have taken place across Bhutan and sometimes exerted pressure on the bilateral relationship with India and India had agreement with Bhutanese Kingdom to take decisions regarding foreign and security affairs. However, after political reforms sweeping the country, continuance of the past burden might not receive the support of average citizens of Bhutan in the name of past special relationship between India and Bhutan. Bearing in mind the developments discussed in the preceding paragraph, India's Prime Minister Narendra Modi went to Bhutan as part of his first ever foreign country's visit to send a message across the region that India would not appreciate ignoring of its security concerns by India's neighbor. India has developed the technique of avoiding the over play of China factor in its relationship with South Asian countries; however, Pakistan remains an exception to it. The dynamics of China-India-Pakistan security dilemma is discussed in the later section.

About Indo-Sri Lankan relations, India's policy has been to keep itself away from its domestic politics in recent years. India has been very positive about helping Sri Lankan government in rehabilitating Tamil people in millions who got badly affected during the military versus LTTE war. Regarding Chinese help in developing Hambantota Port on Sri-Lankan coast, it was only after India's reluctance to undertake this project there that China got this contract. In the recent past, Sri Lanka has shown its preference for the huge Chinese FDI despite the fact that it has entered into free trade agreement (FTA) with India. For Sri Lanka, victory against LTTE has removed a constant India factor as an irritant in their bilateral relationship thereby greatly reducing the chance of seeking balance against India by roping in the external powers like US or China. Indian Government is expected to overcome the effects of India having abstained from voting during UNSC Resolution against Sri Lanka for having violated human rights of Sri Lankan Tamilians during its final war against LTTE. The arrival of Sri Lankan President Rajapakse to India during the formation of Modi's government shows that both countries would like to remain more sensitive towards each other's security concerns. The recent developments in Maldives also have shown that India did not intervene in their internal affairs and allowed fresh elections to take place after removal of President Nasheed from his office. India has been of the view that the growing stronger democracies in South Asia would bring more stability in the region. However, India still remains skeptical about Chinese presence in these small countries under much contested Chinese 'String of Pearls' policy towards India. Off late, India has also started expressing concerns regarding Chinese emphasis upon opening up of maritime 'Silk-Route' passing through Indian Ocean region. However, China's alleged active role during Sri Lankan war against LTTE rebels and cancelling of airport construction contract to GMR Company of India by Maldivian government can't be ruled out.

As discussed in the preceding sections, analysts believe that the ever growing influence of China in Asia-Pacific region is the cause of serious concerns for the U.S. as it would result in China succeeding in tilting the balance of power against U.S. It is trying to keep India away and counterbalancing China with India to support its hegemonic ventures coupled with its desire to have a sway over the entire continent of Asia. The progress accomplished by China in recent years in the political, economic, military, science and technology and other sectors, suggest that probably America wants to play India as counterweight in the coming years, keeping the strategic compulsions of India in mind and this makes the issue of US-India and Sino-India relationship as a centre of serious debate.³ A noted scholar is of view that the traditional Sino-Indian geo-political rivalry has also acquired a maritime dimension, as Beijing is laying the groundwork for a naval presence along maritime chokepoints in the South China sea, the Malacca Straits, the Indian Ocean and the Straits of Hormuz in the Persian Gulf through acquisition of or access to naval bases in Cambodia, Burma, Bangladesh, Sri Lanka and Pakistan to protect its long term economic security interests. For its part, India has countered the Chinese efforts by promoting defense cooperation with Iran, Oman and Israel in the west while upgrading military ties with the Maldives, Madagascar and Burma in the Indian Ocean and with Singapore, Indonesia, Thailand, Vietnam, Taiwan, the Philippines, Australia, Japan and the US in the east. As part of its 'Look East' strategy, India has concluded over a dozen defense cooperation agreements over the last decade and the Indian Navy has been holding joint naval exercises with East and Southeast Asian countries to signal to the Chinese navy that its future presence will not go unchallenged.⁴ Of course, in the recent years India and China have held so far only three army exercises in order to encourage military CBMs.

China has several objectives which shape its South Asia policy like China pursuing good neighborly policy in order to reduce the influence of the US in the region and getting recognition as a

responsible and great country; China maintaining a balance between Pakistan and India and pursuing policies so as to keep India tied down to the South Asian region only; maintain cordial relationship with all smaller countries including Nepal to isolate and marginalize India's influence over the region. China has been focusing a lot on the economic development of the Tibetan region which would prove beneficial to many countries of the region including more benefits for the Nepal.⁵ Seen in the backdrop of China posing security challenges to India in South Asia region under the 'String of Pearls Policy', India too has been pursuing twin goals of modernization and indigenous production of its defense equipments. At the same time it has strengthened its relations with Myanmar, Vietnam, Singapore, Thailand, South Korea and Japan. India's deeper engagements with ASEAN countries in the 21st century has yielded sufficient fruits by helping it to develop larger strategic understanding with these countries which have security concerns emerging from China's side. India has also been able to develop close cooperation with Australia and New Zealand also. India's engagements with the regional groupings like BIMSTEC, MGCI, CLVM and BCIM⁶ have yielded positive results. India has also taken several measures for responding to this emerging complex security scenario in the South-East Asian region and is expected not to lower down its guard when China has been making open pronouncements against Indian oil-companies' presence in the South China sea.

China-Pakistan 'All Weather Friendship'

China's South Asia policy is more bent towards Pakistan and hence it deserves separate mention. Sino-Pakistan relations have been very special and include military as well as nuclear cooperation. In order to highlight the nature of closeness between China and Pakistan, statements of leaders become very interesting: Pakistan's former Prime Minister Yousuf Raza Gilani once described the relationship between Pakistan and China as being 'higher than mountains, deeper than oceans, stronger than

steel and sweeter than honey.' Present Prime Minister Nawaz Sharif has echoed similar sentiments about its relationship with China. There have been similar echoes from Chinese side too. In 2006, Chinese President Hu Jintao had declared equally evocatively that 'China can leave gold but not friendship with Pakistan'. Shorn of the hyperbole, these statements accurately capture the essence of the two countries' long-standing partnership based on the mutual trust and understanding. From China's perspective, Pakistan serves many of its vital geo-strategic objectives in the region. First, friendship with Pakistan provides a useful counterbalance to India's pre-eminence in South Asia, helping to check India's growing presence and clout in the region. Second, Pakistan serves as an important gateway to the Muslim world. It also provides China an access to energy rich countries in Western Asia, helping China meet its growing energy requirements. It also provides a quick physical channel to China's relatively less developed Western parts, particularly spurring development in the restive province of Xinjiang, which is crucial to China's internal security. Third, it helps China in its long-term strategy of keeping US preponderate influence in the region at bay. From Pakistan's perspective, China is an indispensable ally in helping Pakistan counter India with which it has had an acrimonious and unequal relationship for the last six decades. In addition, given US fickle track record as an ally in the past, Pakistan has a stake in reducing its dependence on the US and cultivating China as a reliable strategic partner in the regional security scenario. Pakistan is also heavily dependent on China for its vital defense supplies and critical help in augmenting its technological and nuclear capabilities. Last, but not the least, China provides it crucial moral and diplomatic support in the international arena in its time of need.⁷ India and China have failed so far in maintaining their bilateral relations independent of Pakistan factor. It continues to impinge upon their bilateral relations. Rather, all three countries, China, Pakistan and India have so far not been able to develop mechanisms which might strengthen their mutual cooperation and reduce hostilities.

Reinforcing their past relationship further, Prime Minister Nawaz Shariff and Chinese Premier Likeqiang recently signed an agreement in May 2013 for the development of a national 'Economic Corridor' running from north to south that would connect Kashgar in China and Gwadar Port in Arabian Sea, involving a sum of \$ 18 billion which is going to change the geo-strategic and balance of power scenario of the entire region for the next several decades to come. As discussed, China has helped Pakistan to pose counterbalance to India and presently it is helping Pakistan to tie down the US in its war against Afghanistan. Pakistan has been able to play its strategic location card very carefully with U.S. and China both. Given China's stake in the region, it would not like to see Pakistan as a failed state and it might step in bigger aid in Afghanistan after U.S. pull out in 2014 and continue to shore up Pakistan's internal security. However, past decade and a half has witnessed intense nuclear and missiles technological cooperation between Pakistan and China sometimes even bypassing the NPT norms. It is world widely known that Pakistan's nuclear programme is largely attributed to China's help. Iran's nuclear imbroglio is largely attributed to Sino-Pak nuclear nexus. China provided short range M-11 Missile, which was named as Shaheen. Pakistan also acquired from North Korea Dong-Feng' Medium-range missiles. Past few decades China has pursued a policy towards Pakistan that enables Pakistan to close military and strategic gap vis-à-vis India. Given the nature of close strategic cooperation between China and Pakistan, there remain serious doubts about China's intentions towards India. Despite huge annual financial burdens, India has started preparing itself for meeting military challenges from both China and Pakistan simultaneously. There has been constant surge in the defense budgets of all the three countries which is discussed in the later sections. A noted Indian scholar Brahama Chellaney has always cautioned Govt. of India to be wary of Chinese ambitions in the region. He has also written a lot about China unleashing 'water war' against nations of the region.

He does not want India to make any compromises with China. A former diplomat C.V. Ranganathan, has rightly observed, "The triangular relationship between China-India-Pakistan is interestingly poised and opportunities have been open up for the management of this delicate triangle to the benefit of all there."⁸ Fearing the wrong intentions of China, scholars like Brahma Chellany and others have been advising GOI to have permanent treaties for regulating the constant flow of common rivers between India and China.

Another crucial factor that China bears in its mind is that it is through Pakistan that extremists elements might stoke ethnic revolt in Xin-Jiang province of China where considerable Muslim population resides. China would never like that any nexus between these Islamic elements receives support of Pakistan Government. Pakistan is allegedly holding discussions with the Chinese Government for allowing them a greater presence in Gilgit and Baltistan area of POK. China is already developing crucial infrastructure related projects roads, tunnels and rail networks in the POK area that would enable China to establish a land route through this difficult terrain region to Gwadar Port in the Arabian Sea being constructed by Chinese engineers, which has a lot of military and strategic importance. China's military is making all efforts to develop communication links in POK and lay railway lines to connect Xinjiang province to Pakistan. This is China's new 'Silk Route' to the west. India's leaders need to put a plan in place to counter China's moves to dominate South Asia and its aggressive designs on the Indian territory in Arunachal Pradesh and Ladakh.⁹ Most recently, China raked up a controversial issue when it showed East Ladakh and Arunachal Pradesh of India as part of South-Tibet in its newly released official map resulting in a strong reaction by Indian government that cryptographic representation of any place does not change the realities on the ground.¹⁰ Though seventeen rounds of border talks under JWG framework have been held between India and China, no breakthrough has been achieved so far.

Overall China, India and Pakistan, the three of them being nuclear power states are of immense significance particularly in the context of security in the South East Asian region. The Southern Asian security triangle is characterized by the geostrategic /geopolitical intertwining of the security policies of all the three powers.¹¹ China-India-Pakistan relations during the last six and half decades proves the fact that the sense of insecurity among them about each other is deep rooted in the objective reality of their geopolitical and historical experiences leading to the complex trilateral relationship that exists among the three nations. In total China-India-Pakistan, have an immediate impact on the other two in response to any action. The dynamic of the three-power relationship in Southern Asia has predominantly been one of enduring antagonism between India and Pakistan, ambivalent friendship and discord between India and China and close cooperation and strong friendship between Pakistan and China.¹² Pakistani observers, argue that their country's relationship with the People's Republic of China arises from the need to counter Indian dominance of the subcontinent.¹³ Most Pakistani characterization of China is as that of loyal friend who helps out at times of acute crises, by diplomatically pressuring the opposing side or by providing moral and material support. Though in the post Kargil period, China has made it clear that all India-Pakistan issues ought to be settled through bilateral dialogue and China does not want to be hyphenated in the Indo-Pakistani equation. Thus, this game continues and that will prevent their relations getting normal. The cancellation of official dialogue between India and Pakistan by Modi government recently strengthens one's doubts. Similar message was conveyed to the visiting Chinese President to India that China needed to rethink about undertaking of the infrastructure projects in POK area which was a disputed territory between India and Pakistan.

China and India Intensify Arms Race

Both the countries seemed to be caught in an ongoing arms race between them just on the patterns of U.S. and former U.S.S.R.

during hey days of cold war . China in recent past surprised the world by destroying a satellite in space by its newly developed missiles/rockets capability. It has also shown to world of its new technological capabilities by developing J-20 Stealth Bomber. China also has successfully developed Deng Fong ICBM having capability to cover a distance of 5000 Kms. It has also acquired an Aircraft Carrier and is also making three more aircraft carriers which would help it in acquiring a capability of true 'Blue Water Navy'.¹⁴ It has very fast bridged the gap in space sector vis-à-vis western world. China's emergence as the world's second largest GDP in recent years has helped it in going for modernization of its defense forces in a very big manner. In the recent past years, Russia¹⁵ has emerged as one of the largest suppliers of arms to China in order to overcome its economic crisis. For Russia, China has a large surplus of US dollars that enables it to import latest defense equipments which has not even been made available to Russian forces. China today has attained global force projection; it continues to pose serious security challenges to its neighboring countries like India, Vietnam, Malaysia, Philippines, South Korea and Japan. Until last year, China was the biggest importer of arms in the world and it had the highest defense budgets in the world. China has begun laying claim on the entire Yellow Sea, East China Sea and South China Sea as areas of its core interests, thus, raising serious differences with countries like Japan, Vietnam, Thailand and Philippines over demarcation of maritime boundaries. It has also been opposing the presence of US Navy in areas of its core interest. In the past, it also tried to increase its presence in Bay of Bengal, Arabian Sea and disputed India's presence in the Indian Ocean region by openly stating that China had valid interests in that region too for the sake of keeping all the 'sea lanes' opened round the year. It is this new strategic approach on the part of China that has raised serious doubts within the minds of all neighbors including India.

No doubt, China factor is firmly embedded in India's foreign and security policy in the 21 century. For India, economic

development along with maintaining strategic autonomy in its foreign affairs is very crucial from the point of view of the previous UPA and present NDA Government led by Prime Minister Narendra Modi in India. Despite the fact that India has been slow to match the pace of China's quest for defense modernization, India has succeeded in establishing a strategic cooperation with all-important countries of the world including China. It has pursued its defense modernization programme in a steady manner. It has diversified its defense procurements unlike in the past when it was largely dependent on Russia for its defense related needs. Just after retaliation of PLA's incursions in summer, Govt. of India¹⁶ announced the spending of Rs. 64,000 crore (\$10 billion approximately) to raise a new strike corps against China in the eastern sector, the first of its kind against the giant northern neighbor China in July 2013. The recent decision of going for French made 126 Rafale multi-role fighter aircrafts worth \$10 billion and rejecting offers of US companies pointed that India's procurement policy is less affected by politics rather than more guided by objective factors. India has already finalized deal with Russia worth 30 billion \$ for FGFA SUKHOI T-50 PAK FA and T-90 Tank worth \$800 million. It has acquired P81 Submarine Hunter worth \$ 2.1billion and C-17 Globe Master III worth \$ 5.8 billion from USA.¹⁷ India in the last few years has imported weapons and aircrafts from US, Russia, Sweden and Israel as well. India became the largest importer of arms¹⁸ last year in the world. Its missiles development and space programmes are moving ahead satisfactorily. Despite series of setbacks to Indian Navy, India recently inducted aircraft carrier *Gorshkov* (*INS Vikramaditya* rechristened Indian name) which is likely to multiply its capabilities in Indian ocean region. Indian Navy also inducted indigenously built nuclear propelled '*INS Arihant*' in August 2013. The new Modi government has expedited the process of defense purchases and production by allowing 49 percent of FDI in defense sector considered to be a major departure from the past policies. It is going to have very

important bearings upon the Indo-U.S. relations as India has imported U.S. arms worth \$10 billion in the last few years.

India has also undertaken development of infrastructure in areas close to borders from all sides. The present Modi government won elections on the ground that they would turn India militarily very powerful and have started taking quick decisions in this direction. As China built a rail line to move its troops into Tibet, the Indian Air Force¹⁹ moved its Sukhoi MKI squadrons closer to the border. Indian government has been pursuing policies in commensurate with its economic goals not getting hampered just because of skirmishes or war taking place on its borders. India's defense budget in the past few years also has seen significant rise. At a more strategic level, the IAF has been enhancing its airlift capability. First, it inducted the C-130 Super Hercules, and then the cabinet sanctioned 10 C-17 Globe master strategic airlift planes,²⁰ which have been recently flown to Daula Beg Oldie (DBO) airstrip area which has been operationalized recently after the end of Sino-Indian Border conflict in 1962 and the act is being opposed by China resulting into increased cases of incursions near LAC. Pending these issues, China and India need to enter into arms control dialogue with each other. China cannot be allowed to push India-Pakistan to such a mechanism at bilateral level or South Asia level alone without entering into similar kind of arrangement with both of them. It would be in both countries' interest that they do not get caught in arms race like scenario. Both have to have credible deterrence capabilities but at the same time they must show willingness to put into place such mechanisms on patterns of US and former USSR. Rather, attempts must be made that China plays a constructive role in South Asia by impressing upon Pakistan to agree to some kind of institutional arrangement so that South Asia does not remain on the brink of nuclear war ever. So far, China has not shown any keenness in engaging India over arms control negotiations, rather it has preferred to exert pressure on India's nuclear and missile's programme through international nuclear and technology denial regimes.

India Seeks Closer Cooperation with Japan and Russia as part of Prime Minister Modi Government's Foreign Policy Priority:

Chinese behavior towards its neighbor has been drawing attention of many other powers like U.S. which has very special relations with countries of South-East Asian region with whom China has pending maritime boundary disputes in South China sea and Yellow sea areas. China's behavior towards its neighbor drew criticism in recently held Shangri-La Dialogue, Asia's biggest security forum when U.S. Defense Secretary, Chuck Hagel said that China has undertaken destabilizing actions asserting its claims in the South China Sea and the U.S. opposes any nation's use of intimidation to assert these claims. In reaction to this criticism, the Chinese Army, Lt. Gen. Wang Guanzhong said, "I felt that Secretary Hagel's speech is full of hegemonism, threat and intimidation". Even Japanese Prime Minister, Shinzo Abe expressed " utmost support" to southeast Asian countries that are locked in maritime disputes with China.²¹

Undoubtedly, China has been adopting aggressive postures towards not only the Southeast Asian nations, but also against the bigger and important countries like Japan and India too. China's relationship with Japan has received major jolt after the intensification of dispute over 'Sen-Kaku Islands' in Yellow sea region. It has compelled countries like U.S. to re-strategize their engagements with this region of the World under policy such as 'Asia-Pivot' policy demanding increased presence of U.S. in this part of the World where China has positioned itself as the global power not ready to accept the presence of external powers like U.S.A. Even talks were held between U.S. and Japan to review their existing security umbrella agreement in the light of fresh Chinese threats to Japan, as Japan wants firm U.S. commitments towards itself in case of dispute with China under 'Security Umbrella' agreement.

It is important to take into one's account that India has also strategic partnerships with both Japan and Russia in order to

offset undue Chinese pressure in the region. Even US supports the idea of closer cooperation between Japan and India. It is in the light of such Chinese ambitions that India extended the hands of close strategic cooperation to Japan and Japanese Prime Minister Shinzo Abe became the Chief Guest for India's Republic Day parade this year. Mr. Abe is allegedly considered to be a strong supporter of Japan emerging as stronger military power under his leadership by changing its constitution. The rising profile of the Indo-Japanese relationship is certainly an outcome of the collective concerns about Chinese ambitions in the entire Asia-Pacific region. Both countries might strongly favor the idea of having convergence in security matters to counter Chinese threat together. China has long-standing border dispute related issues with not just India and Japan, but with many other smaller nations in Southeast Asian region. China has been laying total claims over areas of the South China Sea and East China Sea by showing scant respect for international norms for settlement of maritime disputes under UNCLOS system. It is in this context that US policy of Asia Pivot assumes a lot of significance as it is natural for all those affected by the rising China would strive to build a 'strategic deterrence' under US and Japan again. The recent stand-off over China's decision to unilaterally enforce an Air Defence Identification Zone in the East China Sea, including the disputed Senkaku/Diaoyu islands, did attract criticism worldwide. In fact, the Asian nations have started favoring the increased presence of US forces in the region as they may not be able to stand up to China's tactic pressure.

Russia has been an important supplier of defense equipment and technology and will grow in importance to India. The new NDA Government led by Prime Minister Modi has shown its keenness to strengthen its strategic ties with Russia and recently Deputy Premier of Russia visited India and both the countries raised the level of their strategic ties to 'Privileged Strategic Cooperation' level. Russia agreed to help India in setting up of second nuclear reactor at Kudankulam in Tamilnadu after getting the fears of

unnecessary hurdles in business deals arising out of Indian nuclear liability bill. India's stand on Crimean as well as Ukrainian crisis has so far been consistent with Russia's stand. Relations with Russia continued to mature and involved a long standing multidimensional approach involving security, military, and economic links. Russia has agreed to further expand defense ties with India, both in content and range and has also given its nod to cooperation in sophisticated spheres of technology that the US and other Western nations have seemed reticent to share. The emerging security situation after the withdrawal of US forces from Afghanistan has also been instrumental in bringing India and Russia closer in recent years. However, Russian support for India's entry into Shanghai Cooperation Organization (SCO) has not materialized so far because of China's reluctance.

Dynamics of India-U.S.-China-Pakistan Quadrilateral Relations

The recent shift in China's policies in South and South East Asia particularly against Pakistan and India could be attributed to the change in the global strategic order that has been gradually unfolding ever since the end of cold war and 9/11 attack. The US predominance is growing more conspicuous. After the counter-terrorism assumed global significance the influence of the US in the world affairs is getting increased; the US withdrawal from the ABM treaty collapsing the strategic stability, has exposed the US ambition of maintaining uni-polar world under its leadership. The US has successfully expanded the NATO by including more east European countries, which were allies of former Soviet Union.²² The US President Barak Obama and his State Secretary Hillary Clinton have openly advocated increasing the presence of US Naval Forces in Asia-Pacific region because of the ever growing Chinese threats to its neighbors in Southeast.²³ China is wary of US presence continuing in Afghanistan even after President Obama's declaration of recalling US forces from there by 2014. Cooperation between Russia and China has hardened US

posture towards them which has led to the precipitation of Iranian Crisis in Persian Gulf region. Given the outbreak of war US/NATO forces are expected to operate from the bases in the Central Asian Republics only. China is expected to maintain significant level of strategic cooperation with Pakistan for success of its policies towards Islamic world also. China's stand on Syrian crisis is also to be seen through this perspective only when in the recent past China and Russia both vetoed US supported UNSC resolution for authorizing the use of forces against Syria in July-Aug 2012. For China, the improved Indo-US relations may influence India to create trouble in Tibet and South China seas close to Taiwan by ingloriously supporting its cause has led to this Chinese shift in its approach towards South Asia. China has taken very hardstand against the presence of Indian oil companies in Vietnamese territory in South China Sea. India in the past has tried to strengthen its relationship with Myanmar. In 2012 the then Prime Minister Man Mohan Singh and the present Indian Prime Minister Narendra Modi visited Myanmar in November 2014 as part of ASEAN-India Summit. This policy of Govt. of India has been very important, as it has helped India in keeping a check on those rebel groups who had been operating from Myanmar's soil against her national interest. After this development, internal security scenario in Northeast has improved considerably. Experts say, the growing economic relationship between China and India is so critical to New Delhi, that its interests in China cannot be threatened or replaced by any agreement with the United States. During the past one decade, the emergence of very close politico-strategic cooperation between India and USA has made China to pursue its policies in South Asian region aggressively. This aspect is discussed by the author²⁴ in detail elsewhere.

Thaw in China-India Relations

After the signing of important Border Security Agreement between India and China in October 2013 in the aftermath of Chinese incursions into Indian Territory in April 2013 a thaw took

place between both the countries. Another important development took place after the formation of a new government in India in May 2014. The Chinese foreign minister Wang Yi met Prime Minister Modi in New Delhi. Mr. Wang Yi spoke of Prime Minister Modi as China's "friend", praising the new government for "injecting a new vitality into an ancient civilization." " While there was a determination to add new content and substance to the relationship, there was understanding that respect for each other's sensitivities and aspirations was essential for expansion of bilateral relations", said External Affairs ministry spokesperson Syed Akbaruddin. For China, these sensitivities include Tibet and for India the border incidents and Beijing's involvement in Pakistan Occupied Kashmir.²⁵ Things have calmed down after the successful visit of Chinese President Xi-Jin-Ping to India in September 2014. It must be said that India ought to remain careful in not getting trapped into the strategies of major powers which are likely to escalate the cost of its security and putting immense burden on country's socio-economic developmental programs. Both the countries have shown enough restraint towards each other so as to ensure that they avoid direct confrontation and rather remain engaged through dialogues. The way India and China are engaged and collaborating at Global level on the issues of WTO reforms, the issues of Climate Change, Energy Security and Global Terrorism, this form of synergy is needed at bilateral as well as South Asia level too. India also cannot go on overplaying the bogey of China's domination in the sub-continent beyond an extent as India also knows it well that China's trade to a tune of 60 percent takes place through Arabian sea and Indian ocean region.

The relationship between the USA and China, and India and China are normal at the moment as China is identified as USA's global rival and India's regional rival. The relationship between China and the US is not without suspicion and in the competition China is more important than India for US with regard to global and Asia pacific economic development and various security

issues. There are other forums where both stand engaged with each other like, BRICS, BASIC, EAS, ARF, and SCO. Despite the pursuing of 'String of pearls' policy, China realizes well that India has moved much ahead from 1962. China also has its own set of problems on domestic front, its dependence on the multilateral trade and institutions has increased several times. China's dependence on the global export has created a problem of its own kind. China has so much of trade surplus in its favor on the worldwide that it is lending to US as well EU countries by buying government issued treasury bonds and helping these countries in keeping interest rates very low and keeping their fiscal deficits under control. But at the same time it is getting caught into a trap that if any economic recession were to persist for a longer duration then China's exports earning would come down and it may have serious repercussions for it on the domestic front. Demands for more wages by workers, a change in Communist Party leadership which is in offing, demands for more democracy, ethnic dissensions and the large looming threats of war in the Persian Gulf can have serious repercussions for China's resurgence/ domination in the region. Russia's resurgence, who would dominate the Central Asian region, will align with the US against China. The US-India-Japan stand against China, or the US-China working together because of huge economic dependency upon each other are some issues which are of very important nature demanding more analysis in future.

Conclusion

In essence, China's engagement with South Asia shall continue to shape the broad contours of the Indian foreign policy in the 21st century. India would prefer to remain wary of getting ensnared in any U.S. led initiatives that might be perceived as "anti-China" and thereby complicating its relations with Beijing. Multi prong approach towards the world and the region in and around on all-important issues has been the hallmark of government in power. Notwithstanding, resumption of bi-lateral talks between India and Pakistan and India and China, Sino-Pak strategic cooperation

and rivalry between India and China would continue in future too. India also need to remain realistic that the presence of NATO/US forces in Afghanistan and some Central Asian Republics next to China always remains a security concern and the government is expected to take appropriate decisions and China's proximity with Pakistan has to be understood differently. South Asian countries ought to learn managing their relations with both China and India to their advantage without being responsible for pitting China and India against each other. China's role in South Asia cannot be reduced, rather, India and China need to cooperate with each other for turning South Asia as one of the developed regions of the world by emphasizing upon regional cooperation among the South Asian countries, thus making China's engagement with South Asia a success story. The new government in India led by Prime Minister Narendra Modi would strongly prefer to bridge the existing military and industrial gap between India and China so as to ensure that China respects India's sensitivities and it is not caught unaware on its borders. The speeches made by him definitely reflected a hard stance against Chinese pin pricks. He would not hesitate from taking India further closer to U.S.A., Japan and even Australia apart from ASEAN nations like Vietnam, Singapore and Myanmar.

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Pakistan Factor in India-China Relations: An Analysis

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Abstract

India and China bilateral relationship has been characterized more by conflict and mutual mistrust rather than cooperation and friendliness. Among various issues that bedevil India-China relations, China's strategic nexus with Pakistan is the one potential factor having negative impact on India-China relationship. It is believed that Beijing's endorsement to Pakistan has actually emboldened it (Pakistan) to challenge India's pre-eminence in South Asia. Although India-China bilateral relationship has witnessed an exponential growth in their trade relations since 1990's, the rising bilateral trade has, however, invariably been accompanied by growing bilateral tensions. Even as old contentious issues like the border dispute and the Tibet issue persist, new issues like arms race, fear of mutual encirclement, competition for status in south Asia and at the global level have started to cast an effect on their bilateral relationship. Post-9/11 US involvement in South Asia coupled with the deepening Indo-US strategic cooperation and India's rising profile as a major power has increased Pakistan's strategic importance for China as Pakistan is perceived to act as a significant counterweight to balance India's rise. Pakistan also occupies a prominent position in Beijing's strategic calculus because of its perceived role in stabilizing Xinjiang.

The paper seeks to analyse the impact of China-Pakistan's enduring strategic cooperation on India-China relationship. China's expanding influence in the South Asian region and particularly its strategic partnership with Pakistan continues to be an important concern for Indian policy makers.

Key Words: India, China, Pakistan, Strategic Cooperation, Xinjiang, Tibet.

Introduction:

India, China and Pakistan constitute a major strategic triangle in the geopolitics of Asia. The trilateral relationship that exists between India-Pakistan, Pakistan-China, and India-China is marked by enduring bitterness between India and Pakistan, strong or so called all-weather friendship between China and Pakistan, and an ambivalent friendship and discord between India and China. China and Pakistan share a history of hostility

with the third side of the triangle (India). The most striking and the crucial feature of the triangle is that all the three powers possess nuclear weapons (India and Pakistan being de facto nuclear weapon powers while China is a recognized one with a permanent seat in the UN Security Council) and are sharing borders and longstanding animosities with one another.¹ The policies of China and Pakistan vis-à-vis each other have been greatly influenced by the Indian factor. China-Pakistan collaboration serves the interest of both by presenting India with a possible two front theatre in the event of a war with either country.² In the late 1950's and early 1960's many factors such as the Indian sympathy for Tibet, the China-India boundary dispute, military frictions and the follow-on China-India war in 1962, China-India rivalry for leadership in the third world and the enhanced Indo-Soviet relations played a decisive role in the rapid deterioration of Sino-Indian relations.

Pakistan: A thorn in China-India Relationship

Sino-Pakistan relationship evolved on the back of a joint concern about India. While China-Pakistan bilateral relationship has its own resonance, India weighs heavily in its narrative of strategic nexus and has been considered as the main factor that has influenced China and Pakistan policies vis-à-vis each other. China consolidated its strategic cooperation with Pakistan to balance-off India in regional and global power configurations. Based on their convergent interests vis-à-vis India, China and Pakistan constructed a strategic partnership in mid-1950s, a bond that has only strengthened ever since. Sino-Pakistan ties gained particular momentum in the aftermath of the 1962 Sino-Indian war, more particularly when the two countries signed a boundary agreement recognising Chinese control over the portions of a disputed Jammu and Kashmir territory. Since then the ties grew so strong that various metaphors like '*deeper than oceans and higher than Himalayas*' '*All-Weather friendship*' '*one nation two countries*' have been used to describe the enduring nature of Sino-Pakistan relationship.

The development of strategic cooperation and friendly relations remains the cornerstone of China and Pakistan's foreign policy. Many Pakistani analysts characterised China as the most benevolent, loyal and remarkably undemanding partner who always came to its rescue at tough times by providing valuable moral, diplomatic and material support without any strings attached.³ As Pakistan's fear of Indian threat to its existence persuaded it to seek close and harmonious cooperation with China, therefore, by gaining access to resources from China, Pakistan essentially wanted to achieve parity or to balance Indian might in the subcontinent. China, who considers India as the potential challenger in the strategic landscape of Asia, views Pakistan as its central instrument to challenge India's pre-eminence in the region.⁴ In their own ways, each is using the other to balance India as India's disputes with Pakistan keep India preoccupied, disturbing its efforts to attain the status of a major regional and global player. Though the Chinese analysts believe that their foreign policy towards the subcontinent has been always guided by the five principles of peaceful coexistence but maintaining close ties with Islamabad has been the priority for China. Anil Joseph Chandy argues that despite evidence of a bias in China's foreign policy behaviour that favours Pakistan over India, the mantra of peaceful coexistence is always projected as the basic line guiding Chinese policy.⁵ China will not abandon its relations with Pakistan. As Mohan Malik argues:

*"China's all-weather relations with Pakistan will remain the most important factor in Beijing's South Asia policy- If Beijing downgrades ties with Islamabad, Pakistan may become destabilised, or may completely slide into the American camp, or may come to terms with Indian predominance; all three supposed outcomes are detrimental to China's core security interests... Unless Pakistan descends into total chaos and anarchy and is seen as posing a serious threat to China's vital interests, Beijing will not give up on its most allied ally in Asia."*⁶

Nonetheless, it should be noted that Post-Cold War developments had apparently compromised Pakistan's strategic importance to China as the geopolitical realities of the post-Cold War era prompted India and China to adopt a reconciling attitude towards each other in order to seek out a more stable and mutually advantageous relationship. Despite the rivalry and disagreement on a number of issues, China and India started normalizing their relations so as to achieve their long-term goals of socio-economic development. Post-Cold war changes in the regional and the international environment including the disappearance of the Soviet threat to China as it was perceived to have been since the mid 1950's and the efforts of China to improve relations with India had somewhat cooled-off China-Pakistan strategic cooperation, and consequently China started showing declining interest in Pakistan. Post-Cold war Chinese efforts to improve relations with India and its attempts to adopt an even-handed approach towards the Indo-Pak conflicts, as clearly manifested in the Kargil conflict of 1999 and the 2001-2002 crisis between India and Pakistan, clearly indicate the Changing dynamics of China's South Asia Policy.⁷ Therefore, post-cold war developments had apparently compromised Pakistan's strategic importance to China as Devin T. Hagerty argues that these developments led to the 'relative neglect' in China regarding its entente with Pakistan.⁸ China's strategic focus shifted towards East, Southeast Asia, emerging Central Asian Republics and to the United States. Kanti Bajpai argues:

"Strategically speaking, China like USA no longer considered Pakistan a frontline state as there were a number of other frontlines to worry about. For example, China became more concerned about the growing Taiwanese and Japanese power in East Asia and a progressing Korean peninsula. In Southeast Asia the emergence of the Southeast Asian Nations(ASEAN) was viewed both as a threat as well as an opportunity. In addition, the Central Asia had emerged right on China's doorstep with implications for its Western border lands.

Indeed, for China, the front line was increasingly drawn in relation to the United States not the Soviet Union. Here East Asia, Southeast Asia and central Asia mattered more as the United States has a massive presence in East Asia and Southeast Asia and was looking to enter Central Asia."⁹

India and China have undoubtedly witnessed an exponential growth in trade relations since 1990's. However, the rising bilateral trade has been invariably accompanied by growing bilateral tensions. For example, Chinese move to issue stapled visas to the residents of Jammu and Kashmir, the intermittent claims on Arunachal Pradesh, objection to an Asian Development Bank loan for the project in Arunachal Pradesh, Depsang incident, all gave an impression that exponential growth in India-China trade has not stopped China from creating additional frictions in the bilateral relationship. Besides, though China also adopted an even-handed approach towards India-Pakistan conflicts in Post-Cold war era, the overall content and strategic relevance of China-Pakistan strategic relationship has not been harshly affected. China's policy makers calculated that their interest lies in maintaining Pakistan as an effective and capable state, and in strongly resisting any development that might result in a break-up of Pakistan. As John W. Garver argues:

*"Beijing's interests are best served by maintaining a fragmented structure of power in South Asia...by ensuring that India remains confronted by an independent-minded Pakistan with aggregate national capabilities sufficient to defy India and pose significant security challenges to it. It is in China's interest to keep Pakistan strong enough to remain independent of Indian domination, and independent-minded enough to challenge India's domination of South Asia. This fundamental geostrategic interest has not changed with the end of the Cold War. Nor is it likely to change in the foreseeable future."*¹⁰

Therefore, the improvement in China-India relationship did not cause much anxiety to China-Pakistan strategic cooperation. Pakistan-China relationship did undergo a slight shift in Post-

Cold war era, but owing-to Pakistan's geopolitical and geo-strategic significance for China, the relevance of the China-Pakistan cooperation has not been severely affected. India-China boundary dispute, and the fundamentally conflicting views about the nature of China's relations with the South Asian countries continues to be the main stumbling blocks that undermine the Sino-Indian rapprochement. China's strategic projects in South Asia including new ports in Sri Lanka and Pakistan, new transportation links with Myanmar, Nepal, and Pakistan, aroused the fear of encirclement in India and sharpened the geopolitical competition between India and China. For India, China's longstanding and cordial partnership with Pakistan has been a major obstacle in the way of improving ties with Beijing. Many Indians believe that the core of Sino-Pakistan strategic cooperation is exclusively against India. However, Beijing repeatedly denies accusations and attempts to develop parallel relations with both India and Pakistan, but India tends to look at China-Pakistan relations very negatively and views it exclusively as an anti-India partnership.

China-Pakistan Defense Cooperation: Indian Response:

While defence cooperation is the strong and enduring basis of Sino-Pakistan strategic partnership, it is also the main concern of Indian policy makers. China's rationale for building Pakistan's military capability has been to make Pakistan strong enough to counter the Indian predominance in South Asia. The history of Sino-Pak cooperation in defence and other crucial areas dates back to the early 1960s when China extended financial and technical support to Pakistan for the construction of heavy industries and aeronautical complexes near Islamabad, which are now manufacturing main battle tanks. The defence cooperation was cemented over the decades and China unabatedly supplied both conventional weapons and nuclear technology to Pakistan, which undoubtedly has serious security implications for India.

China-Pakistan defence cooperation is unparalleled in the history of post-1945 international relations as no other Asian country has armed another in such a consistent and reliable manner over such a long period of time as China has armed Pakistan.¹¹ None of Pakistan's other bilateral relationships is as robust and strong as no one can match the scope and the depth of strategic benefits that flow from China to Pakistan.

During 1950's, Pakistan obtained substantial amount of military aid from the United States, however, the United States never explicitly supported its cause against India. In 1965 Indo-Pak war, it was not the United States but China that took a strong pro-Pakistan stand and labelled India as an aggressor. When the United States put an arms embargo and stopped military aid to both India and Pakistan during the 1965 war, China emerged as the major weapons supplier to Pakistan. Unlike the United States, China in Pakistan is recognized as a reliable source and supplier of military equipments. China reportedly gave Pakistan a credit amounting to 67 million dollars to buy arms following the 1965 war. It also sanctioned an emergency arms transfer worth 28million dollars, which included T-55 tanks, the Chinese variants of MiG-16s and loads of ammunition.¹² The first arms supply agreement between China and Pakistan was signed in July 1966, in which China agreed to supply military hardware to Pakistan worth 120 million dollars, comprising of mainly T-59 tanks, F-6 fighters and IL 28 bombers.¹³ From 1966-70 China had in all supplied 25% of Pakistan's tank force and 33% of its aircraft, 99% of modern fighter planes.¹⁴ By 1975 Chinese arms transfer accounted for over 58% of Pakistan's requirements and amounted to not less than 1.5 billion dollars in military aid.¹⁵ In the following years, supply of ships and submarines for the Pakistani Navy were also added to the usual check list of tanks and fighter aircraft.

China reportedly supplied the first batch of M-11 missiles (baptized 'Ghaznavi' by Pakistan) in 1991-92. These missiles have a range of 300 km. In 1993, Beijing started supplying Islamabad

with nuclear capable medium range DF-15/M-9 missiles (christened 'Shaheen 1' by Pakistan) with a range of 600-750 km. The supply was in violation of the Missile Technology Control Regime (MTCR). The M-9 has the range to target major cities and towns in north India. While the US imposed sanctions against Pakistan in 1965 and again in 1990, China over and over again supported Pakistan's military modernization. Harsh V. Pant argues:

*"China is a steady source of military hardware to the resource deficient Pakistani army. It has not only given technological assistance to Pakistan but has also helped Pakistan to set up mass weapons production factories."*¹⁶

China-Pakistan joint endeavour in defence production started in mid 1967 with the setting up of the production factory of assault rifles at Ghazipur, in East Pakistan, which became operational in April 1970. Later, China also provided financial and technical support for setting up another ordnance factory near Dhaka.¹⁷ China has significantly helped Pakistan in the establishment of Defense Production Units such as Heavy Industries Taxila (HIT) which was setup in 1971; Heavy Rebuild Factory (HRF) project was also concluded with Chinese assistance to rebuild T-59 tanks (some of the major productions at HIT include Tank Al-Khalid, Al-Zarrar, infantry fighting vehicle, AL-Hamza and WZ 653 service ARV); and F-6 Rebuild factory (F-6RF) was also setup with Chinese assistance.¹⁸ China has also assisted Pakistan in developing its defense industry so that the two sides can collaborate in the joint development of F-22P Frigate, Al-Khalid Tanks and AL-Zarrar Tanks, an airborne early warning radar system (AWACS), Land Attack Cruise Missile, K-8 Jet Trainers, J-10 Fighter Planes and JF-17 Thunder combat and intelligence capabilities Beijing has offered C4ISR (Command, Control, Communications, Computing, Intelligence collection Surveillance and Reconnaissance) umbrella to Pakistan. It has also established a Defense Electronics Complex in Pakistan that will develop electronic equipments and communication

technology for military use within its growing space, satellite. The Pakistani Air Force is currently flying Chinese made JF-17s, Karakoram-8 jet trainers as well as F-7, F-7PGs and A-5s combat aircrafts. The two countries jointly manufactured JF-17 aircraft, which has already been inducted in the Pakistan Air Force.¹⁹

China's strategic military relations with Pakistan have largely remained unchanged after 9/11 tragic incident. November 2009, China agreed to sell Pakistan at least 36 advanced fighter jets in a land mark deal worth as much as 1.4 billion dollars. According to the deal, China will supply two squadrons of J-10 fighter planes in a preliminary agreement, which could lead to sales in future.²⁰ Pakistan not only serves as a rich market for Chinese weapons but also has been a gateway to western technologies for China.²¹ Thus, Pakistan has been China's foremost recipient of weapons and military technology in South Asia and has turned-into a critical strategic bulwark for China as it facilitated China's relations with various other Islamic countries.

After the Aboatabad raid on May 02, 2011, in which Osama Bin Laden was killed, Pakistani sources claimed that China agreed to provide Pakistan with fifty new JF-17 Thunder multi-role jets under the coproduction agreement. It was also mentioned that these fifty planes would be equipped with more sophisticated avionics.²² There was, however, no confirmation by the Chinese sources regarding the deal. Beijing's motivations in transferring conventional weapons and missile technology to Pakistan derive largely from Chinese concerns about the regional balance of power and are part of a Chinese effort to pursue a strategy of containment in its enduring rivalry with India. Robert Wirsing argues:

“For China, the alliance with Pakistan was always largely intraregional in focus, prompted mainly by Beijing's wish to prevent India's emergence as a serious rival, in particular, to block India from any role in China's encirclement.”²³

India perceives that China's enduring military relations with Pakistan is constituting a grave threat to India's security and strategic interests in the region because China's policy towards Pakistan is primarily driven by its interest to counter the Indian power in the region. Subrata Mitra argues:

*"China's defence aid to Pakistan is feeding the security paranoia that the subcontinent finds itself locked into. China, as Pakistan's biggest arms supplier and a key factor in helping Pakistan to develop a weapons industry, is potentially fuelling the arms race between India and Pakistan. This competition for conventional military superiority, which apparently seems unending, is a cause of tension in India-Pakistan relations and has the capacity to provoke regional instability."*²⁴

Thus, despite China's increasing political neutrality, military sales to Pakistan for regional balance of power and commercial purposes will strain Sino-Indian relations, as will the longstanding Sino-Indian border dispute.

Presence of China in PoK:

The Chinese presence in PoK is another matter of concern for Indian policy makers. China occupies about 20 per cent of the Jammu & Kashmir territory of which China seized about 38000 sq. km. (14,670 sq. miles) of Indian Territory in Aksai Chin and Pakistan ceded another 5,180 sq. km. (2000 sq. miles) of Northern Kashmir to Beijing in 1963. The Karakoram highway, constructed by both Chinese and Pakistani engineers, was completed in 1986 which connects China's Xinjiang region with Pakistan's Gilgit Baltistan region. China and Pakistan signed a deal in 2006 to upgrade the Karakoram highway. Once the projects are completed, the transport capacity of this strategically significant region will increase significantly. The Karakoram highway will facilitate unfettered Chinese access to the oil-rich Gulf through the Pakistani port of Gwadar in Baluchistan. India tends to see this as having strategic significance and has remained anxious about the developmental projects in Pakistan which are being constructed with the help of China. Though China emphasised

that its interest in Gwadar Port is purely commercial but it will have a strategic multiplier effect, as Mohan Malik argues:

Gwadar Port is as significant as Beijing's construction of Karakoram Highway, and arming Pakistan with nuclear and missile capabilities. Chinese presence at Gwadar provides it a listening post from where it can monitor US naval activities in the Persian Gulf, Indian activities in the Arabian sea, US-India maritime cooperation in the Indian ocean, and can patrol the Indian ocean sea lanes as well as it provides an alternative land based route for crude-oil imports. The Gwadar port like other Chinese developed ports in South Asia will eventually allow the Chinese navy to hedge against the Indian and the US dominance over major Sea Lanes."²⁵

During the visit of Pakistan President Asif Ali Zardari to China in August 2009, the two sides signed a memorandum of understanding (MoU) on construction of a hydro-power station at Bunji in Northern Areas. India viewed this move with great suspicion and claimed that Islamabad cannot undertake any project in the territory under its illegal occupation. Besides this MoU on hydro power project, there were MoU's for cooperation in education, fisheries, agriculture, dams and investment. However, the most important of them was the construction of the hydropower project on 'Build, Operate and Transfer' (BOT) basis, which means that all the investment would be made by Chinese entrepreneurs. The dam is estimated to cost between \$ 6-7 billion and will have a capacity to generate 7000 MW of electricity. During the visit, Pakistani President also invited Chinese companies to bid for construction of over a dozen of small and medium sized dams in all the four provinces of Pakistan. The infrastructural development in the PoK region with the active support of Beijing has been viewed by India with deep suspicion. Accordingly, Indian policy makers have expressed their concern about the strategic nexus between China and Pakistan on several occasions. In February 2011, in a talk in USA, Foreign Secretary Ms. Nirupama Rao said that the relationship between India and China "would be stronger when China shows more sensitivity on

issues that impinge on our sovereignty and territorial integrity."²⁶ Though from the last two decades the India-China trade relationship expanded considerably the lack of mutual trust and misunderstanding has also been witnessed from time to time. India has protested China's move to issue stapled visas for residents Jammu and Kashmir. It was considered as an attempt by Beijing to question Jammu and Kashmir's status as an integral part of India and endorse Pakistan's stand. The issue of the stapled visa was later discussed between the two countries at the highest level and the Chinese Embassy in New Delhi issued proper visas to Indian journalists from Jammu and Kashmir, who accompanied the Prime Minister Dr. Manmohan Singh. Nonetheless, it is anticipated that the geopolitical and geostrategic issues and interests, and the mutual mistrust may continue to influence the China-India bilateral relationship. Prashant Kumar Singh and Rumel Dahiya argue:

*"Although it is essential that economic component of the relationship should be given due importance, the larger geopolitical and geostrategic issues should not be lost sight of. If China can take hostile position vis-à-vis Japan despite strong trade and investment relations, one can safely deduce that India-China economic relations, which is not very strong, will hardly prevent China from taking tough line against India where and when it feels necessary."*²⁷

Terrorism: China, India and Pakistan:

The issue of terrorism has added a new dimension to the already complex triangular relationship between China, India, and Pakistan. Although all the three countries have been gravely affected by terrorism, it is unfortunate that among the three countries there is no common refrain to combat terrorism. After the killing of Osama Bin Laden on the Pakistani soil, New Delhi wanted Beijing to exert its clout on its all-weather friend (Pakistan) but Beijing's response, however, has not been very encouraging and has been lukewarm or rhetorical at best.²⁸ Instead of openly supporting Indian efforts to bring to justice the

perpetrators of the Mumbai attacks, Chinese policy makers asserted that they will continuously and firmly support Pakistan's efforts in formulating and implementing an anti-terrorist strategy based on national conditions. Further they insisted that Pakistan has been at the forefront of the international fight against terrorism, and its government has been dedicated to the cause. China needs to preserve stability in a volatile region so it can pursue its own economic growth.

China's counterterrorism concerns stem from its restive western Xinjiang region bordering northwest Pakistan. Most of the people in China's Xinjiang province, other than Han people, are of Islamic religious faith. China has long been facing threats of ethnic separatism from these Islamic regions largely Turkic peoples of Xinjiang province. These challenges increased during the late 1980s and early 1990s as the *mujahedeen* struggle in Afghanistan against the Soviets came to prominence. Xinjiang is home to nearly 9 million Uyghurs, a Muslim people of Turkic origin, among whom separatist sentiment is dominant. In the 1980s, hundreds of Uyghur's crossed into Pakistan, enrolled in radical *madrassas* (religious schools), and fought the Soviets in Afghanistan. After Soviet withdrawal from Afghanistan, China became increasingly concerned about the Uighur separatist problem in Xinjiang and the apparent inability of Pakistan to control these Jihadi groups. Among these Jihadi groups, some have joined violent Uighur ultra-nationalist groups against China, threatening China's territorial integrity and control.³⁰ China responded with increased domestic repression and controls, including supervision of religious institutions and extremist activities in Xinjiang.³¹ Beijing, in the mid and late 1990's, adopted three important methods to responded to this increased menace of separatist activity. Firstly, Beijing strengthened cooperation with Russia and the newly independent states of Central Asia which were ultimately embodied in the Shanghai Cooperation Organization whose members include Russia, China, Kazakhstan, Kyrgyzstan, and

Tajikistan. Secondly, Beijing began stressing on Pakistan to take measures in order to end the training of Chinese citizens from Xinjiang in camps of Islamic schools in either Pakistan or Afghanistan. Lastly, Beijing began using carrot and stick policy aimed at persuading the Taliban regime to cease and desist all training for Muslims from Xinjiang.³²

Between 1990 and 2001, the terrorist groups carried out approximately 200 attacks in China that killed 162 people. Consequently, China pressurized Pakistan to launch a crack down on militant groups it suspects of supporting and arming separatists in Xinjiang, closed the Karakorum Highway and curtailed border trade for several months to stop the destabilizing flow of fighters. Pakistan denies that it is supporting the separatist elements against China and assured that its strategic ties with China are more important than its religious ties with Uyghur's. Consequently, Pakistan, since late 1990's, has increasingly taken strict measures to lessen China's fears.³³

China's anxiety about the growing US presence and influence in Pakistan and Afghanistan since 9/11 coupled with Washington's strong ties with both India and Pakistan (India as a natural ally and Pakistan as a major non-NATTO ally), reinforced China-Pakistan strategic cooperation. Therefore, the changed strategic landscape restored Pakistan's geostrategic significance for China. Though, China and the United States had worked closely in 1980's and together supported Pakistan to oust the Soviets, since 9/11 Chinese analysts became deeply apprehensive about the US presence in Central Asia. From a Chinese perspective, September 11 and the subsequent global campaign on terror constitute a double-edged sword, presenting both opportunities and challenges. For optimists, counterterrorism provides a functional field in which China and the US can cooperate which can in turn facilitate an improvement in their relationship. Moreover, counterterrorism cooperation with the US can provide China with more leeway in dealing with Xinjiang, Tibet and Taiwan. On the other hand, the pessimists hold the view that the US military

presence in Central, South and South-East Asia may undermine Chinese influence in these regions and make it more difficult for China to achieve its security, economic and energy objectives in the future.³⁴

Pakistan's decision to side with the United States in the War on Terror initially worried Chinese policy makers. However, Pakistan through the exchange of high-level visits assured China that Pakistan would not allow its cooperation with the United States to undermine Chinese strategic interests. Post-9/11, Pakistan vowed that it will wholeheartedly support China's battle to strike against the East Turkestan terrorist forces. Notwithstanding Pakistan's full cooperation, Chinese anxiety about the long-term implications of growing extremism in Xinjiang has not diminished.³⁵ China's growing anxiety regarding Islamist extremism in Pakistan may provide an opportunities not only for Washington but also for India to work more closely with Beijing in encouraging more effective Pakistani counterterrorism policies. The instability in Pakistan threatens the safety and security of Pakistan's nuclear weapons. New Delhi expects Beijing to show sensitivity to India's concerns and to exert pressure on Pakistan to stop the terrorist activities against India.

Therefore, both China and India are facing not only daunting development problems such as environmental degradation, growing income gap and poverty they are also facing serious security challenges at home. In India, terrorist attacks originated from Pakistan and Maoist insurgents have often disrupted the government's efforts to reduce poverty. The Maoist (Naxal) insurgency has established itself as India's "gravest internal security threat". In China, the rising Tibetan and Xinjiang separatist movements have the potential to derail China's growth path. It is imprudent for India and China to treat each other as a threat and engage in a zero-sum competition. China and India will not be true great powers before they become confident, broadminded and respectful. They need to accentuate the positive and focus on common growth.

Conclusion:

India- China rivalry persisted over the decades owing to the traditional unsettled issues such as the border dispute, Tibet, China's backing to Pakistan and due to the rising recent strains in the relationship-China's growing fear of India's rise as a power with capabilities beyond its neighbourhood (such as the South China Sea), India's comprehensive ties with the United States more particularly following the Indo-US nuclear deal and Indian concern of China's greater interests in the Indian Ocean. George Fernandes, India's Defense Minister (1998 - 2004) once remarked in 1998 that, "China is India's number one enemy". Nobody will openly say so in New Delhi in a generally more friendly atmosphere today, but many believe, in private, that Fernandez was and still is right. There is enormous distrust and suspicion towards each other on both sides. Many in the Indian strategic community continue to regard China as a major security threat.³⁶ On both sides there are people who still look at the relationship from the prism of the 1962 war. Despite impressive progress in their relations, the two countries still suffer from a deep-rooted trust deficit. To step out of the classic security dilemma and take the relationship to a higher level, the two countries need to translate their commitments into actions.

It would not be an exaggeration to say that Indian-China bilateral relationship is always going to have certain limits as long as India-Pakistan bilateral relationship remains as it is and China's backing to Pakistan's military persists. China must appreciate the fact that India is now too big to be tied-down any longer by playing Pakistani card and it has far greater economic and political benefits by developing better relations with India.

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Pakistan as a Factor in Sino-Indian Relations

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Abstract

Ever since their emergence as modern states in the middle of the twentieth century, relations between India and China have been exceedingly complex in nature and for the most part, fraught with tension. The India-China relationship represents the fulcrum upon which the emerging shape of international order in Asia and perhaps even the world, rests. Such an assertion may seem bold in as much as most scholarship on the nature and implications of China's global rise focuses principally on the US-China nexus or on China-Japan ties. (Lloyd 2009) It is in the context of this larger Asian space that the India-China relationship is significant. Beijing has begun to engage actively with countries to its west and south. China's strategic relations with Pakistan are rooted in a shared suspicion of an uneasy history with India. The relationship has a strong military component and a growing economic dimension. PRC investments in Pakistan are driven by China's demand for energy and natural resources, and Pakistan's need for infrastructure to accommodate the development of both. China-Pakistan relations face new challenges in the 21st century, where their interests may not always align. These challenges include the two countries' dissimilarly focused counter-terror concerns, the demands of economic globalization, and an expanded U.S. regional presence. The United States and China share common existential interests in Pakistan, but have neither the same threat assessment nor the same hierarchy of priorities. (Dumbaugh 2010) The recent advances in US-India strategic relations had tremendous influence in China Pakistan strategic cooperation. In this context, the present paper is an attempt to analyze the changing contours of Chinese policy towards South Asia. It also attempts to investigate: what would be the pattern of evolving strategic alignments and Chinese strategy in the region? How do China -Pakistan relations affect China -India relations? The paper also looks in to the changing strategic situation and its impact on China- Pakistan relationship.

India and Pakistan have remained constitutently antagonistic towards each other. The divergent security perceptions further led to undesired complications specifically, the single largest determining factor has been the perceived continuous hostility of India. Compared to Pakistan, Indian security perceptions

visualize major threats to the region stemming from the policy options exercised by Pakistan and the Chinese Policy pursuits. From China, Pakistan could expect quiet support, with a continuing flow of military resources, commensurate with China's technological and productive capabilities. Since Chinese leadership did not need to win public support from an elected congress, they might be steadier than the United States in a crisis and would no doubt continue to stand by Pakistan at the U.N. and in other diplomatic arenas. India now perceives itself under threat from two directions, Pakistan in the west and China in the north. Three way changes are critical to China (a) its war with India (b) rivalry with former Soviet Union and (c) Pakistan's disillusionment, with the US over the letters military assistance to India. (Hussain 2005) Both China and Pakistan have needed each other for good reasons. Pakistan required China's military equipment, technology and political support. This converged with China's interest of relationship with India. The basic external threat to India continues to emanate from Pakistan and China, despite the efflorescence in perceptions of threats from other directions. Since the Oct 1949 revolution when communist party of China became founder of the new regime, they had a clear vision of the future world. The globalization in labor and huge market, China adapted themselves to capital mode for huge investments. Communist country can formulate a flexible approach in dealing with issues which concern in its initial years of belligerency during cold war and later. (Crawford, Natalie W. and Chung-In Moon 2000). China showed remarkable flexibility in its relationship beneficial and a step forward to the road for dominance. This facilitated China's favorable regional influence, a classical example of how a communist country even during cold war can form a prominent regional position. In the 50s Pakistan was part of US led security apparatus. From 1957 India, was critical towards China due to border intrusions in northern borders. Pakistan was critical on Taiwan, Tibet. Pakistan resolved border dispute with China in 1963. The compromise border

leaves about two third on China's side. During the discussions the political system of China and Pakistan and divergence of views of many problems should not prevent both countries forming allies and friends to creating mutual security. The friendship is now transformed in to enabling China's access to warm water to Arabian Sea coast. This port overlooks strait of Harmuz which accounts for 47 percent of Persian Gulf exports. China's energy requirements have increased and this port will provide easy access which was built by Pakistan army. China's relations with Pakistan show the former's engagement towards the goals of dominance in the region. The relationship has been described by Hu Jintao as "higher than the mountains and deeper than Oceans". (www.pakistanpressfoundation.org/.../pakistani-media-team-on-china-visit.) China supports Pakistan's stance on Kashmir while Pakistan supports China on the issues of Xinjiang, Tibet and Taiwan. India was tireless in its support to China's cause in the international arena from the very beginning and India supported China for a permanent seat in the UN.

China's assistance programme to Pakistan in nuclear and conventional weapons is evident. It is ironic that China discarded the principles of Panchasheel. Pakistan has handed over 'defacto control' of POK to China which has engaged in construction activities in the region. China took sides with Pakistan during 1956 war. (NTI: 2011) The Chinese could build alliance with Pakistan. To counter Chinese, India has initiated Look East Policy in 1995 and India began rigorously improving relationship with numerous South East and East Asian States. China's influence in Indian Ocean Region has increased. The current Indo Pakistan cease fire line was established by the 1972 Simla accord and approximately follows the 1949 cease-fire Line. The coordinates of the Simla line have not been published and the line was never delimited in the forbidding Siachin Glacier, near the Chinese frontier, where India and Pakistan frequently trade artillery rounds. In 1963 Pakistan gave part of Kashmir to China. In 1987 a Sino Pakistani protocol formalized demarcation of their

boundary. (International Boundary Consultants 1998). The termination of this boundary at the Karakoram Pass on the Chinese line of control suggests that Pakistan recognizes Chinese sovereignty over Aksaichin, which is part Kashmir. China started building infrastructure along the border with India at a hectic pace. Today they have built military airports along the border, brought the railway to the Tibet a capital, Lhasa and are getting prepared for a round-the-year air force presence with similar logistic support. Indian army lagged well behind in building infrastructure along India's borders with Tibet. But the army's view was that if India built the roads, the Chinese would use them to roll into Indian side. The soul of India's relations with China lies in China's decades old strategy to keep India caged in south Asia by various means, China's arming of Pakistan including nuclear arms, support to Islamabad in the international fora, encirclement of India in South Asia. It is a Pak-China strategy to convert the Kashmir issue in to an India-Pak-China issue, making China a stakeholder in the Kashmir issue. China's de facto position has been that POK is Pakistan's possession as revealed in the 1963 treaty, and it can be renegotiated when a final de jure position comes into force. But they treat Indian Kashmir as a disputed territory which China does not want to touch. The Peace and Tranquility (P&T) treaty of 1993 and Confidence Building Measures (CBM) 1996 agreements between India and China has been violated by Beijing repeatedly and with impunity. The Chinese quietly hold that the border is between 1900-2000 kms negating India's sovereignty over the whole of J&K state, Sikkim and Arunachal Pradesh, the Chinese would raise this position in bilateral meetings. Then Prime Minister A.B. Vajpayee made a major mistake by agreeing in writing that Tibet Autonomous Region was an integral part of China. The expected Chinese reciprocal position on Sikkim as a sovereign state of India never came. India has followed the 'One China' policy strictly, and has kept away totally from other territorial issues and claims. By sending soldiers to the Gilgit-Baltistan region in POK, China has violated norms. PRC was stockpiling weapons in Tibet,

expanding naval activity off the Burmese coast and conducting surveillance against India from Burma's Coco Islands. The Chinese are using flood situation as a cover to justify troop movements in POK which legally belongs to India. (Chakravarty P.C. 1971) China has always attempted to highlight that Kashmir is a disputed territory by issuing stapled visas to Kashmiris.

The interactions between China and Pakistan, the security dimension has remained predominant in the bilateral relations from the Chinese security point of view, opposing regional hegemonism (euphemism for India's rise) has been crucial aspect in its relations with Pakistan. Pakistan's relations with China have been astonishingly close since the early 1960's, on a basis that has been primarily anti-Indian.

Evolution of China- Pakistan Relation

People's Republic of China and Pakistan relations began in 1950 when Pakistan was among the first countries to break relations with the Republic of China on Taiwan and recognize the PRC. Following the 1962 Sino-Indian war, Pakistan's relations with the PRC have become extremely close. Since then the two countries have regularly exchanged high level visits resulting in a variety of agreements. The PRC has provided economic, military and technical assistance to Pakistan and each views the other strategically. Diplomatic relations were established in 1950, military assistance began in 1966, a strategic alliance was formed in 1972 and economic co-operation began in 1979. China has become Pakistan's largest supplier of arms and its third-largest trading partner. China supports Pakistan's stance on Kashmir while Pakistan supports China on the issues of Xinjiang, Tibet and Taiwan. Chinese cooperation with Pakistan has reached high points, with substantial Chinese investment in Pakistani infrastructural expansion including the Pakistani deep water port at Gwadar. Pakistan played an important role in bridging the communication gap between China and the West. Since the 1962 Sino-Indian war, Pakistan has supported China on most issues of importance to the latter, especially those related to the question of

China's sovereignty like Taiwan, Xinjiang and Tibet and other sensitive issues such as human rights. China faces militancy in Xinjiang.

The Chinese leadership has acknowledged Pakistan's steadfast support on key issues. China has a consistent record of supporting Pakistan in regional issues. During the Pakistan-Indian tensions in 2008, it implied that it would support Pakistan in the event of a war. Pakistan's military depends heavily on Chinese armaments and joint projects of both economic and militaristic importance are ongoing. China has supplied equipment to support Pakistan's nuclear programme and has been accused of giving nuclear technology to Pakistan. Diplomatic relations between China and Pakistan were established on 21 May 1951, shortly after defeat of the Republic of China in 1949. China hoped that Pakistan would serve as a counter weight to Indian influence. India had recognized China a year before, and Indian Prime Minister Nehru also hoped for closer relations with the Chinese. However, with escalating border tensions leading to the 1962 Sino-Indian war, China and Pakistan aligned with each other in a joint effort to counter the perceived Indian encroachment. One year after China's border war with India, Pakistan ceded the Trans-Karakoram Tract to China to end border disputes and improve diplomatic relations.

Since then, an informal alliance that initially consisted of joint Indian opposition has grown into a lasting relationship that has benefited both nations on the diplomatic, economic and military frontiers. China provided extensive economic aid and political support to Pakistan. Pakistan's military initially depended almost entirely on American armaments and aid. America under US President Richard Nixon supported Pakistan in 1971 Bangladesh Liberation War (Logan 2008). However the period following the Soviet withdrawal and the dissolution of the Soviet Union led indirectly to the increasing realignment of America with the previously pro-Soviet India. The Pressler Amendment in 1990 suspended all American military assistance and any new

economic aid amidst concerns that Pakistan was attempting to develop a nuclear weapon. India had developed a nuclear weapon and Pakistan felt obliged to do the same. Consequently the primary geopolitical alliance between Pakistan and China has since 1990 branched out into military and economic cooperation, due to Pakistan's belief that America's influence and support in the region should be counter balanced by the Chinese.

With the war in Afganistan leading to renewed relations with the US, there is a general sentiment in Pakistan to adopt a foreign policy which favours China over the United States. Washington has been accused of deserting Pakistan in favour of a policy that favours stronger relations with India, while Pakistan sees China as a more reliable ally over the long term, Pakistan has increased the scope of Chinese influence and support by agreeing to a number of military projects, combined with extensive economic support and investment from the Chinese. The China Pakistan relationship is important in the world's geo-strategic alliances. The strong defence ties are primarily to counter regional Indian and American influence and were also to repel Soviet influence in the area. In recent years this relationship has strengthened through ongoing defence projects and agreements between Pakistan and China. The countries are involved in the joint venture. China is the largest investor in the Gwadar Deep Sea Port, which is strategically located at the mouth of the strait of Homruz (Niazi 2005).

In the past, China has played a major role in the development of Pakistan's nuclear infrastructure especially when increasingly stringent export controls in Western countries made it difficult for Pakistan to acquire materials and uranium enriching equipment from elsewhere. China has supplied Pakistan with equipment to advance their nuclear weapons program, such as the Chinese help in building the Khushab reactor, which plays a key role in Pakistan's production of plutonium enrichment capabilities by providing 5,000 custom made ring magnets, which are a key component of the bearings that facilitate the high-speed

rotation of centrifuges. China has also provided technical and material support in the completion of the Chashma Nuclear Power Complex and plutonium reprocessing facility. This was built in the mid 1990's. China may also have supplied nuclear technology to the Pakistanis, enabling Pakistan to become a nuclear state with an estimated 100 warheads as of 2011. China has been referred to by Pakistani President Pervez Musharraf as their "time tested and all weather friend" while in return Chinese President Hu Jintao has referred to Pakistan as "a good friend and partner". Pakistan has built a very close relationship with China who provided the strategic military support when he needed it most, including during the 1999 Kargil conflict with India. China made it clear to India that Pakistan should not be touched should India follow its victory in Kargil with a military adventure of its own to Pakistan. Historically China has been Pakistan's strategic and military ally for the past 50 years. It was China who gave Pakistan the designs for a nuclear bomb in 1984 (DeYoung 2011) and then helped them build it. China also assisted Pakistan by providing missile technology via North Korea, /Chinese made fighter jets and specialized small arms. They also helped in the construction of the Gwadar Port, a civilian nuclear reactor and have promised to build a large dam on the Indus river.

In the last ten years China has stepped up its military presence in Tibet, primarily to contain India. Their aim is to capture as much of Indian Territory as possible, in case of renewed hostilities. A secondary purpose for this build up is to help Pakistan in any future military conflict with India. With the demise of the former Soviet Union, India has had no one to turn to for strategic support. To free up some military resources and unhinge the China-Pakistan alliance, India has, in the last ten years, attempted to engage China in a serious dialogue, but to no avail. Pakistan could not have built their atomic bomb from stolen centrifuge designs. Someone else had to help them, convert the concentrated Uranium 235 into a bomb. China's assistance was vital; China

stepped in and persuaded North Korea to help Pakistan. The construction project of the Gwadar port was initiated by China. It wanted to monitor the movement of global oil supplies from the Persian Gulf and Pakistan provided this window to them. Soon, China will station their naval fleet at Gwadar, under one pretext or another, and start a cold war in the Indian ocean. Gwadar is located on Pakistan's coastline with the Arabian Sea, an area of no economic value whatsoever. The nearest population base is 400 miles away and another us \$4 billion is needed to build the civil infrastructure to develop the port. So the only benefit for Pakistan is that it would serve as another operational base for its navy in the event of any conflict with India. China also wanted to lay their hands on American military technology. Pakistan stepped in to provide China with F-16 parts for reverse engineering. Both China and Pakistan are keeping an eye on India. Although China's military is mostly focused on Taiwan and Russia, from Tibet, China is keeping an eye on India. Due to China's military commitments elsewhere, it is impossible for China to fight a ground battle with India as it did in 1962. India could destroy the much heralded Qinghai-Tibet railway. Its destruction is within India's capability, since a large portion of the railway is on permafrost. This action would stop the Chinese dead in their tracks and would be a great loss of face for them. During the 1971 India-Pakistan war that led to the liberation of Bangladesh, President Nixon asked China to amass troops in Tibet along India's border. But a Soviet warning to China stopped it from doing so. Changes have also happened in the case of China and the United States, they were formerly sworn enemies and fought against each other in the Korean War from 1949-1952, whereas today they are the best of friends. But today there are increased tensions between Pakistan and the United States. China and Pakistan have signed several agreements on technology, finance and energy resources. China and the United States share the same goal of improving Pakistan's stability. But Beijing is not interested in working too closely with US security and development efforts in South Asia.

The Chinese Premier Wen Jiabao told his Pakistan counterpart Yusuf Raza Gilani that “China and Pakistan will remain forever good neighbours, good friends, good partners and good brothers”. This echoes the Pakistani sentiment that China is an “all weather friend”. China may be trying to position itself as the dominant power in Asia, but achieving this goal requires peace and cooperation between India and Pakistan with whom it shares borders. China did not help Pakistan in any of its wars with India in 1965, 1971 or the Kargil crisis of 1991, when it took the same line as the Us and even India. It is fact that China uses Pakistan for its foreign policy aims as well. It provides Pakistan nuclear assistance and large amounts of military assistance to purchase subpar military platforms in hopes of sustaining Pakistan's anti status quo policy towards India. By encouraging Pakistani adventurism towards India, Beijing hopes that India's massive defense modernization and status of forces remain focused upon Pakistan not China. It is also likely that Pakistan wants to move away from United States and get closer to faithful ally Beijing.

China is the main arms supplier to Pakistan, which sees Beijing as an important counter balance to India which has recently tightened its ties with the United States. Pakistan's pro-China stance on issues such as Taiwan, which Beijing considers part of its own territory, is also a key factor in Beijing's support for Pakistan. Through Baluchistan, China plans to transport oil from the Middle East in a pipeline linking Xinjiang to the Arabian Sea. For China, Pakistan is a low-cost secondary deterrent to India. For Pakistan, China is a high value guarantor of security against India. Pakistan and India have fought three wars and a number of low level conflicts. Tensions remain high over the disputed territory of Kashmir with periodic military posturing on both sides of the border. China and India fought a border war in 1962 and both still claim the other is occupying large portions of their territory. China's role as a major arms supplier for Pakistan began in 1960s and included assistance in building a number of arms factories in Pakistan and supplying complete weapons systems.

Beijing clearly sought to build up Pakistan to keep India off balance. After the 1990 imposition of US sanctions on Pakistan, China became the country's leading arms supplier. Collaboration now includes personnel training, joint military exercises, intelligence sharing and counter terrorism efforts. While the relationship is not quite balanced, it has been critically important to Pakistan. Pakistan needs China more than China needs Pakistan.

The Pakistan army has ballistic missiles that experts say are modifications of Chinese imports. China supplies Pakistan with nuclear technology and assistance, including what many experts suspect the blue print for Pakistan's nuclear bomb. Chinese security agencies knew about Pakistani transfers of nuclear technology to Iran, North Korea and Libiya. China was also accused of having long standing ties with Abdul Qadeer Khan, known as the father of the Pakistani nuclear program. Both China and Pakistan have cooperated on a variety of large scale infrastructure projects in Pakistan, including highways, gold and copper mines, major electricity complexes and power plants, and numerous nuclear power projects. The Gwadar project is now operational, provides a deep-sea port, ware houses and industrial facilities for more than twenty countries. China gains strategic access to the Persian Gulf, the port is just 180 nautical miles from the strait of Homruz, through which 40 percent of all globally traded oil is shipped. This enables China to diversify and secure its crude oil import routes and provide the landlocked and oil and natural gas rich Xinjiang province with access to the Arabian Sea.

Despite increased cooperation between the United States and Pakistan since 2001, Islamabad places greater value on its relationship with Beijing than vice versa, say experts. "Pakistan thinks that both China and United States are crucial fruit", Pakistan considers China a more reliable ally than the United States, citing years of diplomatic manipulation and neglect on the part of Washington. Pakistan and China grew closer in the 1960s as Washington and Islamabad began to part ways over the

handling of regional issues. In particular Pakistan felt betrayed when Washington cut off aid to Islamabad during its 1965 and 1971 wars with India. Pakistan played a pivotal role as an intermediary during the US-China rapprochement in the early 1970s.

The India-U.S. civilian nuclear agreement compounds Pakistan's distrust of the United States, spurring efforts by Pakistani officials to secure a similar deal with China. In April 2010, China announced its plan to build two new nuclear power reactors in Pakistan. The deal is seen as a violation of the guidelines laid down by the Nuclear Suppliers Group of which China is a member. China has taken a more neutral position on India-Pakistan issues such as Kashmir in the past decade and a half, and has "begun to take the relationship with India" more seriously. A case in point, there was China's dissatisfaction with Pakistani military action across the Line of Control, which separates India and Pakistan controlled Kashmir, during the 1999 Cargill conflict. Pakistan is also not the only South Asian nation China is interested in strengthening ties with: Beijing has expanded its relations with Myanmar, Nepal, Sri Lanka, Bangladesh, Bhutan and the Maldives (Gangly 2005). China has a clear cut strategy of using its leverage in the region. China is going to continue to work with India's neighbors as a strategic hedge against New Delhi, but Pakistan will remain central to this strategy. But peace between India and Pakistan is in China's interest (Kronstadt 2008).

The recent turn around in Libya's nuclear policies and the many disclosures of Pakistan's role as super proliferator of nuclear weapons technology produced another revelation with the discovery of Chinese language material among the nuclear weapons design documents that Pakistan had supplied the Libyans. Until the revelations from the Libyan files, no evidence had surfaced that conclusively, linked China with Pakistan's nuclear weapons program. But questions remain about the nature of the China-Pakistan nuclear relationship. Certainly for many years Beijing's official position was that it would not help other

countries acquire nuclear weapons. During the years after China's first nuclear test in October 1964, its nuclear weapons policy was complex and ambivalent. Beijing supported a complete ban of nuclear weapons and their ultimate elimination. On the other hand, Beijing railed against the super power's nuclear monopoly, declaring that non-nuclear states had the right to develop nuclear weapons on their own. After the signing of the Nuclear proliferation Treaty (1968) China treated it as another unequal treaty, (Sutter 1988) allowing the great powers to keep their arsenals while prohibiting sovereign nations from taking self defense measures. The close relationship with China became one of the pillars of Pakistani foreign policy. When India held its first nuclear test in 1974 and Pakistan made decision to acquire its own capability to build nuclear weapons, it may have seemed a matter of course for elements in the Chinese military, which had a powerful voice in Beijing's nuclear establishment,(Kux 2001) eventually to decide to lend Pakistan a hand. The interests that propelled Beijing to assist Pakistan's nuclear program became competitive, during the 1980s and 1990s, with other sets of interests pushing for a stronger Chinese role in global nuclear non proliferation efforts. While reports of Beijing's transfer of nuclear weapons designs and technologies circulated the two governments signed a nuclear cooperation agreement and conducted negotiations over the sale of Chinese nuclear reactors. At the same time, Beijing became a full member of the nuclear non proliferation regime, joining the International Atomic Energy Authority in 1984 and signing the Nuclear Non proliferation Treaty in 1992 and the comprehensive Test Ban Treaty in 1995. Moreover, China began to work closely with Washington and other powers in trying to curb the North Korean nuclear program and in restricting trade in sensitive nuclear technology. As China's market economy developed greater complexity, central authorities could not always control events, which was what might have happened when a Chinese firm sold ring magnets used for the production of highly enriched uranium to Pakistan

in 1995 (Kux 2001). The US was concerned about Chinese nuclear-sharing with Pakistan; the US government officials were worried about the close China-Pakistan relationship. During the mid 1960s Vietnam War when US-China relations remained tense, top policy makers defined Pakistan as a problem. Not only were the Pakistanis loosening security ties with the United States and keeping their distance from US Vietnam policy, the White House and the State Department believed that they were getting too close to China, even to the point of allegedly signing security understanding with Beijing. During the mid 1970s, in the wake of India's "peaceful" nuclear explosion, nuclear proliferation concerns grew as governments in Asia (Taiwan, South Korea and Pakistan) and Latin America (Argentina and Brazil) showed interest in acquiring weapons capabilities. Moreover, growing competition among national nuclear power industries and increased interest in nuclear energy raised intense concerns about "safeguarding" nuclear reactor exports so they are not used for military purposes. There was also reporting on Pakistan-Libyan discussions of nuclear cooperation. There was a pending deal with the French for a reprocessing plant at Chasma; the French wanted to disengage from the contract and were already dragging their feet on it. Another complicating factor was China, which was starting to offer fuel services and technical assistance to Pakistan's KANUPP heavy water reactor (whose fuel would later be a source of plutonium). China's assistance made it important. In September 1977, without invoking the Symington amendment, the administration cut off military and economic aid to Pakistan. In 1978, when the French drastically slowed down work on the Chesham plant, the Carter administration resorted aid to Pakistan. Nevertheless, the Pakistanis pursued alternative strategies for acquiring nuclear fuels leading Carter to formally invoke the Symington amendment in 1979 and cut off the economic and military aid for the second time. (Specter 1984) There was evidence on Pakistan's efforts to develop reprocessing facilities and acquire technology for centrifuge machines. The

United State sustained some quiet and not very successful attempts to tighten up controls of third party exports to slow down Pakistan's nuclear progress. In keeping with this, the US sought to discourage Chinese nuclear sharing with Pakistan. In June 1981, the US does not directly mention Chinese aid to Pakistan, it does specify concerns about China's exports to Argentina and South Africa of unsafeguarded Uranium and heavy water."These and similar exports elsewhere could contribute to the spread of nuclear explosives, undermining regional stability". That may have been a veiled way of cautioning the Chinese not to assist Pakistan's nuclear program. The US government suspected Chinese nuclear sales to Argentina and South Africa and held "suspicions" that Beijing was providing "weapons-related know-how" to Pakistan. While the Chinese professed concern about a South Asian nuclear arms race, they argued that Pakistan's nuclear program was basically "defensive" and a check against Indian "hegemonism" in the region, which China also opposed. New Delhi's arguments that it was the PRC nuclear arsenal that had motivated the Indian program.

Historical review of China's policy record in South Asia indicates that China has followed a single point agenda in the last 50 years or so (Kapila 2008). Its focus in South Asia, ever since, has been to strategically and politically de-stabilise India and thereby prevent its emergence as a major power. This thrust is clearly discernible throughout till today, despite the many vocal statements of China's ardent desires for eternal friendship with India, said to be centuries old. China's single point agenda in South Asia to keep India strategically de-stabilised manifested itself in many forms, the major ones being discussed below.

- In South Asia, India's pre-eminence as the major power stands out prominently. This arises from a natural bestowal on India of the attributes of power, human resources, natural resources, size and geo-strategic location and industrial and economic infrastructure.

- The fact that such a major power in the making, like India, bordered Tibet made India look sinister in Chinese threat perceptions. Since China could not cut down India's geography or resources, China embarked actively in playing "balance of power" politics in South Asia.
- China chose Pakistan as a strategic ally in South Asia for this role.
- China in the absence of other choices, built up Pakistan as a regional "strategic balancer"
- Single point Chinese agenda found (1970s and 1980s) congruence with United States policies in China.
- The means chosen by China were, (1) Military build-up of Pakistan; (2) Pakistan's emergence as a nuclear weapons and nuclear missile state; (3) Creating a ring of Chinese client states around India.

China has relentlessly built up Pakistan's military build-up since the 1960s. (Kapila 2004) Pakistan's Armed Forces military hardware inventories are overwhelmingly of Chinese origin. China has built up the entire Pakistani indigenous defense production infrastructure. China stands credited with the dubious honour of building Pakistan into a nuclear weapons and nuclear missile state. China not only supplied "off-the-shelf" nuclear capable missiles with IRBM ranges, but also set up missile production facilities in Pakistan. Chinese designs were not to contribute to Pakistan's defence capabilities or deterrence but to once again strategically de-stabilize India's security. In South Asia, China has attempted to build a ring of military equipment client states around India. (Ibid) Sri Lanka, Bangladesh and Nepal did go in for some Chinese military hardware but have since backed off. Myanmar, however, has received special attention from China in a big way as Pakistan. It seems that the smaller states of South Asia saw through the Chinese game and have since refused to be a part of Chinese strategy. But China has failed to achieve its single point agenda in South Asia i.e. to

strategically destabilize India and limit it to South Asia. India has broken out of its South Asian confines and is destined to play a major role in the Asia Pacific and globally too.

In Nepal, the Maoists ideological linkages with China and their keenness to neutralize India's influence in the region have also made them an obvious choice for engagement. China's attempt to consolidate its position in Nepal by continuously engaging the Maoists at the political, economic, military and social levels and thus secure its strategic interests in the region. (Nayak 2009) The Maoists-led government was also asked to adopt a 'One-China' policy, not to allow Nepalese land for anti-China activities but take strong action against Tibetan refugees and grant special facilities for Chinese investments in strategic sectors. Today China is the largest aid provider to Myanmar and Laos and second largest to Vietnam. India also tries to consolidate itself as an East Asian power. But Pakistan may appear to be a liability for China in the long run and China's focus remains hard power. China is gradually moving away from multilateralism to regionalism. China's critical challenges include (1) Taiwan (2) US foreign and military policies/strategies, particularly in Asia (3) a resurgent Japan (4) Russian revival and (5) India's growing political and military profile in Asia and beyond. (Rajeswari Pillai 2011)

Despite their mutual wariness, both Russia and China have utilized opportunities after the fall of the Soviet Union to solidify relations, essentially through trade and arms transfers. Relations were further strengthened with the signing of the 'Sino-Russian strategic partnership of equality, trust and cooperation', following which the two countries maintained that their improved relations were not directed against any particular country and did not have an anti US agenda. The Chinese often complain that Russia prefers India to China. While China may not be interested in seeing another giant in Asia it does not want India to forge closer ties with the US or other Asian powers as that may be detrimental to Beijing's own regional and global role.

India continues to look for an inclusive approach as opposed to China's exclusivist approach, which appears directed against India, the United States and Japan. Beijing continues to believe that its peaceful rise and emergence as a dominant power in Asia is only an assumption of its rightful place in the region. For its part, India may not be willing to see an Asia dominated by any one power. China's medium range ballistic missiles may not be targeted against Taiwan, but can be used to conduct strikes insufficient to reach the shores of the US; it is clear that Russia, Japan and India remain the main targets. China's eventual rise to global power status, its intentions and the eventual path it adopts to achieve its inspirational goals is subject today of an intense debate in Washington and all major capitals of the world.

From a real politic perspective continuing support to Pakistan continues to be a key element of Beijing's South Asian policy. Pakistan's value in regional geostrategic terms remains. China maintains a robust security relationship with Pakistan, despite the improvements in the Sino- Indian relationship. Over the years, China has adopted a more neutral stand on Kashmir question, but it has continued to provide substantial assistance to Pakistan's defence through military exchange and conventional-weapon transfers. China clearly does not want to make any firm commitment to Pakistan out of concern for being unable to control the dynamics of the Indo-Pakistan conflict and of the fear of becoming involved in an unwanted nuclear entanglement with India. The US uses India as counterweight to China and China uses Pakistan to check India. A stable Sino-India relationship requires the effective management of the China-India-Pakistan triangle.

At the core is the India-Pakistan equation. In triangular China-Pakistan-India relationship, a qualitative and quantitative improvement of Chinese nuclear forces would lead to an increased threat perception in New Delhi. An expansion of Chinese nuclear arsenal also alters Indian and Pakistani strategic calculus. Given the pressure of domestic constituencies, no

political leader would want to appear weak on national security issues. While India might continue to develop delivery system indigenously, Pakistan might be compelled to rely on its 'strategic allies' China and North Korea for new missiles while Pakistan might be content with acquiring a strategic equilibrium with India, Indian ambitions may compel it to project a regional power image, thus adding an impetus to a regional arms race. India-Pakistan relations and future course of China's policy depends not only on its relations with the US but also on Russia's growing assertion.

Friendship with China is often attractive to smaller South Asian countries living in India's shadow. People in these countries often see ties with China as affirming their independence from India and as a way of gaining bargaining leverage with New Delhi. Bangladesh, Pakistan and Myanmar have been preferred and heavy customers of Chinese military equipment. Myanmar provides important electronic listening posts at several points in the Bay of Bengal Strait of Malacca area. In the past India has objected to China's military links with South Asian nations. In 1989, for example, a Nepalese attempt to purchase Chinese weapons and initiate an intelligence exchange agreement with China precipitated severe Indian economic sanctions that forced Kathmandu to abandon the objectionable policies. Given New Delhi's opposition to Sino-South Asian military cooperation Beijing's insistence on forging such links is testament to its determination to become a multi-dimensional power in the region and its refusal to cede South Asia to an Indian sphere of influence. China's response to Indian concerns over China-South Asian military cooperation has been to assert that since China does not have aggressive or malevolent intentions, China's military cooperation with India's neighbors does not threaten India. If India is concerned about China's military ties with the smaller South Asian nations, Beijing argues the proper course is to increase mutual trust between China and India via security dialogues. The threat was demonstrated during the eighteen

months after India's May 1998 nuclear tests that New Delhi had justified as a response to threat from China. After the Indian tests with their China threat justification, Beijing cancelled scheduled sessions of the Joint Working Group on the boundary. Beijing urged Washington and the UN Security Council to adopt tough measures against India and to target mainly India, not Pakistan's "response" to India's tests. Beijing hinted that it might shift to a more pro-Pakistan position on Kashmir. Beijing suspects that the US desire was to contain or balance China and to limit its rise and the expansion of its power and these are the key US motives behind the growing India-US strategic partnership. Chinese friendship diplomacy seeks to counter the perceived US efforts to maneuver India into participation in nefarious American "anti-China schemes".

It is in China's interest to avoid, or failing that to minimize, negative Indian reactions to the growth of Chinese presence and influence in South Asia. India has traditionally viewed South Asia as its natural security zone and sphere of civilization influence. The steady growth of China's influence challenges India's status. India enjoys overwhelming geographic, economic, and military advantages and could punish South Asian states for ties with China that New Delhi views as going too far--- as with India's economic 1989-90 sanctions against Nepal, or as India has occasionally done with Sri Lanka because of the latter's ties with China. India can also use its influence to counter China's initiatives or to persuade South Asian governments not to go along with China's plans. The US military buildup in the Indian Ocean and Persian Gulf since 1979 poses threat to India. The United States cannot fully achieve its desired aim of hegemony over the Indian Ocean, South Asia and the world, as long as India remains powerful and independent of US domination. China's military capabilities in the South Asian region would serve to restrain the United States and protect India. A final policy used to minimize India's alignment with the United States has been to encourage US engagement with Pakistan. Chinese

encouragement of “balance” in US South Asian policy and endorsement of renewed US-Pakistan partnership in September-October 2001 served several Chinese interests. One was driving a wedge in India- US relations. At a minimum, Beijing and Washington would now share India's anger at their common support for Pakistan.

China aids Pakistan in transportation infrastructure including links with China. China in 2001 committed \$200 million to the modernization of Pakistan's railway system, including construction of a new rail line linking the port of Grader in Pakistani Baluchistan to main east west rail line linking Pakistan and Iran. At Grader China committed another \$ 198 million to build a new, deep water port with capacity eventually equal the cargo handling capacity of Karachi, a port currently carrying ninety percent of Pakistan's trade. China is working with Pakistan to expedite customs procedures over the Sino-Pakistani highway and to permit Afghanistan teamsters (important element in the regional transport system) to utilize Chinese and Pakistani highways to create a stronger regional trade system.

Conclusions

The Sino-Pakistani strategic relationship has gained salience in the context of the evolving post-cold war order in Asia. It should be perceived as a marriage of convenience, contrary to what both China and Pakistan claim. This relationship is based on the convergence of their mutual interests. China wants to balance India and Pakistan has always wanted to have a political shield. The Sino-Pak axis can be partially explained on the grounds of trust deficit and security dilemma between India and China. However, the increasing Sino-Indian interaction has produced increased sensitivity on the Chinese side regarding the India concerns. Secondly, the strengthening of the Indo-US rapprochement and strategic engagement has also produced corresponding resonance on Sino-Indian relations. Thirdly, Chinese support to Pakistan also needs to be understood keeping in view the China's domestic and external compulsions. China

has played the “Pakistan card” in its dealings with India. Though the Sino-Pakistani alliance remains a key check to possible Indian misconduct with the Sino-Indian border as on Tibet, the contemporary dynamics of the Sino-Indian Pakistani triangle is different than they it was during the Cold War. China has and will continue to be apprehensive about the US presence in Central Asia, its overwhelming presence in the Indian Ocean. Pakistan's alarming nuclear and missile development provided a huge impetus for India to go for nuclear. China's critical concerns in the region include Taiwan, US military strategic policies, resurgent Japan, Russian revival and India's growing military and political profile in Asia and beyond. Thus Pakistan is a determining factor in China's role in South Asia and its relations with India. Pakistan can be stated as a classic example of a failed state. However, China will not be comfortable with the idea of a failed state in Pakistan due to its strategic interest. As India grows, Pakistan's fear and insecurity will also grow. There is no clear perception regarding who actually controls power in Pakistan. However, it is apparent that it is the army which is in real control and is dictating the course of action. Pakistan should be regarded as both a factor in India-China relations. Geography plays a very important role in defining the relationship between India, China and Pakistan. It is geopolitics which is actually dictating the terms of this relationship. There is a need to understand and revisit the nuclear collaboration between China and Pakistan. India-China economic relations are growing. On the other hand there is no development in the India-Pakistan trade relations. Pakistan-China trade relations are also not that much huge. There is a need to study the nexus between the Chinese army and the Pakistani army. Consequently, India has to be prepared to deal with both the neighbours. There is a need to understand why Pakistan has shifted its focus from the United States to China. At the same time, China is also worried about the alliance between United States, Australia, Japan and India. China is now facing a dilemma as to how to manage its relationship both with India and Pakistan. It is

difficult for China to leave Pakistan but for China, India is also very important. President Jiang Zemin had said that there is a need for a balanced approach towards both India and Pakistan. There is a need to highlight the role which China plays in the domestic politics of Pakistan, especially after the Lal Masjid incident. In the long run India should work towards building more military to military level interaction with Pakistan. India needs to learn to manage the relationship with China and Pakistan keeping in perspective the close ties between the two.

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India-China Relation in the Context of Look East Policy

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Abstract

Asia has emerged as the global pivot. Asia holds the key to the future global order. China and India are two major growing powers in Asia. Historically India and China had relations for more than 2,000 years. The Silk Road served as a major trade route between India and China. But in the modern times relations between China and India have been characterized by the border disputes, resulting in the Sino-Indian War of 1962. From there the underlying dissonance between India and China negatively affect the building of a stable, secure Asia.

From the time of independence India's foreign policy was adorned with the Non Alignment Policy framed by Jawaharlal Nehru. At the end of the Cold War the bipolar world was turned into a unipolar world under the US and India's Non Alignment lost its significance. The Look East Policy that India initiated in 1991 is a strategic shift in India's perspective of the world. There was no official definition or doctrine behind the "Look East Policy". It is simply a phrase to describe reorientation of India's economic and political relationship with the countries in East Asia, particularly in Southeast Asia.

For the last two decades the relation between the countries geographically east of India had blossomed, deepened and expanded in a multi-dimensional manner. The China factor has certainly, played a significant role behind the success of India's Look East Policy. 'Look East Policy' opened a new region for India that relocated China to the backyard in East and South East Asia and this in another term is India's sweet diplomatic revenge of china's growing influence in South Asian countries.

Though China understood the growing relations of India in East Asia, they would like to call Look East Policy a failure. Li Hongmei, an analyst had written in the people's Daily on October 28th 2010 that India's Look East Policy "was born out of failure- the failure of India's Cold War strategy of playing both ends against the middle..." China also observes that the look east policy gaining strategic assistance from the US and other opposite powers and the main aim behind this is containing China in Asia.

The new millennium witnessed the melting of ice in India-China tensions. The trade and commerce between these two countries have increased remarkably. It is to be noticed that the Look East policy at present covers not only Southeast Asia but also the entire Eastern Nations including China. A viable outlook has evolved in realising the fact that Asian security and prosperity will be achieved only through the cooperation of these two Asian giants rather than the persistent strains.

Introduction

India and China, the two largest countries holding rich civilization and cultural heritage have strategic ambition to play good role in the emerging political, economic and security architecture in Asia. Our relation with China has a thousand years' long history and trade between these two countries through Silk Routes¹ was well documented in various sources. The cultural and historic ties with these countries have always been peaceful.

Even before independence the Indian national leaders were well aware of the strategic importance of East Asia². New Delhi decided to host the 'Asian Relations Conference' in 1947³, with a view to bring the Asian countries closer to each other in their future destiny. Independent India's foreign policy was adorned with the policies of Non-alignment, anti-colonialism, anti-imperialism and anti-racialism. These policies helped India to a great extent in achieving better image among nations. Though Indian foreign policy did not lend any special importance to East Asia, its policies are much lenient to the peaceful existence and well-being of South and South East Asian nations.

Influence of Indo-China War in India's East Asian Relation

From the historic period onwards China is an important factor that connected India with East Asia⁴. After independence, India was always desirous to keep a warm relation with China. India was the first non-communist country, which accepted the sovereignty and took initiative to establish an embassy in Peoples Republic of China (PRC). From April 1950 onwards India and China established diplomatic relations. The countries also jointly expounded the five Principles of peaceful co-existence (Panchaseel) in 1954. The Chinese premier Zhon Enlai visited India three times between 1954 and 1960, and the Indian Prime Minister Jawaharlal Nehru also visited China in 1954. These initiatives led the two Asian giants to start diplomatic relations in the modern period.

But the border disputes that existed between India and China⁵ brought into an unexpected war in 1962 and the defeat that was faced by India in the hands of China was a serious setback in Indo-China relations and it was a blow to India's position especially in East Asia. India lost its face and confidence and for decades India happened to disregard active communication with East and Southeast Asian nations in its sphere of foreign relations. Influenced by the lesson from 1962 war, India was forced to reevaluate its non-alignment policy and forced to sign friendship treaty with USSR in 1971⁶. She also kept a distance with ASEAN, thinking it a US-lead camp to influence South Asia.

India's Look East Policy

The Look East Policy (LEP) is considered as a strategic shift in India's perspective of the world⁷. The LEP was developed and enacted during the period of Prime Minister P. V. Narasimha Rao in 1991 and was rigorously pursued by the successive governments of Atal Bihari Vajpeyee and Manmohan Singh and at present Narendra Modi also gave more attention to strengthen the Look East Policy to Act East Policy⁸. The structural changes brought about by the cold war added a new orientation in the foreign policy of India. India started moving towards Southeast Asia to build strong economic, strategic and political ties with these countries. It was after the adoption of LEP that the region of Southeast Asia and East Asia emerged as prominent zones in the Foreign Policy realm of India.

The theory of the Look East Policy (LEP) of India is finding its destiny by making more and more relation with its Asian partners to engage the rest of the world, and this policy was designed by realizing the fact that India's future and economic interests are best to be served by greater integration with East and Southeast Asia. In 1991 the LEP was shaped with the aim to enhance economic relations with ASEAN countries and has reached the strategic, political and institutional linkage with the region of SEA. The policy was applauded by experts as a success in touching the hearts of ASEAN nations. The direct impact of LEP

was seen in the ASEAN-India dialogue relations. In 1992, India became a sectoral dialogue partner and this status was changed to be a full dialogue partner in 1995. In July 1996, I K Gujaral, the then minister of External Affairs attended an ASEAN conference in Indonesia for the first time, and said "We see the full dialogue partnership with ASEAN as manifestation of our Look East destiny..... India would work with ASEAN as a full dialogue partner to give real meaning and content to the prophecy and promise of the 'Asian Century' that is about to draw upon us".

The relationship with ASEAN was further strengthened with the convening of the ASEAN India Summit in 2002. Since then, the ASEAN- India summit has been summoned uninterruptedly every year⁹. India has been participating in the ARF since 1996 which was another landmark in this endeavor. India's relations with the East and Southeast nations is flourishing day by day in different platforms like the ARF, the East Asia Summit (EAS), Mekong- Ganga, BIMSTEC etc. The signing of the India- ASEAN Free Trade Agreement was another achievement of India's LEP. Later, by adopting the extended "neighbourhood theory" the scope of India's LEP was further extended to East Asia including Australia, New Zealand, Japan, South Korea and also to our east neighbor China.

The depth and strength of LEP is well-established by former Indian Foreign Minister Yaswant Sinha in his comment, "The first phase of India's LEP was ASEAN centered and focused primarily on trade and investment linkages. The new phase of this policy is characterized by an expanded definition of 'EAST' extending from Australia to East Asia, with ASEAN at its aim. The new phase also marks a shift from trade to wider economic and security issues including joint efforts to protect the sea laws and coordinate counter-terrorism activities"

Importance of India's Look East Policy (LEP)

The real impulse behind the designing of LEP was purely economic, but the China factor was a great element which added significance to this policy in later occasions. After the Sino-Indian

War of 1962, China and India have been strategic competitors in the Asian continent. China has cultivated close commercial and military relations with Pakistan, India's immediate neighbor and rival and competed for influence in Nepal and Bangladesh and other neighboring countries of India. But, India diplomatically handled Chinese pressure by strengthening relations with China's eastern neighbors.

LEP is an attempt to improve closer and deeper economic integration with India's eastern neighbors. At the end of cold war and changes in world economic order, India's strategy has focused on forming closer economic and commercial ties, firming up strategic and security cooperation and in establishing historic, cultural and ideological links. India sought to expand and strengthen regional markets for trade, investments and industrial development. The SEA nation also lights a green signal towards her new policy (LEP) since they were the first to see the potential inherent in the change of India's economic policies that very closely matched with theirs.

The greatest achievement of India's Look East Policy is perceived in securing the attention of ASEAN. The economic trade with ASEAN has steadily moved up from US\$2.4 billion in 1990 to US \$50.1 billion in 2010. Today, India cooperates in multi sector fields including Science and Technology, Human Resource Development, Health and Pharmaceuticals, Space Science, Agriculture, Information and Communication Technology, Transport and Infrastructure, Tourism and Culture and Small and Medium Enterprises etc. The trends show that the trade outcomes will be further prospective in the years to come.

The LEP was India's new and revamped approach towards the region of East Asia not only in economic and social but also in security issues. The expanding role of Indian military in East Asia is notable. Indian Navy which actively works against piracy and as a protector of the safety of sea lanes was welcomed by ASEAN nations. India signed counter terrorism agreement with ASEAN, and corporation in the areas of joint or coordinated naval

patrolling, fighting piracy and other maritime security treats and military, air and naval exercises. LEP had a positive impact on India's North East States. The direct linkage with East Asia helped to change the very infrastructural face of these states with the construction of new road-links and trade routes.

Look East Policy was a blow on China's dream of making a unipolar Asia and of a bi-polar world. The US also backed LEP of India. In Feb 1, 2013 the then US Secretary of State, Hillary Clinton in her speech at the Council of Foreign Relations (CFR) commented, "We have encouraged India's LEP as a way to weave another big democracy in to the fabric of the Asia-Pacific"

LEP was readily an attempt of restoring India's traditional age old link in commerce, idea and culture in SEA which India had historically and culturally appreciated from centuries back. Buddhism is the predominant religion of SE and EA. Being home of Buddha, India has attained favor and fervor from the people and regimes in the region. All these factors provided a positive atmosphere in strengthening the relations.

The LEP has been a success of the Indian Foreign Policy framework. This policy helps India to achieve the attention of a region which became a backbone of our economy later. For implementing Look East Policy India took the lead position in shaping some multilateral and sub-regional organizations such as the BIMSTEC Mekong-Ganga Cooperation.

Indo-China Relation in the wake of Look East Policy

Indo-China relation in the context of India's Look East policy is measured as 'cooperation without confidence'. After 1962 the Chinese perception towards India was that of a country which taught a lesson for daring to stand up to China. Look East Policy changed the Chinese impression towards India. By the launch and acceptance of Look East Policy China understood the errors in their prior conception and began to calculate India as a growing Asian power.

It is believed that India's Look East Policy has exerted

considerable level of influence in improving cooperative interaction between India and China. The economic and trade interest in the changing global economic order re-opened the way for Indo-China relation after the war.

The new era of Indo-China relation was started in 1988 with the visit of the then Indian Prime Minister, Rajiv Gandhi to China. He was the first Indian PM to visit China after the War of 1962. His visit triggered to break the long gap of non-cooperation between the two countries. Contextually, Deng Xiao Pin, the paramount leader of modern China, commented that "two Asian giants could play an important role in Asia-pacific in 21st century, if the two nations bury their past and cooperate each other in the interest of the two nations and also in the interest of the region". Gradually, the consulates of both countries in Mumbai and Shanghai reopened in around 1992-93. In 1993, Indian Prime Minister, Narasimha Rao, the architect of Look East Policy visited China. He signed the border agreement and other three agreements with the Chinese premier Li Peng. In 1996 Chinese President Ziang Zemin's Indian visit added further impetus and added confidence in the efforts of Indo-China relations. Zemin signed a landmark agreement for conducting military confidence building measures along the border between the two nations. The end of the first decade of the 21st Century saw the impressive accomplishment that China emerged as India's largest trading partner in the region. These facts clearly indicate that India's Look East Policy has never been an obstacle and in contrast, a boon in the realm of cordial relation between India and China, especially in the sphere of economic cooperation.

It is also notable that India is always keen in moving the LEP without hampering the existing relations with China. It is clear in the words of Manmohan Singh, former Indian PM that "Are India and China in competition? I sincerely believe that there are enormous possibilities for our two countries to work together. I look upon the world as a large enough place to accommodate the growth and ambitions of both India and China and it is in that

sense that we approach India-China relations". It gives a clear message that India is not interested to provoke China through its Look East Policy which ultimately aims to sail more through Southeast and East Asian regions.

Chinese Views on India's Look East Policy

At the same time, China is cautious of India's look East Policy. China contemplated that India's Look East Policy cannot be limited itself to the economic sphere of trade alone. China measured the strength of Indian diplomatic ties when the countries like Singapore, Indonesia, Thailand, Japan and South Korea welcomed India's arrival to East Asian Summit by giving not much attention to the objections raised by China. It is significant to be noticed that these countries are situated in the backyard of China.

China openly expressed its dislike to India's Look East Policy in several platforms. During the time of Indian Prime Minister, Manmohan Singh's visit to Malaysia, Vietnam and Japan in October 2010, the Chinese state sponsored People's Daily published an article raising sturdy criticism on India's Look East Policy as ridiculously against the declared principle of non-alignment and opposite to its traditional outlook of anti-imperialism. It also condemned that Indian PM's visit was an attempt to form a regional counterbalance to China. India's position by investing heavily for exploring oil in the two blocks permitted by Vietnam in the islands in South sea, a disputed place between China and Vietnam with some other Southeast Asian Countries also provoked China and they expresses displeasure towards India through Chinese media. The positions of Vietnam and Japan in this issue were also shocking to China. Vietnam strongly defended India's rights to stay there and Japan extended support to Indian presence in the region for mutual cooperation in trade and also extended hands to India in constructing roads in North East region., without hearing the objections raised by China. This position strengthened Chinese feelings that Look East Policy will be a policy against their National Interest.

The US support to India's Look East Policy was another reason that provoked China. Kurt Campbell, the Assistant Secretary of State for East Asian and Pacific Affairs stated, " One of the most important aspects of our Asian Pacific strategy is to help put meat on the bones of India's desire to play a prominent role in the Asia-Pacific region going forward". The US Deputy Secretary of State William J Burns said, "India's outreach is growing, moving towards a comprehensive vision. For the East Asian region the "Look East Policy is be an 'Act East' Policy".

While President Obama visited India in November, 2010 the media reported that the US President encouraged India not just to 'Look East' but also to 'Engage East'. All these happened to incite China to believe Look East Policy as an Indian effort sponsored by the US which aims to contain China in Asia with the help of East and Southeast Asian Countries.

Conclusion

The Look East Policy is an unstructured creation but India continued to implement it as a platform for its objectives in Southeast Asia. The Essential philosophy of the Look East Policy is that India's future and economic interests are best to be served by greater integration with Southeast Asia. China has a suspicious position in this policy as it feels it as an Indian effort sponsored by the US which aims to contain China in Asia with the help of East and Southeast Asian Countries. In reality, the India-China relation in the context of Look East policy is not competitive and rival but in the diplomatic sense this has a boosting effect and adds a feeling of co-operation of the two big Asian countries without mutual confidence. Look East Policy improves the political and economic relations with China but the Chinese ambition of creating a unipolar Asia clatter with India's Look East policy, which stands for a multi-polar Asia. But the China factor is a common reason which unites the countries in East and Southeast Asia to acquaint with India's Look East Policy. Look East Policy provided India an opportunity to project her potentialities and strength in the East and Southeast Asia.

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India and China: Rendezvous with Southeast Asia

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Southeast Asia is fairly a big region, which is as large as that of Europe. It comprises eleven (maritime and mainland) countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timore Leste, and Vietnam. Southeast Asia is a mosaic of different ethnic and linguistic groups. With a population of 618 million Southeast Asia constitutes a vast and fast developing market with exciting prospects for growing demand for consumer and capital goods and technical skills. The people of the region practice the major religions of the world : Buddhism, Hinduism, Christianity, Confucianism, and Islam. In spite of its unique history and culture, Southeast Asia borrowed some of the best from the cultures of the neighbouring regions, particularly from the two great ancient civilizations, India and China. This process of cultural synthesis commenced in the early years of the current era and has been continuing till today in diverse spheres was interrupted during the brief spell of colonial domination. The region's long association with and assimilation of culture, philosophy, traditional systems, political organizations, trade, transport of its giant neighbours is obvious. Indian and Chinese migrations and settlements in Southeast Asia resulted in the emergence of potential communities of Indian and Chinese diaspora in Southeast Asia.

The maritime countries of Southeast Asia abound in fishery and other marine resources. The region is endowed with plentiful natural and mineral wealth such as: rubber, rice, palm oil, coffee, timber, coal, oil and natural gas, hydro and geothermal power, nickel, iron, copper, antimony, tin and flora and fauna. The region is also a major manufacturer and exporter of textiles, light

consumer goods, electronics and petroleum products, to mention a few. Besides its strong economic base, its geographic location and maritime territories also add to its global strategic significance. It has popular appellation as a "bridge between the Indian and Pacific Oceans" and controls crucial sea lanes that give access to the Middle East and eastern coast of Africa, primarily to China, Japan, Korea and the US in their global trade. The countries of Southeast Asia located across the Malacca Straits, the world's second busiest shipping channel (first being English Channel) and second most popular oil tankers passing route (after the Straits of Hormuz). Eighty per cent of Chinese imported oil flows through Malacca Straits. Given the fact that more than half of the world's merchant fleet capacity uses the channel each year "closing the Straits would be highly disruptive and possibly even catastrophic for world trade."¹

Pointing out the strategic location and access to plentiful natural resources of the region, Vikram Nehru, World Bank Consultant, stated that, "the resources have also pushed the region into commodities trading, giving its countries some of the world's highest trade-to-GDP ratios." He further said, "their diversity and increasing integration lie at the heart of the region's rapid and resilient economic growth. Politically, the region also provides stability in a part of the world that is rapidly reshaping the global balance of power."²

Huge reserves of the region facilitated industrialization and emergence of not only Singapore as Newly Industrialized Country (NICs) along with Hong Kong, Taiwan and South Korea in the Asia-Pacific region, but also Indonesia, Malaysia, the Philippines, and Thailand as 'tiger cub' economies in 1980s. The *doi moi* market reforms which ushered in mid 1980s and placed Hanoi on the incredible path of economic growth for the last two and a half decades helped to project Vietnam, the next Asian tiger. Much to the astonishment of the world community, despite grave political and economic crises during the Cold War period, Southeast Asia, re-emerged as a burgeoning region inviting the

attention of other regions of the world.

In view of its economic advancements, successes of its regional organization, Association of Southeast Asian Nations (ASEAN), in community-building and its evolving strategic weight to global security, Southeast Asia becomes critically important not only to its neighbouring countries, India and China but also to the world at large.

India and China

With the advent of 21st century, both India and China have emerged as vibrant economies at the global level in the areas of capital investments, trade, finance, security and strategic matters. The Deng Zhao Ping era reforms in China and opening of Indian economy on market lines in 1990s coupled with the insurmountable effects of globalization and trade liberalization came as catalyst to these two Asian countries to outperform at global level. Thus, China has emerged as the second largest economy with an estimated GDP of US\$ 10.3 trillion³ and also the largest production centre in the world. After unveiling market reforms which were designed to drive growth in the 1990s, India within two decades emerged as Asia's third-largest Trillion dollar economy, the most attractive investment destination and one of the largest service providers in the world. Some economists and financial houses predict that India could become world's third largest economy shortly. In the light of these developments, many analysts remarked that Asia was resurging. The resurgence is largely evident in the developmental activities of the resource rich and capital surplus Southeast Asia, East Asia and Asia-Pacific countries. The rapidly changed geopolitics after the end of Cold War drove these two largest populous states in the world, to start a new chapter of closer relations with this region. The convergence of interests is also found in the active cooperation in regional and sub-regional associations, particularly in forums such as ASEAN, South Asia Association for Regional Cooperation (SAARC), BRICS (Brazil, Russia, India, China and South Africa), Shanghai Cooperation Organization (SCO) and

BCIM (Bangladesh, India, China and Myanmar).

India and China are members in many International organizations and also actively shaping the global affairs in promoting peace and prosperity. On the peaceful rise and tremendous impact of India and China, an Indian scholar observed :

As they both are rising as great powers, their mutual relationship will have a significant impact not only on Asia, but on the whole world. At present, the nature of their relationship is something mixed i.e., growing cooperation in the field of trade and commerce along with distrust and mutual suspicions in the strategic fields whether political or geographical.... At the international level, both countries would find convergence of interests by cooperating with each other on the issues like international terrorism, climate change, restructuring of international institutions, reducing dependence of developing countries on developed countries,... promoting multipolar world order, and on some other areas also.⁴

Yet, the deeper involvement of these two countries in the political, economic, regional cooperation and strategic areas of Southeast Asia has increased competition, tension, distrust and concerns in each other's security calculus.

Evolution of India and Southeast Asia ties

India and Southeast Asia have well documented history of trade, maritime connections, cultural and archeological, traditional relations. Indian epics *Ramayana* and *Mahabaratha*, and religions like Hinduism and Buddhism have profound influence on Southeast Asian society. From the beginning of the Christian era several Indianized kingdoms ruled major parts of the region in different periods that left deep rooted cultural influence on art, architecture and philosophy.⁵ During decolonization and liberation movements Southeast Asian countries drew inspiration, strong support and solidarity from Indian national leaders. Jawaharlal Nehru, while advocating the economic and

strategic relevance of Southeast Asia, convened the Asian Relations Conference in New Delhi in March 1947, even before India attained its independence. The Conference was attended by national leaders from Burma, Indonesia and Vietnam where they received solidarity for the ongoing freedom struggles in their respective countries. Another important event was the organization of Special Conference on Indonesia in Delhi in January 1949 demanding granting of independence from the Dutch. At the Bandung Conference of Asian and African countries in 1955, Nehru and Sukarno treaded a path of non-inclination to either the Soviet Union or the US blocs.⁶

The duo later became the champions of the Non-Aligned Movement. Thus, India aspired not to get affected by polarization with any of the two Cold War blocs. India had adopted a very cautious approach of Non-Aligned policy that affected the extension of its relations within Asia. India's sluggish economy during the Cold War period also refrained India to deeply engage with its immediate eastern neighbours. Despite distancing itself from the Cold War politics of the Southeast Asian countries, India extended unstinted support to Vietnam's struggle against the US for its reunification. However, this policy left the impression in the West as well as in Southeast Asia that India as marionette of the Soviet Union until the latter's disintegration in 1991. Russia remains a trusted partner for arms supplies and transfer of technology in critical areas to India. Commenting on the closer ties between India and the Soviet Union C. Raja Mohan, a prolific strategic writer, noted: "As India drew closer to the Soviet Union, in order to manage the regional balance of power within the subcontinent, association with Moscow increasingly became disconcerting to even those countries which valued their traditional links with India."⁷

India's changing foreign policy

The rapidly changing geo-strategic and geo-economic imperatives compelled India to reintegrate itself with the Asia-Pacific in general and Southeast Asia in particular. The sweeping

changes in India's foreign policy after the end of Cold War, manifested in deeper interest in forging closer links with Southeast Asia, particularly in trade, commerce, security and defence front. The collapse of the Soviet Union led India to re-evaluate and realign its economic foreign policy to more economically liberal policies. This resulted in India's greater integration into the global economy, with a foreign policy geared towards tangible and pragmatic interests resulting from the rapidly changing post-Cold War geopolitical environment.⁸ The end of the Cold War also led to a degree of introspection among Indian foreign policymakers and strategists, which spurred a longstanding aspiration to see India emerge as a great power in global affairs.⁹ The economic, diplomatic, strategic and institutional cooperation became a key driving force for India's engagement with Southeast Asia. India's Southeast Asia policy was also dictated by New Delhi's desire to become a global player by shifting from preoccupation with South Asian affairs particularly, Pakistan to focusing its attention on the Asia-Pacific region to which world's centre of gravity has shifted. India perceived that its role in the security of Asia-Pacific was crucial to the future of the world. India is committed to security and stability in this strategically important part of the world which is located on the international lines of communication and important sea lanes. It is, therefore, imperative for India to develop ties with major players of this region, namely, China, the US, Russia and Japan besides the ASEAN nations. In the post-Cold War global economic and strategic architecture, India has evolved as an important pillar in the world politics.

After assuming the charge of Prime Ministership in 1991 and also holding Ministry of External Affairs, P.V. Narasimha Rao pioneered major foreign policy changes. Among India's first major foreign policy initiatives in the aftermath of the Cold War was the unveiling of 'Look East Policy' (LEP), in 1992 which was designed to enhance India's relations with the Southeast Asian region and East Asia. Since then the LEP has been the pivot of

India-Southeast Asia relations in the last two and a half decades. India restructured its foreign and economic policies after the implosion of the erstwhile Soviet Union.

When its economy was in doldrums the Indian government in 1990s focused primarily on economic reforms. Therefore, the initiation of LEP was majorly about economic cooperation. India too opted the path of comprehensive economic cooperation to raise its military capabilities in due course. Fortunately, incisive diplomacy in the transition era further substantiated India's new economic reform programme with regard to Southeast Asia and East Asia to a great extent. The increasing pace of adjustments in India's domestic and international front brought great changes in the perception of the world towards India. Southeast Asian nations also joined the list of major powerful states of the world in recognizing the economic and military capabilities of India.

Ostensibly, the promotion of LEP has been the primary vehicle for India's engagement with the Southeast Asian region. India's LEP has been remarkably appreciated by the Southeast Asian nations as also the countries of Asia-Pacific. As a result of integration initiatives, India could establish rapid institutional linkages with ASEAN and became its sectoral dialogue partner in 1992, a full dialogue partner in 1995; member of ASEAN Regional Forum in 1996; an ASEAN Summit level partner in 2002;¹⁰ and a member of the East Asia Summit in 2005. In addition, India's military cooperation was further strengthened with the region after becoming a member in ASEAN Defence Ministers Meeting (ADMM) Plus.

India's prudent and foresighted foreign policy regarding Southeast Asia has reinforced ties with blossoming Southeast Asian economies. India has enhanced trade and economic relations with the countries of this region. The sustenance of LEP and the efforts of successive governments in India paid-off well. India began its engagement with the sub-regional organizations such as Bay of Bengal Initiative for Multi-Sectoral Technical and

Economic Cooperation (BIMSTEC) and the Mekong-Ganga Cooperation (MGC) through economic initiatives. However, from the very beginning, strategic flavor was added to the engagement at bilateral level.

India-ASEAN Economic Relations

Both India and ASEAN were keen to pursue a larger presence in each other's lucrative markets with an aim to access to foreign goods, investments and services. They started Free Trade Area (FTA) negotiations in October 2003 by signing initial framework agreement. The Bilateral trade grew from US\$ 2.9 billion in 1993 to US\$ 12.1 billion in 2003 and the major ASEAN trade players were: Singapore, Malaysia and Thailand with whom India had strong economic ties. By 2008, the total volume of ASEAN-India trade was US\$ 47.5 billion. ASEAN's export to India was US\$ 30.1 billion and ASEAN's imports from India were US\$ 17.4 billion. The changing trend also helped inflow of Indian foreign direct investment to ASEAN countries to a total of US \$ 1.3 billion during 2000-2008, but accounting a miniscule of 0.8 per cent of total FDI investment to this region. While acknowledging the trade potentials, both sides agreed for the establishment of FTA. The negotiations became fructified with the signing of final agreement in August 2009 and the ASEAN-India Free Trade Area (AIFTA) came into effect on 1 January 2010. India's LEP vision to expand economic relations in the Asia-Pacific region was equally reciprocated by ASEAN resulting in the rise of two-way trade to US \$ 79.86 billion in 2012 surpassing their US \$ 70 billion target.¹¹ On the growth trajectory both sides recognised the opportunities for deepening political, economic and investment ties. India-ASEAN partnership got elevated to Strategic Partnership in 2012 at the India-ASEAN Commemorative Summit held in New Delhi on 20 December 2012. In the same year, India announced its intention to establish a separate Diplomatic Mission to ASEAN with a Resident Ambassador as an illustration of the intensification of the ASEAN-India Strategic Partnership. At the 10th ASEAN-India Summit in November 2012, the leaders set the

target of US\$100 billion by 2015 for ASEAN-India trade.¹²

India has been focusing equally on the Indian Ocean littoral states, Indonesia, Malaysia, Myanmar and Thailand, for their cultural, economic and strategic significance. As a member in the ASEAN institutional frameworks and as an active member in the sub-regional groupings India contributed for the growth of people-to-people contacts and tourism between the two regions. The enhancement of relations particularly with Myanmar would help mitigate the security issues like insurgency movements in north-eastern part of India. At present, India which is Indonesia's most significant buyer of crude palm oil is also importing nearly fifty per cent of its coal imports. Deepening of defence cooperation with traditional friend Vietnam, and India's interests in accessing energy reserves have become increasingly important in shaping relations with Indonesia, Malaysia, Myanmar and Vietnam.¹³ India's efforts in the direction of energy security are resulting in signing of oil and gas exploration rights with Myanmar and Vietnam.

More recently, India's efforts to engage with ASEAN nations have led to an ongoing dialogue which, India hopes, will lead to the construction of the Asian Highway Network, that is, the India-Myanmar-Thailand Trilateral Highway and the India-Myanmar-Laos-Vietnam-Cambodia Highway. In its relations with Southeast Asian and Indian Ocean littoral states, India focused on improving relations with Indonesia, Malaysia, Myanmar and Thailand.

China and Southeast Asia

From historical times Chinese in different phases migrated to Southeast Asia from its coastal areas of Fujian, Guangdong and Hainan. During the colonial era, the migration has reached its highest particularly after the opening of new ports following the treaties of Opium Wars. Besides, colonial policies in Southeast Asia favoured Chinese to participate in commerce. Therefore, ethnic Chinese are found in the populations of Southeast Asian

countries. At present Overseas Chinese representation is predominantly high in Singapore occupying 74.1 per cent of resident population of 5.31 million in 2013. But, Singapore is the home of the fifth largest community of Overseas Chinese after the Chinese communities in Thailand, Indonesia, Malaysia and the United States.¹⁴ The Chinese in Southeast Asia described themselves as “Huaren” and named shopping areas in Southeast Asian cities as “Chinatowns”.¹⁵ Thus, Chinese communities are also playing a key role in China's economic engagement with Southeast Asia.

Economic Ties

In the post-Cold War scenario economic relations acquired great significance in the China-ASEAN relations. Both identified their potential markets as mutually beneficial for their economic engines of growth. China joined in a number of ASEAN' sub-regional cooperation arrangements. On economic front, the Southeast Asian region is providing indispensable energy source, raw materials and electronic components for rapidly and steadily growing China's manufacturing sector. Reciprocally, Chinese goods are constantly increasing in multiple arenas like agriculture, manufacturing and information technology of Southeast Asia. When the Southeast Asian countries were engulfed in economic crises in the 1990s, China much against the thinking of many did not devalue its currency to improve its exports, instead it entered into long term trade agreements with Southeast Asian countries to stabilise their economies. This positive action of Beijing has given confidence to number of Southeast Asian nations to downgrade their differences with China.¹⁶ The economic prospects for both sides are whopping in their bilateral trade. Since 2000, bilateral trade between China and ASEAN has grown tenfold, from \$32 billion to \$350 billion in 2013 and expected to reach \$500 billion in 2015. Within two decades, China has become Southeast Asian countries' leading economic partner, boosting its influence throughout the region.¹⁷ Further, Southeast Asia's rising markets, highly skilled workers and still

expanding middle class have become increasingly vital to China. If the present trend continues, the mutual trade could even reach \$1 trillion by 2020.¹⁸

The surge in bilateral trade is due to the effective functioning of China-ASEAN Free Trade Area (CAFTA) touted as the biggest Free Trade Area when this trade pact was signed in 2010 with 1.7 billion consumers and combined GDP of \$ 5.93 trillion. The trade pact brought far reaching benefits to both sides. China has emerged as the largest trading partner of ASEAN, while ASEAN has become China's third largest trading partner after the European Union. ASEAN had become the preferred investment destination for Chinese entrepreneurs whose investments to the Southeast Asian region rose from mere US \$ 631 million in 2003 to US \$ 30 billion in 2013. Thus, China has become the largest investing country after the US and Japan in the region. Because of its huge market, ASEAN governments have been counting on China for economic benefits.¹⁹

Further, China has been trying to integrate itself with number of Southeast Asian countries. The Greater Mekong Sub-region (GMS) is one kind of China's intra-regional engagement with Southeast Asian countries. Intra-regional trade and investment require building up of shared infrastructure to lay the foundations for closer trading relationships and increased connectivity among countries. China built roads from Yunnan's capital, Kunming, to link up with three routes from Laos and Myanmar, and the establishment of air routes, such as between Chiang Mai and Jinghong. The complex of roads and air routes is intended to create a north-south economic corridor from south central China into Southeast Asia, "an economic re-mapping of the region that could improve the standard of living of millions and lead to China's enhanced regional influence."²⁰ The Chinese state firms are deeply penetrating with Southeast Asian nations' mega infrastructural developmental projects like high-speed rail project in Thailand worth of US \$ 23 billion which is a part of 3,000 km line China wants to build from Yunnan province to Singapore.

China's variegated aspects of integration further made ASEAN to become a founding member in the China-led Asian Infrastructure Investment Bank (AIIB), wherein China had pledged to invest US \$ 100 billion to help Asian countries in their extensive infrastructure needs.²¹

Apprehensions in the South China Sea

Despite China's diversified stakes across the ASEAN region, its growing military prowess coupled with assertive postures in the South China Sea because of its huge hydro-carbon deposits, marine resources and strategic location has become a potential flashpoint in the bilateral relations. China's aggrandizement has been a concern to the other players like the US, Japan and India. Besides, Vietnam and the Philippines of the same region are in deep dispute with China on territorial waters.

The characteristic of aggression is in Chinese history. On the mindset of Chinese political agendas, an expert on Chinese studies, D.S. Rajan, remarked: "The mindset is well-rooted in their 'Tian Xia' (Under the Heaven) concept which views all territories as belonging to the Chinese Emperor, who is the son of heaven." He also said:

In the modern era, the Tian Xia concept is manifesting in the Chinese not showing any hesitation to claim other territories which they believe as belonging to their country. A prominent example is the U shaped curve which China has drawn, rather unilaterally, to claim vast territories in South China Sea. The result is emergence and continuation of serious sea territory conflicts between China on one hand and Southeast Asian nations on the other.²²

Shen Dingli, Dean of Fudan University's Institute of International Studies also affirmed that, it was a return to the days of the 'heavenly dynasty', using a term that depicts the "Chinese empire as the centre of the world and the surrounding states as vassals."²³

On the other hand China's heightened role in the Indian Ocean Region (IOR) and East Asian security dynamics, makes countries

of the region no less than insecure. Adding to that China has not yet settled disputes relating to India, Southeast Asian nations and Japan. China's power-projection capabilities in IOR are visible with the presence of its military assets and supporting infrastructure development and constructing overseas military bases in the region. Some strategic experts expressed that China is moving on the lines of the notion of 'String of Pearls' coined by the Booze-Allen-Hamilton in 2003 encircling India under the pretext of "cutting of supply cost through overseas military bases".²⁴ The focal point of China's strategy is to gain access to the Indian Ocean through its neighbours. Beijing's heavy investment of US \$ 46 billion in constructing the Pakistan-China economic corridor, which includes development of Gwadar port, led analysts deduce that China's intensions are clear to have a permanent military presence in the IOR. China's construction of economically and geopolitically significant port infrastructural development programmes at Colombo and Hambantota in Sri Lanka, Chittagong in Bangladesh and pipeline transporting oil and gas facility at Kyaukphyu deep-sea port in Myanmar²⁵ have been adding India's security apprehension in the region.

While Vietnam awarding of oil and gas exploration project in May 2006 for 127 and 128 Blocks in Phu Khanh basin to the Indian ONGC (OVL) in the disputed South China Sea received severe protests from China. Amid China's serious protests and warnings, India and Vietnam firmly agreed to proceed with joint oil exploration in the region. Indian External Affairs Ministry clarified that, "the project has been approved by Vietnam, which claims sovereignty over the two blocks, according to the 1982 United Nations Convention on the Law of the Sea."²⁶

This has heightened the tension and dispute in the South China Sea particularly with regard to the Paracel and Spratly islands, the latter being contested by six claimant countries Vietnam, China, the Philippines, Taiwan, Malaysia and Brunei of the region. China even went to the extent of drawing its own maps by the "nine-dash line" that includes Paracel and Spratly island groups. South

China Sea lying in the strategically key important sea lines of communication (SLOCs) between Malacca Straits and North East Asia gained significance with the discovery of huge oil and gas reserves. In due course, claiming sovereignty to control over the sea-based resources in the area, the claimant states, even eager to jump into the fray, have increasingly come into verbal and even sporadic military confrontation as to who is to exercise sovereignty over the Spratlys. The race for claims led to two major cases of military intimidation China and Vietnam in 1988 and China and the Philippines in 1995.²⁷ The claimants of South China Sea have resolved to overcome the differences by peaceful means and signed an ASEAN-China Declaration on the Conduct of Parties (DOC) in the South China Sea in 2002.

Chinese Interests and Recent Changes

China, however, has long been reluctant to adhere to the DOC. On the approaches of China in mitigating the issue with the claimant states in the South China Sea, Stratfor, an American geopolitical intelligence firm, reported: "Rather than focus on a solution, Beijing seeks to manage each dispute on a bilateral basis while at the same time slowly increasing its own physical presence on various reefs and conducting more frequent maritime patrols."²⁸ It may be mentioned here that, China recently had undertaken dredging of sand from the sea bed and making several reefs into new islands which include land reclamation in disputed territories and constructing "great wall of sand" in the South China Sea. While briefing on China's reclamation works at the South China Sea the BBC reported: "This is only one of several small outposts the Chinese have been constructing in an effort to press their expansive claims hundreds of miles from China's own shores." On these series of events, strategic analysts averred: "In 2012 the China Communist Party reclassified the South China Sea as a 'core national interest', placing it alongside such sensitive issues as Taiwan and Tibet. It means China is prepared to fight to defend it."²⁹

Further, in the background of Obama Administration's foreign policy initiatives of "Pivot to Asia" in the "strategic re-balancing" of the US interests, India's growing security and strategic arrangements and Japan's enhancing involvement in the region have become a focal point in the changing geopolitical atmosphere of Southeast Asia.

As the source of instability and uncertainty has been on the rise in the South China Sea, the ASEAN member states are perceiving the need to safeguard their own political, economic and territorial interests. They have proposed the creation of a Code of Conduct (COC) as a solution to alleviate growing differences in the region with China. But, lack of consensus among the ASEAN member states, which became palpable at their annual meeting in 2012. ASEAN's inherently slow process of consensus-building and making, there is a considerable lack of unity among member states on their unified stand on the COC. On the approval of COC, Katrina Navallo, an expert on South China Sea, observed that:

Of the ten ASEAN member states, only the Philippines and Vietnam are actively eager to push through the establishment of a regional code of conduct. Some states are not willing to compromise their relations with China; while others are easily courted by China's offers of joint development, such as Malaysia and Thailand with China National Offshore Oil Corporation on a joint resource exploration somewhere off the coast of Thailand. Cambodia and Myanmar are also not as eager in pushing for a COC and shake relations with China, who has large investments in their countries.³⁰

Even though it is argued that ASEAN is reluctant to antagonise Beijing by presenting a common front that could be construed as an alliance to contain or 'constrain' China,³¹ the fact remains that there is disunity among Southeast Asian nations in dealing issues concerning China. ASEAN is unable to move towards formulating strong platform against the interests of China in the region. ASEAN, instead, wants to engage China in its multilateral

mechanisms such as ARF and EAS.

In the security architecture of the region, China's powerful position can't be ignored by the ASEAN states. In this context, ASEAN has been trying to muster support from the extra-regional powers. Thus, smaller states in the region are now looking to India to act as a balancer in view of China's growing influence and a broader leadership vacuum in the region. Larger states, meanwhile, see India as an attractive engine for regional growth.³²

On the pragmatic diplomatic functions of the ASEAN, former Indian diplomat C.V. Ranganathan avowed:

There is something quite remarkable in the manner in which ASEAN has gone about constructing a multi-layered edifice to ensure peace and security in its region. It has invited all the external powers to be partners in a stable equilibrium where their contending ambitions make them competitive bidders for the good will of Southeast Asian countries instead of converting the region into a destructive battleground.³³

India is positively responding to the aspirations of ASEAN nations given its own economic and security interests in the region.

China, with its grand designs to get the region into its sphere of influence, is ardently opposing intervention of 'outsides' in the disputed territories of the South China Sea. While analyzing the swift changes and key players involvement in the South China Sea area, Mohan Malik, Professor at the Asia-Pacific Center for Security Studies, Honolulu, pointed out,

I believe that it pays to be cynical about Pax Sinica or "the China Century." Much as China would like to regain its long lost supremacy in Asia, and re-emerge as the sole unchallenged, preeminent and dominant power in Asia, the geopolitics of the region has changed to China's disadvantage. China isn't rising alone India is also rising. Japan is becoming a normal nation and

Russia is energized to stage a comeback on the world stage. So, it's a crowded geopolitical space out there.³⁴

In spite of the growing attention of the regional and global players to this region, ASEAN has been engaging China in diffusing tension in the South China Sea. In the recently concluded meeting in August 2015, ASEAN Foreign Ministers expressed their displeasure over China. They felt "that the land reclamation activities "have eroded trust and confidence, increased tensions and may undermine peace, security and stability in the South China Sea."³⁵

Considering the gravity of the situation in the South China Sea, Chinese forceful behavior has been a factor in shaping India's strategic outlook towards the Southeast Asian region. India with its prudent foreign policy is forging closer economic relations besides strengthening its strategic ties with Southeast Asian countries. India's increasing involvement in the region is the result of rising acceptability among the Southeast Asian nations. The bonhomie is clearly evident in the growth of bilateral trade and in the joint naval exercises held in the ASEAN waters. On the ongoing Indian polygonal ventures into the Southeast Asia C. Raja Mohan viewed the situation as,

It was the bold foray of the Indian navy into the South China Sea at the end of 2000 that drew the attention to India's strategic ambitions east of the Malacca Straits. Until then, it seemed that India was sticking to the claim that its maritime interests ranged from Aden to Malacca.... That China's neighbours were eager to welcome India also highlighted the prospects for a new balance of power game in Asian waters. The mission also set the tone for frequent and wide-ranging naval exercises between India and the littoral states of the South China Sea."³⁶

India now appears to be picking up the pace. Under the Modi government, New Delhi has turned the 'Look East Policy' into the 'Act East Policy', with an intension to strengthen relations with key regional players in Southeast Asia and Asia-Pacific region.

Responsible role of India and China

In the context of dynamically changing security architecture in the Southeast Asian region, India and China, the vigorously emerging economies, would have to sort out their own roles to act as international players. The conflicting claims in the South China Sea have greater implications on the security and development of the region. China's shove into the Indian Ocean and India's incessant moves with ASEAN states is leaving wary of each other. Given their high stakes in the Southeast Asian region, India and China would be best advised to invest more time and resources to strengthening their bilateral relations besides deepening their ties with ASEAN. While addressing at the Chinese Academy of Social Sciences, Beijing, in January 2008, former Indian Prime Minister Manmohan Singh fondly hoped, India and China would "cooperate in creating a world of positive externalities and mutual prosperity, rather than one based on balance of power calculations and animosity."³⁷ In fact, India has been making overtures to achieve in this regard. Similar sentiments were expressed in certain circles in China as well. Zhao Hong, Professor of Economics at Xiamen University, Fujian, expressed: "With greater transparency and a clearer identification of shared interests in Southeast Asia, there is scope for even better relations and constructive engagement among China, India, and ASEAN."³⁸ Hence, India and China need to maintain cordial relations with Southeast Asia which would create opportunities for potential trade and confidence-building outlook among ASEAN members.

Conclusion

In the contemporary world, Asia serves as the backdrop to many pressing issues like disasters, terrorism, piracy, nuclear proliferation and climate change while remaining central source to the functioning of the global economy. Undoubtedly the two Asian giants, India and China, have emerged emphatically from the beginning of the new century. The economic miracle testified to the fact that their economies are interlinked and

interdependent. India and China have been making a determined bid to promote diverse relations with their promising and proximate Southeast Asian region. The economic outlook in the ASEAN region remains robust, anchored by the steady rise in domestic and international demand. Since the early 1990s, India and China have been engaged in a range of regional arrangements to promote cooperation and greater integration with Southeast Asia. India's Look East policy has successfully accomplished the process of redeeming historical and cultural ties with its eastern neighbours, and thereby forging new partnerships with other countries in East Asia and Asia-Pacific region. China too has done extremely well in enhancing its trade, economic, cultural and strategic relations with the countries of this region.

However, claiming of major portion of territorial rights in the South China Sea by China and multi-nations of the region has become a cause of growing concern in the region. India, like the other leading countries of the world, is gravely concerned about the volatile security setting of this region. The need of the hour is a constructive dialogue between China and claimant states of the South China Sea region, but certainly not provocation. In this context, India and China along with other major players of the world such as the US and Japan have special responsibility to ensure the peace and prosperity of the Southeast Asian region by promoting the safety of the sea lanes communications, which formed the basis of regions' economic prosperity and also undertake measures of confidence building among the member countries for fostering greater cooperation.

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India's China policy under Manmohan Singh: Responsive Engagement

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Abstract

The outgoing Indian PM in a recent press conference remarked that history would be kinder to him than the contemporary media. His remarks came in the wake of a large section of the media and his political opponents labeling him as the "weakest" Indian prime minister,¹ given the way he has led his government in dealing with the domestic issues. One can argue, however, that the historians would be less critical of him when they analyze India's relations with her neighbors (immediate & extended) and great powers under his tenure. His China policy, for instance, is a case in point. The hallmark of his China policy has been to sustain New Delhi's responsive approach towards China being practiced since late 1980s. On the one hand, New Delhi has engaged Beijing in multiple sectors under his tenure. On the other hand, India, guided by its Look East Policy (LEP), has deepened its economic and more importantly defense & security ties with almost all the countries in the Asia-Pacific. Some scholars argue that this policy may create a 'potential necklace of diamonds' as an Indian counter to China's string of pearls strategy against India in the Indian Ocean.² A responsive China policy practiced under Singh has made China not to completely ignore India's core concerns in their bilateral relations.

However, one important highlight of Singh's policy towards China is that he could not reduce the strategic mistrust between New Delhi and Beijing during his term in office.

Key Words: Responsive Engagement, Look East Policy, Defense ties, India-China

1.0 Introduction

India and China, the two continuous civilizational giants have begun to reclaim their historically central role in the Asian and the world stage after a relative decline of around two centuries.

¹ "L K Advani dubs Manmohan Singh as the weakest Prime Minister ever." *The Economic Times*. 14 April 2014. http://articles.economictimes.indiatimes.com/2014-04-14/news/49126322_1_l-k-advani-manmohan-singh-coalition-politics. Accessed on 22 June 2014.

² Bhatia, Rajiv.. "A Vision for the Indian Ocean." *The Hindu*. 15 October 2011.

United States National Intelligence Council report³ titled “Mapping the Global Future” compared the reemergence of China and India as new major global players to the rise of Germany in the 19th century and the United States in the early 20th century and forecasted the geopolitical impact of their rise as no less dramatic than those of the previous two centuries. On the other hand, Kishor Mahabhubani⁴ argues that power shift at this level is unprecedented in the world history.

However, unlike Germany and the US, India and China are not only from the same continent but they also share border with each other and have already fought a short but bloody war in 1962 in which India lost comprehensively. So post-1962, China has always been a major security challenge for the Indian defense planners. The rise of China has far greater implications for New Delhi given its proximity with India, its growing offensive capabilities, and its intensions to keep India hedged in South Asia. At the same time, a rising China has also become the engine of the world economy since the financial crisis in the West in 2008. It is already India's largest trading replacing the US. Thus, the rise of China has been a challenge as well as an opportunity for India.

The article looks into India's China policy under its outgoing PM Dr. Manmohan Singh. It argues that while he was very keen to engage China economically he, more or less, followed the policy of preceding NDA government to reduce the India's asymmetry of power with China.

The focus of the article is to make a critical analysis of India's China policy under PM Singh rather than on India-China relations.

2.0 Historical Overview of India's China policy

In order to assess PM Singh's China policy in a proper perspective, a background reference to India's China policy is

³ National Intelligence Council, “Mapping the Global Future”. 2011 (December 2004). URL: <http://www.foia.cia.gov>. Accessed on 11 June 2014.

⁴ http://www.youtube.com/watch?v=Bhg0PbP-e_w Accessed on 11 June 2014

important. For the analytical convenience, it can be divided into four phases. In the first phase from 1949 to 1964, India under Nehru was looking for an ideological convergence with China against the imperialist powers. The second phase (1964-88) was based both on balance of power politics and also a cautious attempt at restoring ties with Beijing. Third phase from 1988 to 1998 saw India's China policy being driven by the changing great power relations and international environment. In the fourth phase from 1998 to 2004 India looked responsive in its approach towards China.

2.1 Nehruvian Idealism (1949-1964)

Nehru being the prime minister and foreign minister of the Republic of India was the main architect of New Delhi's China policy, which was guided more by idealism rather than the balance of power politics. This had its roots in India's civilization, cultural tradition and freedom struggle based on non-violence. Nehru was a great advocate of Asian solidarity and wanted India and China-- the two ancient civilizations to form a strong Asian union to counter the increasing influence of the two super power blocs fighting the Cold War.⁵ As early as 1940, he was toying with the idea of an Eastern Federation with India and China as leading partners.⁶ This idealism of Nehru led India to make every effort to develop friendly understanding and co-operative relationship with China. Thus, India recognized the PRC in 1950, the second non-socialist country after Burma, to do so. India opposed a US sponsored resolution in the UNSC to label China an aggressor in the Korean War (1950-53) despite China's annexation of Tibet in 1950. New Delhi even boycotted the San Francisco Peace treaty in 1951 as it did not include the return of Taiwan (the Formosa) to Beijing. India forfeited its special rights in Tibet acquired during

⁵ Garver, John .W. "China's Decision for War with India in 1962." <http://web.archive.org/web/20090326032121/http://www.people.fas.harvard.edu/~johnston/garver.pdf> Accessed on 22 June 2014.

⁶ Sinha, Mira. "China: Making and Unmaking of Nehru's Foreign Policy" China Report, 15(51) 1979, p.55

the Shimla conference in 1914 without any *quid pro quo*, with the signing of the Panchsheel agreement in April 1954⁷ and took the lead in ending PRC's diplomatic isolation by introducing Zhou Enlai in the Bandung conference in 1955.

However, Nehru's China policy, which a theorist like Alexander Wendt would characterize as Kantian constructivist⁸, had serious flaws. First of all, he failed to realize that India and China had undergone two different rather diametrically opposite historical trajectories which prevented them to develop a common worldview. For instance, India historically has enjoyed a political culture with deep democratic roots. China, on the other hand, has been the longest lived political system based on a centralized rule during the imperial period. India became a full colony under the British, while China was a semi-colony. The CCP, unlike the Indian National Congress against the British, fought a violent civil war against the KMT from 1946-49 which greatly influenced their worldview, particularly the role of military power in foreign relations. India adopted the parliamentary democracy post in 1947, China, on the other hand, became communist country in 1949.

Secondly, Nehru' Pan-Asianism, perhaps due to his Western education, was based on his Orientalist view of Asia.⁹ To the western scholars, Asia--the Orient--was a cultural continuum because of the Buddhist connection. However, Beijing again had her parallel version of Asianism in which China has always been the *middle kingdom/center* of the world throughout its long history surrounded by tributary states.¹⁰ Therefore, when Nehru took

⁷ Bhattacharya, Abanti.. "Establishing Quid Pro Quo on the India-China Border." *The Diplomat*. 14 June 2006.

⁸ Wendt, Alexander.. "Three Cultures of Anarchy." *Social Theory of International Politics*, New York: Cambridge University Press. 1999, p.297

⁹ Deshingkar, Giri.. "India-China Relations: The Nehru Years" *China Report*. 27(85)1991, p. 88.

¹⁰ Fairbank, John KinG.(ed) "The chinese world Order: traditional China's foreign relations" Mass. Havard Univ. press, 1968 pp. 1-20

great pride in introducing Zhou Enlai in the Bandung conference of 1955, the latter did not like the paternalist attitude of Nehru. Later on, he commented to a group of journalists & politicians 'never met a more arrogant man than Nehru'.¹¹ This led some scholars to argue that the India-China relations in this phase were, at some level, a clash between Nehru's ego and the Chinese pride.

Hence this early phase India's China policy was full of asymmetry of mutual perceptions between the leaders of these newly emerging nation-states with great historical residues, which came to a tragic end with the border war of 1962.

2.2 Idealism gives way to balance of power (1964-1988)

India's China policy in the post-1962 got disillusioned with the Nehruvian idealism and rather started assuming Patelist realism, which saw China as a genuine threat to India since its annexation of Tibet in 1950, a subject that he discussed in his famous letter to Nehru dated Nov 7, 1950.¹² Post-1962 India's China policy was based on the argument of power rather than the power of argument. The Indian leadership after the defeat seemed to have learnt the balance of power politics in international relations well. Nehru himself asked for the US military assistance to strengthen the Indian army; ironically the same institution he wanted to dismantle soon after independence in 1947. India dramatically improved its conventional military strength along its borders with China. In fact, a better prepared Indian army taught the PLA a lesson when they tried to make intrusion into India in 1967 through Sikkim. India conducted its first so-called Peaceful Nuclear Explosion in 1974. When the balance of power again shifted towards China following Kissinger's and then Nixon's visit to Beijing in the early 1970s leading to the formation of a hostile US-China-Pakistan trilateral alliance against the former

¹¹ Neville Maxwell, *India's China war*, New York, Anchor Books, 1972. p.272

¹² "Sardar Vallabhbhai Patel's letter to Jawaharlal Nehru on 7 November 1950 not only deploring Indian Ambassador KM Panikkar's action but also warning about dangers from China", <http://www.friendsoftibet.org/main/sardar.html> Accessed on Sept. 22, 2014

soviet union, which also jeopardized India's security, PM Indira Gandhi responded by signing the *Indo-Soviet Treaty of Peace, Friendship and Cooperation* with the Soviet Union on August 9, 1971 that specified mutual strategic cooperation. Until then, India's relations with the Soviet Union were ambivalent right since the independence, guided by Nehru's decision to remain non-aligned. One can argue that in this phase "My enemy's enemy is my friend" became the maxim for both the countries.

This phase of India's China policy also witnessed cautious moves from India to restore relations with China. Following Mao's death in Sep 1976, New Delhi re-established ambassadorial exchanges with Beijing in the same year. It may be recalled here that ambassadors had been called back from each other's country after 1962 border conflict. In 1979, then foreign minister Atal Bihari Bajpai visited China, which was reciprocated by the Chinese leader Huang Hua in 1981, the first Chinese leader since Zhou Enlai visited India in 1960, and this led to the resumption of border talks. Some scholars have described these interactions as starting of detente between the two countries. However, these initiatives suffered a serious setback six years later in the event of a large scale military standoff between the two countries in the eastern sector at Sumdorong Chu in 1986-87.¹³

2.3 India's China policy adjusts to shifting great power relations and changing international environment (1988-1998)

Like his grandfather Nehru, who spearheaded India's early China policy, Rajiv Gandhi was the architect of this phase of India's China policy, which was more of an Indian adjustment to the changing great power relations, rather than a knee-jerk reaction. In 1982 Leonid Brezhnev had made an important speech at Tashkent signaling the Soviet Unions' desire for a Sino-soviet rapprochement. Four years later, Gorbachev made his famous Vladivostok speech in 1986, in which he also expressed his desire

¹³ Malone, David, M.. "The Sino-Indian Relationship: Can the two tigers Share a Mountain." *Does the Elephant Dance: Contemporary Indian Foreign Policy*. New Delhi: Oxford University Press. 2011 P.137.

to have better relations with China. So India could not afford to be left out.¹⁴ Rajiv Gandhi made his landmark visit to China in December 1988, after a gap of 34 years of an Indian Prime Minister's visit.

During the visit, a Joint Working Group, a groundwork for defense cooperation and military engagement, was established, which led to the signing of the Agreement on the Maintenance of Peace and Tranquillity along the Line of Actual Control (LAC) in the India-China Border area during the visit of the then PM P.V. Narashima Rao on 7th September 1993. Three years later, it was followed by the Agreement Between the Government of Republic of India and the Government of the People's Republic of China on Confidence Building Measures in the military field along the LAC in the India-China Border Areas during the visit of Chinese President Jiang Zemin to India on 29th November 1996.

However, his stand on the reversal of the decades-old Indian stand that resolution of the border dispute was a precondition for the normalization of relations between India and China and secondly, his acknowledgement that some members of the Tibetan community residing in India were engaged in anti-China activities on the Indian soil were seen by some as conciliatory to China.¹⁵

But on the whole one can argue that pragmatism, a little bit dynamism and realistic assessment of the changing international environment were the hallmarks of this phase of India's China policy.

2.4 *Responsive China policy (1998-2004) Phase-1*

New Delhi's China policy in this phase underwent a fundamental shift from being reactive to being uncharacteristically responsive. The shift was largely due to the new ruling dispensation in New Delhi that came to power after the general elections in 1998. This

¹⁴ Garver, John .W.. "China and South Asia" *The ANNALS of the American Academy of Political and Social Science*. 519(67), 1992, p.68.

¹⁵ Malone., op.cit.,

turnaround enjoys somewhat a notable parallel with the transformation in the US foreign policy, once the perceived weak leadership of Jimmy Carter was replaced by Ronald Reagan administration in 1980. The nationalist BJP, unlike the Congress, had no Nehruvian hangover or the psychological blow of 1962 defeat while dealing with Beijing. In fact, just like Sardar Patel, it saw China rather than Pakistan as the major threat to Indian security. The BJP-led NDA had also learnt from the failures of the previous governments' China policies that Beijing respects power.¹⁶ So Soon after coming to power at the centre, it conducted five nuclear tests in the Pokhran desert of Rajasthan in May 1998, which was meant primarily to reverse the course of growing nuclear asymmetry with China, as mentioned in the Vajpayee's famous letter to Clinton.¹⁷

The new regime had fully realized that in order to catch up with the growing Chinese power in Asia, just *internal development and stabilization*, (which some called as *internal balancing*) is not enough, India also needed partners. Therefore, it reoriented its policy of *Non-alignment* as India's foreign policy doctrine propounded by Nehru, and started adopting the policy of *Multi-alignment*, which some argue was the code-word for external (soft) balancing of growing Chinese power. Under this new foreign policy orientation, India first improved relations with the US. US President Bill Clinton visited India in March 2000 (the first presidential visit since Carter's tour to India in 1978). In 2002, when PM Atal Bihari Vajpayee visited US, he described India and the US as "natural allies" (against whom?). The US National Security Strategy Report of 2002 released by the White House redefined India-US relations, stating that as "India's potential to become one of the great democratic powers of the twenty-first

¹⁶ Cohen, Stephen, P.. "India as an Asian Power." India: Emerging Power. Washington D.C.: Brookings Institution Press. 2001, p.261.

¹⁷ "NUCLEAR ANXIETY; Indian's Letter to Clinton On the Nuclear Testing" <http://www.nytimes.com/1998/05/13/world/nuclear-anxiety-indian-s-letter-to-clinton-on-the-nuclear-testing.html>, Accessed on sept. 22, 2014

century,” the United States would “invest time and resources [for] building strong bilateral relations with India,” and “work hard to transform our relationship accordingly.”¹⁸ Importantly, the US-China relations were deteriorating at the same time. In 1999, NATO bombed the Chinese embassy in the former Yugoslavia (the only embassy that it targeted); in May of that year the Cox Report charged Chinese nationals with nuclear espionage and accused China of proliferation activities, the EP-3 incident¹⁹ in April 2001, the Bush administration's pro-Taiwan policy, and the perceived hostile attitude toward the PRC further exacerbated tensions in early 2001. Also the revised Nuclear Posture Review (NPR) included China as a nuclear target.²⁰

The new government was also very keen to deepen relations with Japan, South Korea and Australia, the three important maritime democracies in the Asia-Pacific. It invited the Australian Prime minister John Howard to India in July 2000 followed by Japanese Prime minister Mori Yoshiro in August 2000. India conducted naval exercise with South Korea (along with Vietnam) in the South China Sea in October-November 2000.

The BJP-led NDA launched the second phase of India's Look East Policy by holding the first-ever India-ASEAN summit in Phnom Penh, Cambodia in 2002, which also included the politico-security dimension apart from economics.²¹

At the same time the new government also continued to engage China. External Affairs Minister Jaswant Singh visited China in

¹⁸ National Security Strategy of the United States of America, Sep 2002. [Online: web] Accessed 26 March 2011 URL: <http://www.globalsecurity.org/military/library/policy/national/nss-020920.htm>

¹⁹ A U.S. Navy EP-3 reconnaissance aircraft operating above the waters of the South China Sea was struck by a PLA air force interceptor jet killing the Chinese pilot. It was forced to land on the Hainan land.

²⁰ Bleek, Phillip C., “Nuclear Posture Review Leaks; Outlines Targets, Contingencies” [Online: web] Accessed 26 June 2014 http://www.armscontrol.org/act/2002_04/nprapril02.

²¹ Mohan, C. Raja (2003), “Look East policy: phase two”, *The Hindu*, 9 Oct 2003

June 1999 and both sides reiterated that neither country was a threat to the other. President K.R. Narayanan's visit to China in May - June 2000 marked a return to high level exchanges. Premier Zhu Rongji visited India in January 2002. PM Vajpayee visited China in June 2003, the first visit by an Indian prime minister in a decade.²² The joint declaration signed during this visit expressed the view that both did not view each other a threat. The two states decided to appoint Special Representatives (SRs) in order to impart new momentum to border negotiations that had lasted now for more than 24 years, elevating the IndiaChina Joint Working Group (JWG).²³ India acknowledged China's sovereignty over Tibet and pledged not to allow "anti- China" political activities in India. On its part, China acknowledged Sikkim as part of the Indian union by agreeing to open a trading post along the border with the former kingdom.²⁴ Both countries also decided to hold their first joint naval exercise in the year 2003.

Thus, both the countries re-established the friendly relations with the visit of Indian Prime Minister Mr. Vajpayee to China in 2003 after a temporary setback in 1998.

3.0 India's China policy under Manmohan Singh (2004-14): Responsive Engagement phase-II

Any IR scholar analyzing India's China policy under Dr. Singh can argue that his policy was based on principles of both liberal as well as realist theories of international relations. New Delhi deepened its economic ties with Beijing. Both countries have far greater institutionalized cooperation between them at various spheres than any time before. At the same time, both countries continue to play balance of power politics against each other. While China took the lead in this game by continuing to assist South Asian states and incrementally increasing activities in the Indian Ocean keeping an eye on India, India's recently growing

²² Pant, Harsh V. "India in the Asia-Pacific: Rising Ambitions with an Eye on China", *Asia-Pacific Review* 14 (1) May 2007, p. 54-71.

²³ Ibid.

²⁴ Ibid.

ties with the Asia-Pacific nations, at some level were also seen as to manage the growing Chinese power in Asia and beyond. Scholars like David Scott argue that India has been engaging with China, at the same time hedging against an increasingly assertive China.²⁵

So Dr. Singh's China policy, following the liberal school of IR, engaged China in multiple sectors. However, given the already existing strategic distrust between New Delhi and Beijing, and a growing Chinese assertiveness, Dr. Singh could not ignore the basic elements of the realist school; while dealing with a rising power like China.

3.1 Engagements

New Delhi's engagement with Beijing under PM Singh was based at three levels. Firstly, it saw a high degree of interactions between the top leadership of the two countries. Secondly, India's economic ties with China have become all time high under Dr. Singh. Lastly, India also engaged China on defense related issues.

3.1.1 Summit level meets

During Manmohan Singh term, the high degree of engagement between the top leadership of both the countries continued. For instance, the Chinese Premier Wen Jiabao visited India on April 9-12, 2005 during which he proposed a three tier approach to the vexing border problem. This new initiative comprises "an accord on the guiding principles at the first stage, agreed framework in the second and actual delineation of the border in the third."²⁶ The two countries also agreed on a five year plan for comprehensive economic cooperation. The most satisfying result of the visit for India was Beijing's stand on Sikkim.²⁷ The official map endorsing

²⁵ Scott David, *India's role in the South China Sea: Geopolitics and Geo-economics in Play*, *India Review*, 12:2,2013, p.52

²⁶ "Joint Statement of the Republic of India and the People's Republic of China" <http://www.mea.gov.in/bilateral-documents.htm?dtl/6577/Joint+Statement+of+the+Republic+of+India+and+the+Peoples+Republic+of+China>, Accessed on June 22, 2014

²⁷ Amit Baruah, "China keeps its word on Sikkim," *The Hindu*, New Delhi, May 7, 2004

Sikkim as an Indian state was handed over to the Indian government which has done much to assuage India's feelings.²⁸ China obliquely acknowledged India's UNSC claims by stating that it recognizes India's role in the UN and the wider world and designated 2006 as the 'Year of China-India Friendship'. Also a Strategic and Cooperative Partnership for Peace and Prosperity was established.

In Nov 2006 President Hu Jintao visited New Delhi during which the two sides issued a Joint Declaration containing a ten-pronged strategy to intensify cooperation. The visit was reciprocated by PM Singh in Jan 2008. A joint document titled "A Shared Vision for the 21st Century" was issued during the visit. Premier Wen Jiabao again visited India on Dec 15-16, 2010. The highlights of this important visit include; 1. Strategic Economic dialogue proposal to enhance macro-economic policy coordination; 2. A new bilateral trade target of 100 billion USD by 2015; 3. 2011 Year of China-India Exchange.²⁹

The Chinese Premier Li Keqiang chose India for his first foreign official visit on May 19-21, 2013. During this visit, the two sides signed eight agreements and released a Joint Statement. Some of the significant proposals included in the Joint Statement were the decision to designate 2014 as the Year of Friendly Exchanges between India and China, decision to hold the first High Level Media Forum and the agreement to facilitate cooperation and linkages between Indian and Chinese cities & states/provinces. The first meeting of the India-China CEO's Forum was also held during this visit.³⁰

²⁸ Even though some Indian analysts were quick to point out that the recognition has been extended strictly in the context of border trade that China wants to expand.

²⁹ <http://in.chineseembassy.org/eng/zt/wenindia/>, Accessed on 10 July 2014

³⁰ <http://mea.gov.in/bilateral-documents.htm?dtl/21723/Joint+Statement+on+the+State+Visit+of+Chinese++Li+Keqiang+to+India>, Accessed on 10 July 2014

Dr. Manmohan Singh paid his last official visit as PM to China from 22-24 October 2013. He met President Xi Jinping, Premier Li Keqiang and Chairman of Standing Committee of National People's Congress Zhang Dejiang and former Premier Wen Jiabao. Dr. Singh became the first Indian PM to give a speech at the Central Party School in Beijing, an elite body that trains future leaders. In his speech he made a veiled reference to the ongoing dispute in South China Seas and made it clear that maritime security in the Indian and Pacific oceans was essential to India's energy security. Hence New Delhi wanted to see an "inclusive and rule-based security architecture in Asia."³¹ The two sides released a Joint Statement titled "A vision for future development of India-China strategic and cooperative partnership." Agreements relating to border, trans-border rivers, establishing service centers for servicing power equipment in India, road transport and Nalanda University were signed. Also signed were three agreements establishing sister-city partnership between Delhi-Beijing, Kolkata Kunming and Bangalore and Chengdu.³²

3.1.2 Economic ties

India-China trade touched new heights during the PM Singh term. China became India's largest trading partner in 2008 replacing the US³³ and India became the largest trading partner of China in South Asia. In Jan 2006 both countries signed an agreement which envisaged ONGC Videsh Ltd (OVL) and the China National Petroleum Corporation (CNPC) placing joint bids

³¹ 2013. "Manmohan Singh's speech on India-China relations at the Central Party School, Beijing." *The Hindu*. 24 October. <http://www.thehindu.com/news/resources/manmohan-singhs-speech-on-indiachina-relations-at-the-central-party-school-beijing/article5268097.ece> Accessed on 22 June 2014.

³² "joint statement A vision for future development of India China strategic and Co operative partenership" <http://mea.gov.in/bilateral-documents.htm?dtl/22379/Joint+Statement+A+vision+for+future+developme+nt+of+IndiaChina+strategic+and+cooperative+partnership>

³³ "China and India: Greater Economic Integration", <http://www.chinabusinessreview.com/china-and-india-greater-economic-integration/> Accessed on june 22 2014

for promising projects elsewhere. Both countries re-opened Nathula, an ancient trade route which was part of the Silk Road closed since 1962 war on June 18, 2006. The First ever Strategic Economic Dialogue (SED) between India and China was held in Beijing on Sep 26, 2011.³⁴ Its establishment was announced in the India-China joint communiqués issued during the visit to India by Chinese Premier Wen Jiabao in December 2010. The two sides agreed to constitute five working groups on 1. Policy coordination, 2. Infrastructure, 3. Energy, 4. Environment protection and 5. High-tech.³⁵ The second round of SED was held in New Delhi in Nov 2012 and third in Mar 2014 in Beijing.

During his visit to India in May last year, premier Li offered Indian goods more access to the Chinese market for narrowing bilateral trade deficit and expressed willingness to start talks for a free trade agreement (FTA) with India. While India's export to China stood at only \$13.52 billion in 2012-13, its imports from that country aggregated \$54.3 billion, leaving a trade deficit of \$40.78 billion. The two-way trade amounted to nearly \$65 billion in 2013 compared to a mere \$3 billion in 2000. China has become India's top trade partner³⁶

3.1.3 Defense Relations

Defense relations with China have also both expanded and deepened under PM Singh. China agreed to hold a “strategic dialogue” with India.³⁷

The armies of both the countries held their first joint military exercise, “hand-in-hand” in Kunming in 2007 in southwestern Yunnan province. The second round was held in Belgaum,

³⁴ <http://mea.gov.in/bilateral-documents.htm?dtl/5158/joint+communiqué+the+republic+of+India+and+the+peoples+Re>

³⁵ *ibid*

³⁶ “China Willing to Launch FTA Talks with India: Li Keqiang” *The Economic Times*, 21 May 2003

³⁷ Huanxin, Zhao, “China India forging strategic partnership” *China Daily*, 12 April. 2005. <http://www.China,Indiaforgingstrategicpartnership.mht>. Accessed 30 June 2014.

Karnataka, the following year. However, the third round of the exercise was held in Chengdu, southwest China in Nov 2013 after a gap of five years following the suspension of defense exchanges by New Delhi in 2009, after Beijing refused to host the then head of the Northern Command, citing its "sensitivities" on Kashmir 2013. The decision to resume the exercise was taken during the visit of the Chinese Defense Minister General Liang Guanglie to New Delhi in Sep 2012. A few days later both countries agreed to set up hotlines between army commanders in-charge of their respective border areas along Jammu and Kashmir and Northeastern states.³⁸

Both countries started annual defense dialogue (ADD) in Beijing Nov 2007, which held its sixth meeting in New Delhi in Feb 2014. Both sides agreed to continue to work towards maintaining peace and tranquility on their disputed border. Following the successful conduct of the joint army exercise in China in 2013, both sides also agreed to conduct the next joint exercise in India in 2014. Other measures agreed upon included strengthening of maritime security cooperation between their navies; officer exchanges and professional interactions at various levels of all services and exchanges in the areas of peacekeeping, counter terrorism and humanitarian assistance.³⁹

The major highlight of Dr. Singh's visit to China in October 2013 was "Border Defense Cooperation Agreement" designed to avert intrusion crises along the line of control along the border area. The momentum leading up to this agreement was largely generated by the incursion of a Chinese platoon into Indian territory in April 2013, known as the Daulat Beg Oldi incident. The incident was one of the most serious border incidents between India and China in recent history. The ten-article agreement enumerates several

³⁸ 2012. "India, China mull hotlines between Army Commanders" *The Economic Times*, 20 Sept.

³⁹ "6th India-China Defence and Security Dialogue Held", <http://pib.nic.in/newsite/PrintRelease.aspx?relid=104189>, Accessed on June 22, 2014

mechanisms to reduce misunderstandings and improve communications between the two nuclear-armed states along their disputed border in Kashmir. The agreement was expected to include a direct hotline between the Chinese and Indian Ministers of Defense.⁴⁰

3.2 Guarding against 'Rise of China'

Despite the engagement Dr. Singh's China policy did not turn a blind eye to the long-term threat posed by China to India's national security especially given the Chinese assertiveness in its territorial claims against its neighbors. So, he more or less, sustained the component of balance of power politics based on internal consolidation and external maneuvering, as witnessed in the NDA's China policy.

3.2.1 Internal Consolidation and Stabilization

Maximizing India's natural advantage in the Indian Ocean has become the core of India's internal understanding against China. The year 2005 saw the setting up of the Far Eastern Naval Command (FENC) at Port Blair on the Andaman and Nicobar islands. It is expected that the FENC will consist of three main bases and a network of anchor stations that will house surface combatants and patrol vessels as well as submarines. By some analysts, the completed facility will be bigger than the former US naval facility at Subic Bay in the Philippines, the America's largest overseas naval base during the Cold War.⁴¹

India's Maritime Military Strategy the 2007, a fat 147-page document for the period 2007-2012. It speaks about India's current naval strategy and its 'insight and the rationale for the resurgence of India's maritime military power'.⁴² It establishes 'power

⁴⁰ Panda, Ankit.. "Indian PM Signs Border Defense Agreement with China." *The Diplomat*. 24 October. 2013.

⁴¹ Ladwig III, Walter C., "Delhi's Pacific Ambition: Naval Power, "Look East," and India's Emerging Influence in the Asia-Pacific", *Asian Security*, 5 (2) (2009), p. 87-113.

⁴² India's Maritime Military Strategy (New Delhi: Integrated Headquarters. Ministry of Defence (Navy) 2007),

projection' as a feature of India's naval diplomacy and specifically mentions Alfred T. Mahan's sea power framework.⁴³ As a result, under the Singh administration, naval spending as a share of the defense budget even exceeded the share under the NDA with the Navy allocated 17.3 per cent for 200506 and 200607 and 18.26 for 200708. Hence, an impression that 'surging defense budgets have provided the Indian Navy more resources to pursue the goals set forth in its 2007 Maritime Military Strategy.'⁴⁴ Although the naval spending got reduced due to the impact of global recession; by 2013 it had got its share again.⁴⁵

In 2008, for the first time, the Indian Air force stationed its most advanced fighter jets, the Su-MKI30, at four bases in north eastern India-Tezpur, Avantipur (Baghhdogra), Chhabua and Hashimara. The Su-30 MKI's 1500 km (932 miles) combat radius is enough to cover all the major cities in southwest China, including Kunming, Chengdu and Chongqing. In 2008 India reactivated the 2.1-km airstrip at Daulat Beg Oldi (DBO) in northeastern Ladakh. The highly strategic Advanced Landing Ground (ALG) is located close to the Chinese controlled portion of Kashmir, also referred to as *Aksai Chin*. It is just eight kilometers from the Karakorum Highway that links Pakistan with China.⁴⁶

In a an article in China Daily, Hu Yinan Writes, The Indian Ministry of Defense announced its biggest expansion package to date, a US\$13 billion military modernization plan. Under this plan, within the next five years, the Indian army is set to deploy 90,000 more soldiers and raise four new divisions along India's border with China, the largest such mobilization since the Sino-

⁴³ *ibid*

⁴⁴ Scott, David.. "India's Aspirations and Strategy for the Indian Ocean Securing the Waves" *Journal of Strategic Studies* , 2013, Vol. 36, No. 4, 484-511, <http://dx.doi.org/10.1080/01402390.2012.728134>.

⁴⁵ *ibid*

⁴⁶ Holslag, Jonathan.. "Persistent Security Dilemma between India and China." *Journal of Strategic Studies*, 32(6), 2009, p,822. Also see, Sudha Ramachandran, "India takes the high ground against China", *Asia Times*, June 14, 2008

Indian border clashes of 1962'.⁴⁷

3.2.2 External maneuvering

Look East policy (LEP)

India's Look East Policy was officially initiated in 1992. The main driver behind this policy was the economic doldrums of early 1990s and the necessity of adjusting India's policy to the changing global environment. India saw Southeast Asia as a springboard to join the unfolding *globalization*. The policy assumed strategic dimension when it entered into its second stage with the first-ever India-ASEAN summit held in Phnom Penh, Cambodia in 2002 where, India broadened the scope of 'East' by incorporating Japan, South Korea and Australia, the three maritime democracies in the Asia-Pacific.

Under PM Singh, LEP touched new heights and became the jewel in India's foreign policy over his decade long tenure. India became a member of East Asia Summit (EAS) in 2005 (despite China's negative diplomatic maneuvering). To mark the 20th anniversary of the ASEAN-India dialogue partnership and the 10th anniversary of ASEAN-India Summit-level partnership, India hosted the ASEAN-India Commemorative Summit in New Delhi on December 20-21, 2012 its focus was on Free Trade Area and creating a strategic partnership between the regional grouping of ASEAN and India.⁴⁸

The transformational improvement in India-Japan relations over the last decade is another big gain of this policy. In fact, there is a school of thought which argues that India's LEP is singularly based on the Japanese support.⁴⁹ The strategic dimension to the partnership was introduced in joint statement during Koizumi Junichiro's visit to India in April 2005. The establishment of the

⁴⁷ Hu Yinan, "India sees China as 'de facto competitor'", China Daily, Nov 10, 2011

⁴⁸ <http://mea.gov.in/in-focus-article.htm?20982/Vision+Statement+ASEANIndia+Commemorative+Summit>. Accessed on 22 June 2013.

⁴⁹ Harsh V. Pant, "India in the Asia-Pacific: Rising Ambitions with an Eye on China", *Asia-Pacific Review*, 14(1), 2007, p.54-71.

Strategic and Global Partnership between India and Japan during PM Singh's visit to Japan in December 2006 elevated relations to a new level.⁵⁰ In 2006 Japan became only the second country with which India had a bilateral annual summit apart from Russia. When then PM, Shinzo Abe visited India in August 2007, the joint statement sought to provide a roadmap for new dimensions to the strategic and global partnership.⁵¹ The October 2008 joint statement during PM Singh's visit to Japan mentioned the advancement of the strategic and global partnership, making Japan the only country with which India has a security pact. In February 2011 both countries signed the Comprehensive Economic Partnership Agreement (CEPA) which came into force in August of the same year. In late October 2011, India's External Affairs minister visited Japan for the fifth round of the India-Japan Strategic Dialogue. Two months later in December 2011 Japanese Prime Minister, Yoshihiko Noda visited India for the sixth annual meeting of the leaders of India and Japan. In 2014 PM Abe became the chief guest in India's Republic Day parade⁵² and India also hosted Japanese emperor and empress in Nov, 2013. It was the success of India's LEP under Dr. Singh that some sections in Chinese media for the first time started asking the question whether India's Look East Policy is "look to encircle China?"⁵³

India's relations with Australia have also assumed strategic dimension during Dr. Singh's tenure as PM. After denying the sale of uranium to India for a long time Australian Prime Minister Julia Gillard during her visit to New Delhi in Nov 2011 announced that she would push her party to support uranium

⁵⁰ http://www.aseanindia.com/wp-content/uploads/2013/51/Japan_Relations_-_Jan_2013.pdf. Accessed on 23 June 2014.

⁵¹ Ibid.

⁵² Dikshit, Sandeep.. "Japanese PM to be chief guest at Republic Day parade", 24 Jan 2014.

⁵³ Li Hongmei, "India's Look East Policy means Look to encircle China?", *People's Daily Online*, 27 October 2010. [Online: web] Accessed 5 Nov. 2010 URL: <http://english.peopledaily.com.cn/90002/96417/7179404.html>

sales to India.⁵⁴ Both countries conducted a joint naval exercise, termed Malabar 2007, in the Pacific and Indian Oceans alongside the USA and Japan and Singapore in 2007. These developments might led to the formation of “axis of democracies” or Asian NATO against China as some Chinese strategist apprehend.⁵⁵

India has deepened its ties with South Korea. The Korean Defense minister visited New Delhi for the first time in 2007. President Lee paid a landmark visit to India in 2010 when the bilateral ties were raised to the level of Strategic Partnership. He was also the Chief Guest at India's Republic Day celebrations. President Pratibha Devisingh Patil went on a State Visit to RoK from 24-27 July 2011 during which the Civil Nuclear Energy Cooperation Agreement was signed. Dr. Singh paid an official visit to Seoul from 24-27 March 2012, both for bilateral and Nuclear Security Summits.

US-India ties

Indo-US relationship saw significant and notable achievements under Dr Singh's tenure. When Dr. Singh took over as PM in late 2004, he went ahead with the civilian nuclear deal with America. He even threatened to resign if Civilian nuclear deal, first proposed by Bush to him during his visit to the US in 2005, was not signed. The deal was finally signed on 1st Oct 2008 ending the three-decade old nuclear *apartheid of India*, though Dr. Singh had to lose the support of the Left parties who were the part of the coalition he was heading.

Indo-US bilateral relations under PM Singh developed into a global strategic partnership, based on increasing convergence of interests on bilateral, regional and global issues. With the signing of the 'New Framework for India-U.S. Defense Relationship' in June 2005, bilateral defense cooperation has intensified with the growing defense, trade, joint exercises, personnel exchanges, collaboration and cooperation in maritime security and counter

⁵⁴ Maher, Sid.. “Gillard defends decision to negotiate selling uranium to India”, The Australian. 16 Oct 2012.

⁵⁵ Twining, Daniel, “Democratic partnership in Asia”, Policy Review, (2010), p.55-70.

piracy operations, exchanges between each of the Services, etc. Defense trade has shown significant growth in recent years with aggregate worth of defense acquisitions from U.S. crossing USD 9 billion. The two sides are in consultations to upgrade the defense ties by simplifying technology transfer policies and exploring possibilities of co-development and co-production of defense systems to invest the defense relationship with strategic value.

The State visit of Prime Minister Dr. Manmohan Singh to Washington D.C. from 22-26 November, 2009 as the first State Guest of President Barack Obama reaffirmed the global strategic partnership between India and the United States. President Obama's visit to India from 6-9 November 2010 imparted further momentum to bilateral cooperation and helped establish a long-term framework for India-U.S. global strategic partnership.⁵⁶

In March 2009, the Obama Administration cleared the US\$2.1 billion sale of eight P-8 Poseidons to India.⁵⁷ This deal, and the \$5 billion agreement to provide Boeing C-17 military transport aircraft and General Electric F414 engines announced during Obama's November 2010 visit, makes the US one of the top three military suppliers to India (after Russia and Israel).⁵⁸

In 2010, India and the US "launched a Strategic Dialogue in Washington D.C. on the Asia-Pacific to ensure that the world's two largest democracies pursue strategies that reinforce one another."⁵⁹ The fourth round of the strategic dialogue was held in New Delhi in June 2013.

The then Secretary of State, Hillary Clinton in a speech in Honolulu in October 2010 formulated an expression the "Indo-

⁵⁶ <http://www.wsws.org/en/articles/2010/11/indi-n06.html>. Accessed on 29 June, 2014.,

⁵⁷ <http://www.reuters.com/article/2009/03/16/us-india-usa-arms-idUSTRE52F6X520090316>. Accessed on 30 June 2004.

⁵⁸ <http://www.cfr.org/india/arms-sales-india/p24210>. Accessed on 30 June 2014.

⁵⁹ <http://www.hindustantimes.com/world-news/india-s-rise-will-reshape-global-system-says-us/article1-765063.aspx> Accessed on 30 June 30 2014.

Pacific”, a newly emerged and integrated theatre joining the Indian and the Pacific oceans in which the US and India expanding their co operation for the smooth flow of trade and commerce.⁶⁰ On 19th December 2011, India, Japan and the US, the three maritime democracies, held their first-ever trilateral dialogue in Washington, which was described by a Chinese article as yet another component of the containment strategy.⁶¹ The next trilateral meet was held in Tokyo, Japan in 2012.

India and U.S. have intensified and expanded their strategic consultations in recent years with dialogues covering East Asia, Central Asia and West Asia. The two sides have agreed on strategic consultations covering Latin America and Africa. India and the U.S. have a trilateral agreement with Japan (fourth meeting took place in Washington on 1 May 2013) and a trilateral agreement with Afghanistan (second meeting took place in February 2013 in New Delhi). President Obama characterized India-U.S. relationship as one of the defining partnerships of the 21st Century.⁶²

4.0 Critics of Singh's China policy

PM Singh's China Policy has been criticized mainly on two grounds, namely, growing trade imbalance, and frequent Chinese intrusions along the LOAC. China's aversion to open up certain sectors, pharmaceuticals, agriculture and services has been a major failure of India's economic diplomacy. And moreover, India has been exporting raw materials and importing manufactured goods from China. This has led some analysts to dub this relationship as semi-colonial.

On security ground, China has been more assertive on border issues (i.e. Violations of the LOAC) and territorial claims and

⁶⁰ Shyam Saran, Mapping the Indo-Pacific”, Indian Express, Oct 29 2011.

⁶¹ “US, Japan, India hold first trilateral dialogue”, Global Times, Dec 20 2011. [Online: web] Accessed 26 March 2012 URL: <http://www.globaltimes.cn/NEWS/tabid/99/ID/689186/US-Japan-India-hold-first-trilateral-dialogue.aspx>

⁶² Indo-US ties one of the defining 21st century partnerships', Business Line, Mar.12, 2014

India's weak response. The severest criticism of his China policy came from Narendra Modi during the election campaign for 2014 general elections; where he blamed that Singh's weakness had encouraged China's army to encroach on Indian territory. To quote him, "We remained weak when we needed to be strong," Modi said, referring to tensions along the 3,500-kilometer (2,175-mile) border shared by the world's two most populous countries.⁶³

Perhaps one of the sharpest criticisms of India's overall foreign policy under Prime Minister Manmohan Singh came from the former foreign minister, Mr. Natwar Singh who went to the extent of saying that New Delhi had no foreign policy under Dr. Singh.⁶⁴

According to G. Parthasarathy, a visiting professor at the New Delhi-based Centre for Policy Research "No government can be weaker on China than the present one," he said. "They are starting from a very low base."⁶⁵

Foreign and security policy analyst Brahma Chellaney, commenting on the accords signed between New Delhi and Beijing during Dr. Singh's last visit to China in Oct. 2013 points out that the 'river- waters accord' was deep in rhetoric and not substance while Border Defense Cooperation Agreement (BDCA) contains nothing to prevent the increasing Chinese intrusion into the Indian territory.⁶⁶

5.0 China's perspective

Newspapers like Global Times analyzed Singh's China policy as the continuation of a pragmatic improvement witnessed since P. V. Narsimha Raos's time. To quote Global Times,

⁶³ <http://www.smh.com.au/world/indias-pm-singh-accused-of-being-weak-on-china-20131022-2vxl.html>. Accessed on 13 June 2014.

⁶⁴ <http://www.dailymail.co.uk/indiahome/indianews/article-2536125/We-no-foreign-policy-Natwar-Singh-launches-devastating-attack-PMs-legacy-claims-Government-crutches.html>. Accessed on 02 Nov. 2014

⁶⁵ <http://www.bloomberg.com/news/2013-10-21/singh-attacked-for-being-weak-on-china-in-pre-election-visit.html>. Accessed on 14 July, 2013.

⁶⁶ http://www.newstoday.com.bd/?option=details&news_id=2364518&date=2013-12-16 accessed on 02, Nov. 2014

"Since the 1990s, India's position on border issue with China witnessed a pragmatic improvement in Rao's time, a legacy Vajpayee maintained in his 2003 visit to China by departing from India's traditional approach and agreeing to negotiations based on "territorial give-and-take" rather than asserting China was the aggressor and must vacate disputed territories. Singh adhered to this principle and significantly improved India-China relations. In 2013, Singh made a historic visit to China with the signing of Border Defense Cooperation Agreement (BDCA), in which both countries pledged not to use force in case of face-offs."⁶⁷

Bilateral mechanisms such as India- China Strategic co operative partnership dialogue, Political guiding principles to resolve the border issue and Border Defense Co operation Agreement (BDCA) to manage tensions along the disputed border were praised and acclaimed by the Chinese leadership.⁶⁸

During Dr. Singh's last visit to Beijing in October 2013, President Xi lavishly praised him for his contributions to Sino-Indian relations.⁶⁹

However, one can also argue that Beijing has an interesting perspective on India's China policy under Prime Minister Manmohan Singh. On the one hand, they seemed to be very receptive towards India's desire to strengthen bilateral relationship. On the other hand, it has become increasingly suspicious and critical of India's multialigned diplomacy. China is especially weary of India's LEP⁷⁰ and growing India-US strategic partnership.⁷¹

⁶⁷ <http://www.globaltimes.cn/content/865737.shtml>, Accessed on 14 Oct.2014

⁶⁸ http://articles.economictimes.indiatimes.com/2014-05-16/news/49898427_1_border-defence-cooperation-agreement-sino-indian-ties-border-issue, Accessed on 14, Oct.2014

⁶⁹ http://articles.economictimes.indiatimes.com/2013-10-23/news/43326445_1_sino-india-ties-xi-praises-china-india-ties. Accessed on 02, Nov.2014

⁷⁰ Li, op. cit., p.13.

⁷¹ <http://www.rediff.com/news/column/china-worried-over-us-india-military-cooperation/20090924.htm>. Accessed on 14 July 2014.

6.0 Conclusion

India's China policy over the last six decades shows that it has evolved through three phases i.e. emotional, reactive, and responsive. In the 1950s India's China Policy was guided by more of emotion and some degree of romanticism; whereas in the 60s and 70s India's policy became more of reactionary to Chinese moves. However, since late 1980s an attempt has been made by New Delhi to start responding to Beijing. The responsive mode was laid down by Rajiv Gandhi and it was vigorously pursued by the NDA under Prime Minister Vajpayee. Prime Minister Manmohan Singh carried forward the responsiveness in his China policy somewhat in a gingerly manner.

To conclude, India and China both have moved far ahead since 1950s. The trajectory of their relations has been that of cooperation, competition and co-existence.

India and China in the New World Order

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Abstract

By the end of 1980s and the beginning of 1990s there was lot to be seen, heard and written about. Berlin wall came down, Germany got united. Soviet Union disintegrated and new Independent countries were born as a result. The twenty-first century is different in many ways. There is no USSR, Germany is just Germany, Central Asia has more countries under its geographical boundary. The world today is not bipolar as it was during the cold war era and it is certainly not unipolar as it was thought to be in the immediate years after the end of cold war, rather it is a multipolar world and this 'new world order' has new players. With the emergence of several regional organisations and regional powers including India and China, the international community today is witnessing a power shift from the developed western states to Asia. There has been a continuous process of economic integration, as well as cooperation in politics and security in Asia. Regional cooperation as a whole has deepened further and Asia has come to play a prominent part in the international framework.

India and China have emerged as economic and political power in this new world order. This power shift has a significant impact on geopolitics, both regional and global. India and China as rapidly developing nations of billion plus population, possessing nuclear weapons, are essential elements in this geopolitics. India is an established democracy, bearer of a distinct social and political philosophy and is located at the crest of several strategically important global regions. India and China have had long historical, cultural and political connections. Though, the relations of these two Asian giants have seen many crests and troughs, it is important to have a proper understanding of their relations.

Looking back at History

A brief peep into the history shows that the Indo-Chinese Cultural Relations have had more than two thousand years of interaction. The two oldest and greatest civilizations co-existed as peaceful and for significant part of the history as prosperous neighbours. Both nations share several things in Common. It is believed Buddha/Buddhism was born in India and one of the first Indian influences over China was philosophy of Buddhism. Writings of

the Chinese travellers including Hieun Tsang and Fa hien are still regarded as the precious historical literature.¹ It is believed that the Martial arts, which originated around 200 BC went to China and then to other parts of Asia from India.²

Post Independence, India was the one of the first countries to propose China for the United Nations Security Council permanent seat. Leaders of both the countries, Nehru in India and Mao in China worked hard for the political stability and economic prosperity of their countries. Both India and China faced several socio economic crises and challenges in nation building, in the initial few years, India after attaining independence and China after the war (1949-52). These two countries have mostly enjoyed healthy relationship. However, there were some serious turbulent times between India and China, which brought their relation to a thaw for almost three decades.

Even today there are differences between India and China and there are issues that look like mountain massif, for example, the Tibet and the Border issue. After the 1962 War which was unfortunate and made their relations ice cold but the tranquil and peaceful borders are signs of maturity shown by both the neighbours. Then there are the territorial disputes over large chunks of lands along thnorthern and north-easte rn borders and constant incursion and intrusion etc; but these are likely to be resolved through dialogue. Both India and China feel that common interests by far outweigh the differences and both the countries are doing everything possible to enhance mutual trust rather than increasing suspicion.

India and China today

In this new world order India and China have begun to draw closer, recognising their potential and their common interest in trade, regional stability and security. Since the ice breaking significant visit by Indian PM Mr. Rajiv Gandhi in 1988, there have been diplomatic visits from both sides, and the outcomes of five key visits in the last decade have been transformational for India-China ties. The visits of the Prime Minister Vajpayee in

2003, Premier Wen Jiabao in 2005 and 2010, President Hu Jintao in 2006 and Prime Minister Manmohan Singh in 2008 have all contributed in putting the bilateral relation back on track and building some degree of trust between the two.³

In 2012, several important bilateral dialogues and meetings were held. The two countries reached a consensus to set-up the Working Mechanism for Consultation and Coordination on India-China Border Affairs. The National Security Advisor visited Beijing to hold an informal round of border talks. The Second Round of the Strategic and Economic Dialogue was held in Delhi in November 2012.⁴ The Chairman of the National Development and Reform Commission of China, Zhang Ping co-chaired the Dialogue with Deputy Chairman Planning Commission. The two sides signed a total of 4 Government to Government and 7 business related MoUs worth over US\$ 5.2 billion during the dialogue. There have been meetings of the Joint Economic Group too.⁵

Even in terms of security issues, there may be for more engagements, keeping in mind the vigour with which China is trying to engage itself with the south Asian countries and India is a strong power in South Asia as was visible even in the just concluded SAARC Summit in Kathmandu in Nepal. The other reason for security engagements is because South Asia is a factor that affects China's security, for example, the boundary dispute with India and Bhutan; India and Nepal are destinations for Tibetan refugees etc.; and the Af-Pak region is considered to be the source of extremist influences in Xinjiang.⁶ Besides this, China also needs to keep the India factor in mind in relation with the ASEAN countries, as with its 'Act East' policy. India has already moved a step closer to these countries.

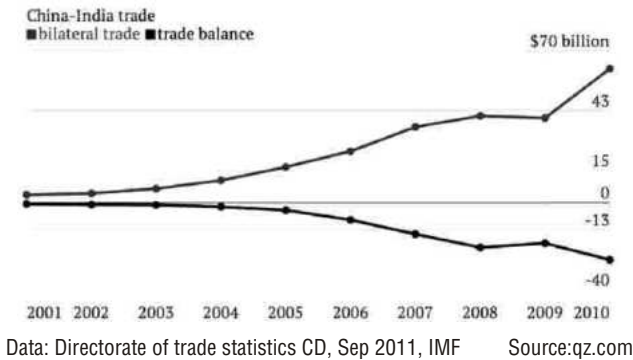
Bilateral consultations on regional issues pertaining to West Asia and Africa have also been held. Consultations on Afghanistan and the Sixth Round of the Counter-Terrorism Dialogue were held in China in 2013. With respect to defence exchanges, the Annual Defence Dialogue has been happening every year.⁷ The

formal invitation to put in application for the membership to SCO in the recently concluded SCO Summit at Dushanbe in September 2014 was another sign of good hope for greater engagement of these two powers in Asia.⁸

Economy and Trade

The two massive, neighbouring Asian emerging economies are on the way to forming one of the world's largest trade relationships. When India initiated its comprehensive reforms in 1991, the level of bilateral trade between the two countries was insignificant as the trade basket was restricted to a limited number of products. However within a short period, China has become India's single most important trading partner.⁹ According to a study by the PHD Chamber of Commerce, an industry trade group in New Delhi, China has become India's largest trading partner, with Sino-Indian trade reaching \$49.5 billion during the first nine months of the current fiscal year.¹⁰ By March 2008, China for the first time emerged as India's largest trading partner replacing the US.¹¹ And now India-China trade has reached USD 49.5 billion with 8.7 per cent share in India's total trade, while the US comes second at USD 46 billion with 8.1 per cent share and the UAE third at USD 45.4 billion with 8 per cent share during the first nine months of the current fiscal. The UAE was India's biggest trading partner in the 2012-13 fiscal. India's trade (exports and imports) with China was only of USD 7 billion in 2004 which rose to USD 38 billion in 2008 and to USD 65 billion in 2013.¹²





Recent developments

Regarding the very recent developments between the two countries, Chinese PM was the first foreign leader to call Modi after he assumed office in May 2014 and Modi and Li hit it off so well that the conversation lasted for almost about 30 minutes. This probably is a good sign for the future of India China relation. Outlining the ancient links between the two countries, Modi regaled Chinese Premier Li Keqiang with a reference to the travels of Hiuen Tsang in their telephonic conversation, saying the Chinese scholar had even visited his village Vadnagar during his stay in India in the 7th century.¹³ The Vice-President Hamid Ansari's visit to China to mark the 60th anniversary of Panchsheel on June 28, 2014 has also paved the way for mutual co operations.

Regarding the Chinese Foreign Minister's visit to Delhi, one Indian official, without getting into the specifics, said "all perennials" of China-Indian relations were discussed in a frank manner during the meeting, including the need for resolving the contentious border issue.¹⁴ Foreign Minister Wang Yi, promised support for India's economic development and insisted that the dreams of both China and India have commonalities and that Beijing was ready to engage with the new government. Even while there was a determination to add new content and substance to the relationship, there was an understanding that respect for the sensitivities and aspirations of each other was

essential for expansion of bilateral relations.¹⁵

President Xi's speech during his visit to India in September 2014 in which he said "Chinese dragon and Indian elephant" live in harmony and can make inclusive development which will bring benefits to the whole world. With both sides showing keen interest for improvement and furthering the bilateral relation to greater level, there is no reason to be suspicious of anything.¹⁶ PM Modi however, cautioned the Chinese leader and made India's position very clear, regarding Chinese incursion in Ladakh and any untoward incident. He gave a befitting hint by saying that, "Even such small incidents can impact the biggest of relationships just as a little toothache can paralyze the entire body".¹⁷

The bilateral relations between India and China are at all time high now. China is emerging as India's largest trading partner after the US. People to people level interactions have increased significantly. Number of Indian tourists and businessmen visiting China and vice versa, has increased tremendously. Number of scholarships offered by the Chinese government has increased which is a positive step. Joint military exercises and cooperation in combating terrorism have brought both countries even closer.

As India and China are now significant powers, their relationship is also significant since both are adjacent major states having 'widening geopolitical horizons' and both coming across each other quite often. This may be what David Scott terms as 'the logic of geography'.¹⁸ And Afghanistan is just one example of this.

The Afghanistan Factor

Afghanistan is a very crucial factor in testing the depth of their relations as both these countries are expected to engage and play a critical role in the future of peace and stability in Afghanistan and the region. Right now the two alarming challenges confronting the Government and people of Afghanistan are development and security. And all countries of the region have enormous stakes in the stability and security of Afghanistan including India and

China. Regarding India and China's engagements in Afghanistan, it would be important to understand the aim, objectives and foreign policies of both these countries.

India and Afghanistan have a relationship rooted in deep historical and cultural links. India believes that democracy and development are the key instruments to ensure that Afghanistan becomes a source of regional stability. And this in turn will help in developing commercial and economic opportunities addressing trans border issues like cross-border infiltration and terrorism. Afghanistan is a member of SAARC and India recognises the importance of regional cooperation. India has played a significant role in the reconstruction and rehabilitation of Afghanistan, reflecting an abiding commitment to peace, stability and prosperity in Afghanistan during this critical period of transition in security and governance.

India since 2001 has adopted a soft power strategy in Afghanistan. Its policy has mainly been of providing humanitarian assistance, developing infrastructure, capacity building and working toward integrating Afghanistan into the South Asian cooperative framework so as to revive the traditional role of Afghanistan as a 'land bridge' connecting South Asia with Central Asia and West Asia.¹⁹

India's expanding partnership with Afghanistan has grown over time into multi sectoral activities. India has contributed immensely to the international reconstruction effort in Afghanistan. It completed the construction of 218 kilometer long Zaranj-Delaram road in southwestern Afghanistan and 60 kilometers of inner-city roads in Zaranj and Gurguri, in January 2009 at a cost of US \$150 million. Telecommunication and power grids projects were also functional by 2009. At the humanitarian level also, the Indian government has done quite a lot of work. It has reconstructed the Indira Gandhi Institute of Child Health in Kabul and provides free medical consultation and medicine through branches of the Indian Medical Mission in Kabul,

Kandahar, Jalalabad, Herat, and Mazare-Sharif.²⁰ India has built and has been running schools and hospitals, apart from training the fledgling Afghan administration.²¹ The list is actually quite long and these are just a few of areas engagements by India.

India, by adopting a low key role in the last few years, has set itself apart as a country which is genuinely interested in the reconstruction and development.²² India shares the international community's collective commitment of unity, integrity and prosperity of Afghanistan. India as a close neighbour and friend has always sought to play a big role in every effort of Afghanistan to stabilise and reconstruct itself. India's small budget interventions in Pashtun areas have been well received by the population, even in the areas which have some degree of militancy. The Partnership Agreement between the two countries allows India to strengthen linkages in the security sector too. And the common Afghan people, irrespective of ethnicity, are keen that India should continue to play a bigger role in stabilising Afghanistan.²³

India's reconstruction and developmental programmes in Afghanistan follows priorities both of the Afghan Government and its people. These include education, medical services, transport, telecommunications, civil aviation, agriculture, irrigation, power generation, industry and rural development.²⁴ India has signed a strategic partnership agreement with Afghanistan, signalling that it will stand by the Afghan government even post 2014. However, against the rapidly changing internal and external factors India will have to craft its policies accordingly towards Afghanistan. There are also opinions that India must Provide Maximum Assistance, including Military Aid to Afghanistan and India should be prepared for an enhanced engagement.²⁵ India will also need to provide adequate resources and make sure to build the institutional infrastructure, so as to sustain its ties with Afghanistan.²⁶

On the other hand, the Chinese interests, stances and perspectives are primarily in the economic sphere and its engagement is mainly in aid and development financing; bilateral trade; and investment in natural resources. And in terms of import of goods from Afghanistan, China does not figure in the top five countries. India along with Pakistan is at the top (around 25% approx.) followed by US (14.9%), Tajikistan (9.6%) and Germany (5%).²⁷ However, as mentioned already every country in the region has a role to play and wishes to see peace and stability in Afghanistan. Like wise China also has a role to play and also from the view of its geo strategic interests China will be engaged in Afghanistan and in the region.

In the light of the above, it is very much clear that India and China have both challenges and responsibility and will sort out these with cooperation. The year 2013 was a year of development and cooperation for Asia. Emerging economies in Asia kept up its rapid growth and contributed to the development and prosperity of the world. Asia remained a major engine of the world economy. It is a common aspiration of Asian countries to live in peace, stability and development.²⁸ So there is a lot of prospects regarding the future of Indo- China relations.

Future Prospects

India-China relations now are relatively stable except for some problems. The territory disputes that still occur on both sides of the border need frankness to admit mistakes of the past. However, now they require objective assessment and education of the public. Both governments have shown increased maturity, with differences in boundary not having led to armed conflicts or bloodshed. China is eager to come to an agreement regarding defence cooperation between the countries, reflecting that territory is not the biggest problem. As ambassador Saran observes that, "the simultaneous emergence of India and China as Asian and global powers in fact makes it imperative for them to be sensitive to each other's interests and aspirations... that they work together to mutually support their rightful place... We in India

believe that there is enough space and opportunity in Asia and beyond for the two countries to grow".²⁹

Fundamentally it is their respective domestic imperatives of development and modernisation which are shaping the contours of their foreign policy. So it is interesting to note that the real shape of India China relationship is thus still in the process of unfolding. There are many possibilities of engagements and cooperation between India and China at multi level, in the sphere of economy, security or politics. Beijing has been following the events in Delhi ever since January 2014. With the government change in Delhi, Beijing made first move by calling on the new PM and immediately sending its Foreign Minister Mr. Wang Yi to Delhi. Buoyed by the optimism over the new Indian government's moves to improve ties with Pakistan and China, Beijing apparently is exploring trilateral security cooperation with its two neighbours", India and Pakistan.

Seen as a significant initiative, journalists of the influential Global Times, an affiliate of the ruling Communist Party of China's (CPC) People's Daily publication group recently visited Pakistan and sought the views of a possible India-China-Pakistan trilateral cooperation with the scholars of Islamabad Institute of Strategic Studies (IISS). However there are mixed views of Pakistani analysts who welcomed such a move with concerns over increase in India's defence capabilities. Analysts in Beijing see it a significant initiative by China as it seeks to push its relations with India in the backdrop of common concerns over withdrawal of US troops from Afghanistan and the potential destabilising effect it will have in the region, specially Xinjiang where Chinese security forces are dealing with rising attacks by the East Turkestan Islamic Movement (ETIM).³⁰

Like India, China too is saddled with militant infiltration from AfPak region and Pakistan occupied Kashmir (PoK). Several ETIM Militants were reportedly killed in the ongoing Pakistan military operation in the tribal areas. So far no formal trilateral

meeting has taken place, but the idea itself sounds excellent.³¹ However, India was part of talks which, China recently held with Russia and Pakistan over Afghanistan.

Even on the economic front, according to the data that is available, economic relations between India and China are currently focused entirely on developing goods trade. These trade relations will continue to be strengthened in the future, especially so, if India agrees to sign the free trade agreement that China has proposed, which is still being debated.³² However, both sides need to recognise that one cannot have these special agreements unless both sides can balance the gains and losses. The agreement has to be a comprehensive one that includes trade in both goods and services.³³

Infrastructure development by China in our neighbourhood can also be further developed by India to foster greater trade and commerce. India is slowly playing a greater role in Southeast Asia, and the Indian Navy is also becoming important in keeping peace against piracy. India and China in recent times have achieved an unprecedented level of communication and relations and this opportunity should be used for some crucial and important deals and decisions.³⁴

Shortcomings and Challenges

There are several shortcomings and challenges in India-China Relations like border disputes, Pakistan factor, standard of Chinese goods etc., and both countries need to address them effectively. And it is in the interests of both India and China that they first and foremost sort out the border dispute and then think of more aggressive trade and economic ties and not vice versa. Till then the ongoing diplomatic, economic and cultural should be continued.

However, the bigger problem is in fact the neighbourhood issue regarding Pakistan. Despite Pakistan's façade of successful democratization, there are no emergent signs of Pakistan moderating, modernising or accepting plurality or democracy of

effective institutions. The ideological space is taken up by fundamentalists. Since China is a major supporter of Pakistan, it is in the interest more of China to take a clear position regarding Pakistan's constant terrorist acts and infiltrations in India. However, on the issue of Afghanistan deeper dialogues are necessary and India must not be excluded from participating and taking action in issues concerning Afghanistan.

The other very important challenge is quality control of Chinese goods in India. These Chinese goods are available even in the remotest parts of India and are economical too. These are low and cheap-quality goods which are hazarderous for children. Related to this is the issue of manufacturing industry. There are already some special losses to certain manufacturing sectors such as toys, hosiery etc. All these need to be addressed at the earliest.

Conclusion

Twenty first century belongs to Asia and the simultaneous rise of India and China is an essential factor for understanding this century. Both powers have come to play very crucial role in today's International politics both at regional and global level. . India and China are going to be the key players and therefore should cooperate for the betterment of the world. They will usher in a new set of international alignments, potentially weakening the West influence. There is a possibility of these two rising powers choosing to manage their relations through mutual co operations and interdependence.

Historically India and China have had very close relation since ancient times, even in the immediate years after Independence. India was one of the first countries to support China for United Nations Security Council permanent seat. Thereafter it was turbulent time and then thaw for almost three decades. However, today India shares cultural, political, commercial and economic relation with China. Trade and economic relationship has seen rapid progress in the last few years. There are also a number of joint exercises between the two countries. The year 2014 is the

'Year of India-China Friendly Exchanges' and it has been fruitful in this regard. The high level diplomatic visits have proved that there is enough space and scope for bilateral relations to be taken to higher level. However, the border issue should be sorted out first and other challenges also needs attentions at the earliest.

In rising as great powers, they keep coming across each other in Asia and its surrounding. Nevertheless, these powerful neighbouring states seek to continue rising, and cooperate with each other through mutual interests and understanding. Cooperation is evident in the military-security, diplomatic, cultural and economic areas. The Afghanistan factor is not an issue of concern or competition as presumed by a few quarters, rather an opportunity for cooperation as both countries have different areas to engage in economically, but similar challenges and threats so they will cooperate to bring stability in the region.

There is still a long way to go for both the neighbours, in terms of international role and regional responsibility. However, India and China will play a significant role in shaping the global politics. It is expected that India and China can together reshape the world. They know the importance of peace for prosperous lives. There is no place for war and violence in this civilised world. Together India and China can solve not only their own problems but offer solution to several global problems. There is a great hope that India and China will work together with Pakistan for the prosperity and development of the region.

The future of India and China relations appears to be very bright and full of hope and aspirations for one third of the humanity with combined population of both the nations. The ultimate aim of both the governments is to ensure good governance and better opportunities to their respective citizens so that they can live happily and peacefully.

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The Confidence Building Measures between India-China - A Viewpoint

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Abstract

The Confidence Building Measures (CBMs) are an important component in conflict resolution process. CBMs are intended to increase the military transparency and openness, limit the military deployment and military activities and express the friendly attitude towards the other side so that countries concerned increase their mutual confidence, reduce misunderstanding and miscalculation of the other's military activities, which pose the danger of triggering a war. The CBMs are arrangements designed to enhance assurance of mind and belief in the trustworthiness of states. Confidence is the product of much broader patterns of relations than those which relate to military strategy. These patterns encompass economic, cultural, technical and social relationships. Thus military and non-military initiatives have to be undertaken by antagonistic states to reduce tensions and enhance mutual confidence.

Soon after their independence, it seems that India and China realized the importance of CBMs which is evident from the conclusion of Panchsheel Agreement in 1954. However some authors trace the origin of Sino-Indian CBMs to the post-cold war period. India and China have had numerous discussions that have aimed at resolving many of the issues that divide them since the 1950s. Towards this end several agreements have been concluded since 1954. However, it is very sad to note that none of these agreements or discussions has prevented India and China going to war in 1962, or border skirmishes and has resulted in a permanent settlement of any of the problems that actually trouble their relations. Although it is said that both India and China have realized the importance of CBMs much earlier that is in the starting of the cold war itself, there were and are some stumbling blocks standing in the way towards peaceful conflict resolution. Therefore, in this paper an attempt is made to conceptualize and then look into the CBMs between India and China in terms of positives and negatives. Then it attempts to identify the factors that act as stumbling blocks towards conflict resolution and then analyze them critically. It has also become an imperative to review the Sino-Indian CBMs in the light of the Ladakh intrusion of 2013 and power transition in China. And finally this paper comes out with new solutions and suggestions as options for India.

Introduction

There is enormous possibility of India and China working together as the world has enough space to accommodate the growth ambitions of both countries.

Dr. Manmohan Singh

First of all let me briefly delve into the basics of CBMs per se before going into the contours of India-China relations in terms of disputes, divergences and CBMs. CBMs are arrangements designed to enhance assurance of mind and belief in the trustworthiness of states. Confidence is the product of much broader patterns of relations than those which relate to military strategy. These patterns encompass economic, cultural, technical and social relationships. Thus military and non-military initiatives have to be undertaken by antagonistic states to reduce tensions and enhance mutual confidence. CBMs are designed to increase understanding by reducing suspicions. They are separable into military and non-military CBMs and into those having unilateral, bilateral or international content. Military CBMs are also classifiable into transparency, communications and constraint measures to perform the related functions of information, notification, observation and stabilization. CBMs can further be catalogued into provisions enabling exchange of information, mutual access to observation or arrangements to handle incidents and crises.

Now coming to the Sino-Indian relations, even though more than fifty years had passed since the outbreak of the Sino-Indian war, the present regional and bilateral conditions are still far from congenial. India and China display a peculiar case of "constrained cooperation," with economically convergent interests tending to artificially overshadow prevailing strategic differences. China acknowledges that it shares an interest in a peaceful and stable South Asia. Nevertheless, strengthened Indo-U.S. ties are widely perceived in Beijing as an attempt by Washington to enlist India as a counterweight to China. This situation is despite the fact that India and China are among the world's great civilizations.

Background

The new governments of independent India and communist China showed a natural desire to assert their authority in all the territories, however remote and inhospitable, to which they believed they had a just claim. Given the nature of the terrain and the troubled history of the border regions, it was almost inevitable that there should be uncertainty and disagreements about the exact course of the boundaries between the two countries. In October and November 1962, India and China fought a two-front war along the eastern and western sectors of their Himalayan border. After pushing Indian forces back and occupying a large portion of territory, China unilaterally called for a ceasefire and offered to withdraw its forces twenty kilometers from the Line of Actual Control without a demilitarized zone. Both countries understood that these arrangements were not to prejudice any future settlement of the border dispute. However, China knows that India is no longer a push-over of the 1962 variety because of the growing strength of the Indian armed forces.

Theoretical Framework of the CBMs

At the outset of this section it is desirable to define CBMs. Confidence Building Measures (CBMs) are regarded as "diverse arrangements that can help reduce tensions and promote good neighborly relations. Traditionally they are designed to make the behavior of the states more predictable by facilitating communication among or between states and establishing rules or patterns of behavior for state's military forces¹." Succinctly CBMs can be defined as broader concept to defuse tension and increase the possibilities of peace among the hostile nations by concerted efforts. It has been fashionable in much of the English literature on the subject to visualize confidence building measures (CBMs) essentially in their Western framework. However, the CBMs in the Asian context have preceded all these Western models, most of which owe their origins to the Final Act of the Helsinki process of the Conference on Security and Cooperation in Europe (CSCE) that was concluded in 1975. Besides, the Asian CBMs have also been far more broad based

than even those Western mechanisms that were launched later under the Document of the Conference on Disarmament in Europe held in 1986 at Stockholm (Sweden). Similar arrangements had been for long experimented amongst the various Asian nations, including both China and India². There are propositions saying that India-China CBMs were borrowed from the western literature which are not true. The truth of the matter is that the CBMs had been institutionalized in Asia much earlier the Helsinki Accord of 1975³. The peace process consists of three stages namely Conflict Avoidance Measures (CAMs), Confidence Building Measures (CBMs) and Peace Building Measures (PBM).

a) Conflict Avoidance Measures (CAMs)

It means the avoidance of unwanted and unintended conflicts or wars arising particularly from miscalculations or misinterpretations. To start the peace process, we need here a minimum political will to stop wars. This should be workable especially in the nuclear era. These initial steps like the establishment of hotlines between the two countries' military, or even between Prime Ministers or Presidents cannot solve the underlying political and territorial disputes. Nevertheless, it has enormous worth in the context of nuclearisation of both India and China. CBMs have been particularly ineffective, if not absent, during times of conflict, because despite declarations to the effect, neither country has moved beyond the point of 'conflict avoidance', towards actual confidence building measures, and finally, towards strengthening peace. One thing you have to keep in the mind is to start negotiations between the adversaries especially one whom you consider as someone stabbed in the back is very difficult. Of course if you see Henderson Brooks Report, it says it is India which started war than the normal perception in India looking at China as aggressor.

b) Confidence Building Measures (CBMs)

The second stage of this process is far more difficult as it requires far more political capital to resolve the deep-seated grievances or core issues. In the case of Sino-Indian conflict, the transition phase from conflict avoidance to confidence building is extremely

difficult, because of the persistence of irritants between India and China. Probably this transition might be easier if there are no core issues blocking the way. The 1954 Sino-Indian Agreement on Trade and the intercourse between India and the Tibet Region, the 1962 Colombo Power Proposals, various Border Talks, the 1993 Agreement on Maintaining Peace and Stability in the Region in the Vicinity of the Actual Control Line were some of the examples of confidence building measures. Probably this transition might be easier if there are no core issues blocking the way. However, following the June 1989 Tiananmen Square incident, while most of the world powers had imposed sanctions, thus, completely isolating China, the relations between China and India not only continued to be smooth but experienced a greater momentum: the period between the second half of 1989 and 1990 saw ten high-level visits between the two countries that included visits to New Delhi by Vice Premier Wu Xueguian in October 1989 and Foreign Minister Qian Qichen in March 1990⁴. This bonhomie can be attributed to the mutual goodwill of India and China which is essential for the success of CBMs.

c) Peace-Building Measures (PBMs)

This last stage requires enormous amount of political will for conflict reconciliation and resolution, where the peace process has to encounter the vested interests and hardliners. It is here the role of leadership is put to test as leaders must be able to take risk carrying the efforts of peace against their own constituencies. If formidable hurdles like the 1962 aggression, sporadic border skirmishes can be crossed to avoid war and to negotiate a fragile peace, national leaders can go ahead with further broadening and deepening the existing patterns of co-operation and making positive developments as irreversible as possible. It is here the role of people to people contacts must also be emphasized. Perhaps if we all make a conscious effort to ignore our preconceptions and be more optimistic, the road to peace would be smoother⁵.

Main Developments: Sino-Indian CBM process

In this section we will be seeing the various CBMs between India

and China and will be delving into the most important agreements among them. There was no improvement in the bilateral relations until the reestablishment of full diplomatic ties in 1976. In 1986-87 India and China were involved in a crisis in the Sumdorong Chu area of Arunachal Pradesh where a Chinese incursion had taken place. This led to the mobilization of both Indian and Chinese forces and something of a stand-off ensued. This tension lasted over twelve to eighteen months. At least one lesson relevant to CBMs was that even in a period of relative calm things something could veer out of control to the detriment of both sides. Relations began to improve after the then Indian Prime Minister Rajiv Gandhi visited China in December 1988. The border question still remains unresolved. However, even in the absence of a formal settlement, both countries have been willing to negotiate CBMs to avoid conflict and to provide the basis for increased cooperation. In 1981 for example, China unilaterally allowed the Indian pilgrims access to pilgrimage sites in Tibet. Between 1981 and 1988 a series of eight official discussions on the border issues and Sino-Indian relations took place. Following Rajiv Gandhi's visit, an India China joint working Group (JWG) was established to go into the boundary dispute. Relations improved markedly with the visit of the then Indian Prime Minister Narasimha Rao to Beijing in September 1993.

The mandate of the JWG is to settle the border issue and to promote peace and tranquility along the frontier. Some of the measures negotiated by the JWG include:

- 1) Military-to-military meetings to be held twice a year, in June and October, along both the eastern and western sectors of the border at Bum La Pass and Spanggur Gap.
- 2) Military-to-military communication links to be installed at key points along both the eastern and western sectors of the border.
- 3) An agreement was reached on the establishment of dedicated communication links or "hotlines," between military headquarters.

- 4) Local commanders are to be encouraged to conduct meetings, as needed, using color-coded flags to initiate contact.
- 5) Exchanges between defence educational institutions and between Strategic Studies Research Institutes were to be arranged.
- 6) An agreement was reached regarding prior notification of military maneuvers and troop movements along the border.
- 7) An agreement on the prevention of airspace violations was arrived at.
- 8) Exchanges between defence educational institutions and between strategic studies research institutes were to be arranged.
- 9) Exchanges between high-level defence officials began with Sharad Pawar, the then Indian Defence Minister, who visited Beijing in July 1992.
- 10) Another working group was established in 1988 to cover issues relating to economic cooperation, trade, science and technology.

In addition to progress on border issues through the JWG, India and China have begun to explore other areas of cooperation. The Sino-Indian rapprochement that began with the Narasimha Rao-Li Peng Summit in Beijing in September 1993 led to what has been an epoch-making agreement on the Maintenance of peace and Tranquility along the Line of Actual Control in the India-China border Areas. This agreement begins by reiterating the five principles of peaceful coexistence mutually agreed upon by the two countries in April 1954 agreement on trade between India and the Tibet Region of China. This Sino-Indian rapprochement culminated in a historic visit by the then Chinese President Jiang Zemin to New Delhi in December 1996. During his visit, the two countries signed the agreement on CBMs in the military field along the line of actual control in the china-India border Areas.

Thanks to the joint efforts, China and India have established the following CBMs:

- 1) In 1990, China and India decided to establish the meetings between the soldiers on both sides of the actual control lines on an unfixed basis.
- 2) In 1992, the two countries established a hotline between the meeting stations on both sides of the actual control line.
- 3) In September 1993, China and India signed the Agreement on Maintaining Peace and Stability in the Region in the Vicinity of the Actual Control Line. The agreement stipulates that the two sides should seek solutions to the border disputes through peaceful means: the two sides do not use force or threaten to use force; before the final solution to the border issue, two sides strictly respect and obey the actual control line; the military strength of each side in the respective area of actual control line should be kept at minimum size, which serves to match the relationship of friendly neighbourhood between the two countries; the two sides should reduce the armed forces to the limit reached between them in the areas along the actual control line etc.
- 4) In 1993, for the implementation of the afore-mentioned agreement, a special working group composed of diplomats and military experts was established.
- 5) In 1995, China and India agreed to withdraw from the two confronting outposts near the actual control line and agreed that they would never enter them.
- 6) Also in 1995, China and India agreed to carry out mutual visits by the personnel from the military agencies, organize joint expeditionary part for exploration of ventures; the two sides also agreed to forbid hunting, firing guns and explosion in the area near the actual control line.
- 7) In 2005, an agreement on 'political parameters and guiding principles for settlement of the boundary dispute' was signed when the then Chinese Premier Wen Jiabao was in Delhi.
- 8) In 2010, India and China signed an agreement to establish a hotline between the Prime Ministers or heads of the two countries.

Of all these agreements, the author thinks that only two agreements are significant to be mentioned in detail. They are the 1993 and the 1995 agreements because these agreements were actually responsible for paving the way for the institutionalization of the subsequent CBMs.

1993: First CBMs Agreement

This "Agreement on Maintenance of Peace and Tranquillity along the Line of Actual Control" (henceforth MPTA) was signed between the then Prime Ministers Narasimha Rao and Li Peng at Beijing's Great Hall of the People on September 7, 1993 which was rightly hailed as the first major conventional arms control agreement between the two Asian countries without any role played by third countries⁶.

As the first thing, it reiterates its faith in Panchsheel and asserts that these Five Principles of Peaceful Coexistence should be revived to form the basis of inter-state relations. But far from the earlier Sino-India Panchsheel Agreement of April 1954 only India made major concessions, this clearly represents the equality of the two nations and lays out the various CBMs that should further buttress the Sino-India understanding and mutual confidence⁷. This spirit with sincerity is crystal clear throughout its concise text that details on a number of CBMs.

Article I of the MPTA starts by highlighting the consensus where both sides wish to resolve the boundary question "through peaceful and friendly consultations" and both undertake to "strictly respect and observe the line of actual control" and never to "use or threaten to use force" and whenever necessary "jointly check and determine the segments" of their borders. Article II makes a far more concrete recommendation asking the two sides to keep their border military presence "to a minimum level compatible with the friendly and good neighbourly relations" and in fact to further agree "to reduce" them "in conformity with the requirements of the principle of mutual and equal security." Taking off from here, Article III talks of evolving "effective CBMs" and asks each side not to "undertake specified levels of military exercises in mutually identified zones" and to "give the other

notification of military exercises" along the border. Then Articles IV and V speak about their agreement to create mechanisms for dealing with intrusions and other exigencies while in Article VI both the sides clarify that despite these resolutions, nothing in this treaty shall "prejudice their respective positions on the boundary question."

To actually kick off initiatives, Article VII asks both sides to start by specifically defining the "form, method, scale and content of effective verification measures," and Article VIII initiates this process by asking each side to "appoint diplomats and military experts to formulate, through mutual consultations, implementation measures for the present agreement," and this setting up of an Expert Group can be easily described as the greatest achievement of this pact in terms of building Sino-Indian CBMs. Finally, Article IX gives its date of coming into effect and declares all its versions--Hindi, Chinese, and English--as equally valid.

1996: Second CBMs Agreement

This twelve-Article agreement on CBMs was signed during President Jiang Zemin's November 1996 visit to New Delhi. Amongst some of the new initiatives, this treaty is primarily geared to fulfill the agenda of their first such agreement of 1993 and it seeks to further extend their existing CBMs to more specific and sensitive areas in the military field⁸.

Going by its first Article that reads, "Neither side shall use its military capability against the other side," it virtually stands out as a no-war pact and both sides have also projected it in that spirit. The agreement once again affirms their commitment to the LOAC (Article II) while this time fully recognising that both have "different perceptions" on certain segments for which the two agree "to speed up process of clarification" and start "to exchange maps indicating their respective perceptions...as soon as possible" (Article X). It is this businesslike approach to these sensitive questions that gives hope for the future as it depicts their mutual confidence in the current state of their rapprochement. Besides, all these years there had been major confusion as China did not

consider its deployments in Tibet as being open for mutual reductions and India believed that Chinese forces on the Tibetan plateau had a clear one-to-ten advantage against Indian forces that would have to operate from below.

Accordingly, Article III of this agreement provides that in keeping with "the principle of mutual and equal security" all future ceilings are expected to be based on "parameters such as the nature of terrain, road communications and other infrastructure and time taken to induct/deinduct troops and armaments." Article IV clearly categorizes certain types of offensive weapons, withdrawal of which will be given priority. These include combat tanks, infantry combat vehicles, guns (including howitzers) with 75 mm or bigger caliber, mortars with 120 mm or bigger caliber, surface-to-surface missiles, surface-to-air missiles, and to start with, the two sides will "exchange data on the military forces and armaments" that are to be reduced. It also exhorts the two to "avoid holding large scale military exercises involving more than one division (15,000 troops) in close proximity to the LOAC" and to inform the other side on "type, level, planned duration and areas of exercise" in case it involves more than a brigade (5,000 troops), and about deinduction "within five days of completion," and the other side shall be free to seek any number of clarifications as it deems necessary.

Taking a major step forward, the two agree that no combat aircraft which "include fighter, bomber, reconnaissance, military trainer, armed helicopter and other armed aircraft" shall be allowed to fly "within ten kilometers" of the LOAC "except by prior permission" from the other side (Article V). Similarly, Article VI prohibits any use of "hazardous chemicals, conduct blast operations or hunt with guns or explosives within two kilometers" of the LOAC unless it is "part of developmental activities" in which case the other side shall be informed "through diplomatic channels or by convening a border personnel meeting, preferably five days in advance." Then to "strengthen exchanges and cooperation between their military personnel and establishments," Article VII provides that the two sides shall expand (a) "meetings between

their border representatives at designated places; (b) "telecommunication links" between these border points; and (c) establish "step-by-step medium and high-level contacts between the border authorities" of the two sides. Should any land or air intrusions take place "because of unavoidable circumstances like natural disasters," the other side is expected under Article VIII to "extend all possible assistance to them" and the two shall exchange information and have consultations to work out "modalities of return of the concerned personnel."

And finally, as under Article XI the Sino-Indian Joint Working Group on Boundary Question starts "mutual consultations" for "detailed implementation measures", once again under Article IX each side shall have "the right to seek clarification" regarding the "manner in which the other side is observing the agreement" or on any "doubtful situation" in the border region, and under Article XII, though all Hindi, Chinese and English versions are "equally authentic," but "in case of divergence, the English text shall prevail" and like most other agreements, it is also subject to ratification and "shall enter into force on the date of exchange of instruments of ratification."

Other CBMs

Apart from being a major take-off point for many fresh initiatives, these two agreements also provide a major boost for their other existing channels for Sino-Indian border related CBMs. Within less than two months of the MPTA, for example, a Chinese ship, Zheng He, made a port visit to Bombay, which was the first of its kind in the last 35 years. Before this only the INS Mysore which was commissioned in the Indian Navy in 1957 had visited Shanghai in 1958. This was followed by these important visits to New Delhi: Li Ruihuan (Chairman of the National Committee of the Chinese People's Consultative Committee), Wen Jiao (an alternate member of the Central Politburo), Wu Yi (Foreign Trade and Economic Cooperation Minister) and Chi Haotian (Defence Minister) respectively in December 1993 and January, June and September 1994. Qiao Shi, Chairman of the Standing Committee of the National People's Congress (NPC) came to India in

November 1995 and finally President Jiang Zemin (who is also Chairman of the Central Military Commission) paid a three-day visit to New Delhi in November 1996.

Also working on the basis of the Chinese *guanxi* (personal contacts), principle, exchanges between other opinion makers and members of strategic research institutions (like the Institute for Defence Studies and Analyses, United Services Institution of India, Centre for Policy Research, and Rajiv Gandhi Foundation from India and China Institute for Contemporary International Relations, China Association for Friendly International Contact, Fudan University, etc from China) have also been increasingly formalized. Similarly, Xinhua, People's Daily and Beijing Review have their accredited correspondents in India and India's Press Trust of India has a resident reporter in Beijing. The agreements on exchange of scholars (between the Indian Council for Social Science Research and Chinese Academy of Social Sciences signed at New Delhi in January 1992) and their Agreement on Radio and Television Cooperation (signed in Beijing on September 7, 1993) have also contributed to expanding mutual awareness. Contacts have also evolved among the various non-governmental organisations (NGOs) like trade unions and women's organisations, stimulating a great deal of interest and goodwill. The Festival of China was staged in India in 1992 and the Festival of India was held in China in April 1994. In fact, the Communist Party of China now has direct links with the Indian National Congress, the Bhartiya Janata Party and the Communist Party of India (Marxist). The two countries had also opened up direct flights between New Delhi and Beijing and now have telecom lines between various cities of the two countries.

The Joint Working Group (JWG) on Boundary Question has been the most effective and generic forum for implementing the Sino-Indian CBMs. To begin with, the JWG has institutionalized regular meetings of military commanders from both sides at Bumla and Dichu in the eastern sector, Lipulekh near Pithoragarh (U.P.) in the middle sector and Spanggur near Chushul in the western sector. These meetings are organised and conducted by

the area commanders from the two sides to establish facts on the ground and can also be held more than once or in case of any exigencies. Besides, commanders on both sides are provided with "hotline" links to ensure consultations in case of any intrusions or other emergencies.

Advance notice of proposed military maneuvers on one side is provided to the other and mechanisms for handling possible intrusions on either side are put in place. The high point of these JWG meetings occurred during its eighth meeting during August 1995 at New Delhi where the two sides agreed to actually disengage their troops from four border posts in the Wangdong tract where they had been deployed at an alarming proximity to each other. Apart from their land borders, the two Air Forces have also been building ties and officers of the People's Liberation Army-Air Force (PLAAF) have already visited India's Air Force bases in 1995⁹.

Similarly, the two Navies have also been working together, allaying each other's doubts about the Chinese naval presence in Myanmar or India's maritime capabilities at its Fortress Andaman. India has suggested that China's envoy visit the Indian naval base at Port Blair in Andaman and Nicobar. At a certain stage there were even reports of China and India preparing for joint military and naval exercises which, however, was soon denied by the Chinese officials¹⁰.

Stumbling Blocks in the Normalization Process

These CBMs though good per se could not take the peace process to its logical conclusion in spite of the consent of both the parties. Notwithstanding the progress in certain directions, there have been some problems which the author views as stumbling blocks in the developing relations between India and China. These are discussed below.

a) The Nuclear Factor

The Sino-Indian rapprochement had got stalled due to Pokharan II. But it is only a matter of time before the process comes back to its normal equilibrium. Looking at China's own example, India

can perhaps afford to wait or even ignore China's criticism. In the face of China's own nuclear explosions in October 1964, the Kennedy Administration had even thought of physically eliminating China's nuclear facilities. In such adversity, Beijing had, however, continued to denounce American reactions to its nuclear weapons and Washington had to finally give up its policies and build *détente* with the Chinese. During the 1990s, the two countries had intimate interaction in the economic sphere and the two sides have since evolved into the economic sphere and the two sides have since evolved into strategic partners.

It is the sovereign right of India to determine whether or not its security compulsions require it to go in for nuclear weapons as an ultimate shield, notwithstanding the opinion of the western nations. One example in this context would suffice. After the North Korean missile test in August 1998, the U.S. and Japan decided to conduct joint research on a missile defence system to protect Japan and US troops in Korea. It was argued that in the absence of this, despite possessing nearly 10,000 nuclear weapons, the U.S. needs a new system of missile defence to protect its troops abroad, then surely India can have a small number of nuclear weapons to protect itself from any country in the neighbourhood trying to blackmail it. This is bound to have its impact on Indian decision making as well.

b) Cartographic Aggression or Manipulation

It has become the habit of Chinese to commit cartographic aggression very often without the feeling of guilty. The Chinese maps continue to show large tracts of Indian Territory (particularly Arunachal Pradesh) as belonging to China. The worst part of this story is that they even went to the extent of circulating such maps to their soldiers on the borders. When these inaccuracies are pointed out to China, it tries and wishes them away as errors in map making. This type of aggression is always a serious matter and cannot be countenanced as it had led to the 1962 war with China. Further, China and India had agreed under Article X of the 1996 Agreements to exchange maps of the entire LAC an important CBM for the two countries-but China

did not do so. Since 1996 the CBMs have not made the progress they should have.

c) Territorial or Revanchist Claims¹¹

The border and territorial disputes remain one of the biggest sticking points in Sino-Indian relations. On the border issue it needs to be recognized that the 4,000 km long border has been tranquil over the last several years. It is only last year that the 19 kilometers deep intrusion by an armed patrol of China's People's Liberation Army (PLA) into the strategically sensitive area around Daulet Beg Oldi in the Aksai Chin region occurred, and detected by India on 16 April 2013, which has been unprovoked¹². Despite years of high-level special representative talks, India's border with China remains largely undefined. China also claims sovereignty over the northeastern Indian state of Arunachal Pradesh, and tensions have flared in recent years over Beijing's refusal to grant Chinese visas to residents of the disputed state, on the grounds that Arunachal Pradesh's residents are, in their eyes, already Chinese citizens. The Chinese position is that the undesignated border between the two countries was 2000 kms, and reminded that the two countries "had a border conflict in 1962". However, China must be told openly that the length of the undemarcated or yet to be demarcated border is not 2000kms. From India's point of view this border is more than 4000kms long and includes Pakistan Occupied Kashmir (POK), Jammu and Kashmir and Sikkim¹³.

d) The Sino-Pakistani Relationship

China's security relationship with Pakistan can be characterized as enduring and strengthening, a dynamic that gives pause to many in New Delhi. The increased presence of Chinese military engineers in the border flashpoint of Pakistani-controlled Kashmir has Indian defense experts especially concerned. The PRC sees Pakistan as a strategic surrogate against India. China's military, missiles and nuclear assistance to Pakistan continue. There is no guarantee that Pakistan will not use Chinese supplied arms against India.

e) The Tibet and Tibetan Diaspora

Tibet is another issue that is significant source of friction between the two countries. Relations between India and China took a nose-dive with the flight of His Holiness Dali Lama to India in 1959. Over 100,000 Tibetan exiles currently live in India, but Beijing and New Delhi have done little to formalize their status. The author is of the opinion that this issue could become more pressing in the coming years, especially if the youngest generation of Tibetans proves more assertive in its dispute with China. Despite New Delhi's assurance that the spiritual leader would not be allowed to engage in any anti-China activity from India's soil, Chinese suspicions in this regard remain strong. Authoritative views in China allege that India wants to play the Tibet card against the PRC and as examples, point to India's not banning Tibet government in exile and continuing support to the Dalai Lama coming from eminent Indian personalities¹⁴.

Impact of these Disputes on Sino-Indian Relations or CBMs

Given these disputes and divergences, bilateral relations between Asia's giants remain, in the words of Zhang Yan, China's ambassador to India, "very fragile, very easy to be damaged, and very difficult to repair." Both have massive manpower resources, a scientific and industrial base, and million-plus militaries. For the first time in more than fifty years, both are moving upward simultaneously on their relative power trajectories. As the pivotal power in South Asia, India perceives itself much as China has traditionally perceived itself in relation to East Asia. Both desire a peaceful security environment to focus on economic development and avoid overt rivalry or conflict. Still, the volatile agents of nationalism, history, ambition, strength, and size produce a mysterious chemistry. Neither power is comfortable with the rise of the other. Both seek to envelop neighbors with their national economies. Both are nuclear and space powers with growing ambitions. Both yearn for a multi-polar world that will provide them the space for growth and freedom of action. Both vie for leadership positions in global and regional organizations

and have attempted to establish a sort of Monroe Doctrine in their respective neighborhoods without much success.

And both remain suspicious of each other's long-term agenda and intentions. Perception has been one of the major problems of international relations. And India and China are not an exception to this trend. Each perceives the other as pursuing hegemony and entertaining imperial ambitions. Both are nonstatus quo powers: China in terms of territory, power, and influence; India in terms of *status*, power, and influence. Both seek to expand their power and influence in and beyond their regions at each other's expense. China's "Malacca paranoia" is matched by India's "Hormuz dilemma." If China's navy is going south to the Indian Ocean, India's navy is going east to the Pacific Ocean. Both suffer from a siege mentality born out of their elites' acute consciousness of the divisive tendencies that make their countries' present political unity so fragile. After all, much of Chinese and Indian history is made up of long periods of internal disunity and turmoil, when centrifugal forces brought down even the most powerful empires. Each has its vulnerabilities - regional conflicts, poverty, and religious divisions for India; the contradiction between a market economy and Leninist politics for China. Both are plagued with domestic linguistic, ethno-religious, and politico-economic fault lines that could be their undoing if not managed properly.

In other words, China and India are locked in a classic security dilemma: one country sees its actions as defensive, but the same actions appear aggressive to the other. Beijing fears that an unrestrained Indian power particularly one that is backed by the West and Japan would not only threaten China's security along its restive southwestern frontiers (Tibet and Xinjiang) but also obstruct China's expansion southwards. Faced with exponential growth in China's power and influence, India feels the need to take counterbalancing measures and launch strategic initiatives to emerge as a great power, but these are perceived as challenging and threatening to China¹⁵. As a result of all these power struggles the ultimate victim is the CBMs which remain in half-hearted measures which are sarcastically described by some as

conflict building measures.

What India must do?

In view of the above disputes and divergences in perceptions and approaches, a vital question arises over what are the options for India to pursue? How then do we deal with China's growing strength and assertive attitude on issues or core interests for India?

First, we need to increase our own defensive capabilities particularly in the border areas.

Secondly, it will be useful for decisions and policy makers to consider the possibility of bringing the Tibet issue with China with frank and direct conversation.

Thirdly, we need to consider whether we could apply pressure on China by enhancing our official and non-official contacts with Taiwan.

Fourthly, we need to strengthen our capacity and capabilities in the Indian Ocean region and not to allow China to enhance its presence there.

Last but not the least, we need to establish strong and active relations with like-minded or similar-minded countries like USA, Japan, Germany, Britain and Australia to put a psychological balancer in the minds of our adversaries¹⁶.

Conclusions

Both have gained nothing in pursuing the course of confrontation so far. Both sides have realized that the peaceful relations between India and China are in the interests of both the countries. This can happen only if there is agreement on the terms of coexistence-equality, a fair and early settlement of the border dispute, appreciating each other's security concerns, an agreement on nuclear security, good neighbourly relations without ulterior aims, and expanding economic, political and security cooperation. Only then can the two states shed their legacy of mistrust.

These CBMs have been reached on the basis of political trust.

They in turn advanced the political trust between the two countries. Since early 1990s when China and India began to establish the CBMs, politicians and scholars in the two countries have understood the importance to improve the relations between them. Both sides saw that only the constructive relationship can be materialized on the basis of political trust. Furthermore these two big powers have a lot of similarities and common in the changing world. These again prompt them to have better mutual understanding and wider and closer cooperation in international affairs. Thanks to their efforts, the relations between the two countries have been steadily improving and the situation in the border areas have been kept peaceful and stable, although there have been minor setbacks, such as the accusations by some politicians that China poses a threat.

To sum up, though there are disputes and divergences that prevent them from reaching a compromise to all these problems, there is no denying of the fact that the CBMs between the two countries have played a very important role in the development of the bilateral relations. Specifically speaking, CBMs between China and India have contributed positively in the following ways:

- o -the hotline liaison between the meeting situations;
- o -the reduction of the armed forces in the disputed area;
- o -the diminishing of the armed conflict in the border regions;
- o -the exchange of visits by the top military leaders;
- o -the relaxation of tensions in the border region;
- o -the increase of mutual understanding and trust;
- o -the stability and development of the bilateral relations.

This kind of contributions in the face of long and severe disputes and crises are worth accomplishing. The existing CBMs have brought about an atmosphere for further CBMs in the future and in wider areas. In the future, the CBMs between China and India can be expanded to the following areas-limiting the activities which may lead hostilities; limiting the military activities which

may lead to confrontation; carrying out dialogues in the military conversions; carrying out cooperation in the non-operational and non-sensitive areas, such as military medicine, military sports, military arts, military history, exchange of military students. There is a realization in both the countries of late that the only way to reduce the potential friction between them is to go for new confidence-building measures (CBMs) between India and China. Barring the exceptional skirmishes, by and large the Sino-Indian border has not suffered any major disruptions during these last ten years thanks to this process of evolving CBMs. This, when compared to India's experience of incessant firing incidents and infiltration on its borders with Pakistan, makes the Sino-Indian border look almost peaceful.

It is this increasing goodwill and understanding that gives hope that this complicated boundary question can be resolved in the course of time. Sometimes some commentators negate these Sino-Indian CBMs citing that they have not resulted in resolving the Sino-Indian boundary question. But keeping in mind the complexities involved, the gradual evolution of CBMs has not only preserved peace between these two Asian giants but also generated a great deal of mutual trust and understanding giving hope towards eventually resolving their border dispute. Keeping in mind the Chinese President Xi Jinping's statement that he considered the improvement of relations with India as his 'historic mission', I would like to end this article with the positive note that there is a bright future for the CBMs as far as the India-China relation is concerned because of the following factors which give hope that all the disputes may be solved. The factors having potentiality for facilitating the Confidence-Building Measures are as follows:

A) Good First Step: CBMs on certain mutually important issues say border skirmishes may sow the seeds for broader Sino-Indian cooperation, no matter whether the disputes between the two powers are too significant for such an approach. In this regard, it is a welcoming fact that both the countries had already opened the telephone hotline between the Prime Minister of India and the

Chinese Premier. This can be extended to the levels of sector headquarters and the Director General Military Operations (DGMOs) so as to have a strategic communication between India and China. Such a hotline is expected to help in early resolution of situations like the one which happened in Depsang Valley in Ladakh on April 16 2013, when Chinese troops intruded 19 km into Indian Territory crossing the Line of Actual Control.

B) Shared Enemy: Both China and India have confronted and fallen victim to terrorist violence and there is common ground for CBMs to combat this threat. Beijing and New Delhi have already taken steps to collaborate on counterterrorism, coordinating joint military exercises and setting up a high-level policy dialogue.

c) Nuclear Perspectives: In my view, Chinese and Indian philosophies on nuclear weapons have much in common - both favor disarmament and No First Use policies - which create room for agreements on how best to develop a stable nuclear balance in the region. In my opinion this convergence may lead to a wide range of nuclear CBMs from joint advocacy of global disarmament to the separation of land-based nuclear warheads from their delivery systems.

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