

# China and India

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Chinese president Hu Jintao's visit to India in November 2006 reflected a continuing rapprochement in relations between Asia's two largest powers and the world's two most populous nations. After years of tension, China and India continue to deepen their relationship in the economic and political arenas. Nonetheless, an undercurrent of mutual mistrust persists, fueled by historical memory; a long, common border; continued territorial disputes; potential competition for resources, most notably energy; military rivalry; and overlapping ambitions for regional influence. Both countries' relations with third parties, most notably China with Pakistan and India with the United States, add an additional layer of uncertainty and strategic suspicion to Sino-Indian relations that will endure even as political and economic ties improve.

## **What Is the History of Relations between China and India?**

China and India have a long history of trade and cultural exchange dating back to at least the early part of the first millennium A.D., when contact along the emerging Silk Road led to an exchange of items and ideas between South Asia and China.<sup>2</sup> India introduced Buddhism to China, while China exported silk, porcelain, bamboo products, and other commodities to India. The exchange of pilgrims, explorers, and traders accelerated during China's Tang dynasty (618–907 A.D.) and continued until the onset of the Mughal Empire in India in the sixteenth century, when India redirected its focus toward the Middle East.

British rule over India in the eighteenth century further curtailed China-India interaction, as colonial-era tensions with both imperial China and Russia led to the creation of Bhutan, Nepal, and Sikkim as buffer states. China's Qing (Manchu) dynasty leadership also expanded into Tibet to protect the Chinese heartland from external aggression and continued to shut China off from the

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<sup>2</sup> China's Eastern (later, Han) dynasty (25–225 A.D.) established the first extensive trade networks with the Kushan Empire in today's India.

international trading system, apparently remaining content with China's cultural and material superiority. Early in the nineteenth century, however, the British Raj used Indian opium and a smattering of soldiers from its East India Company in its campaign to penetrate and exploit the China market, which culminated in the Opium War (1839–1842) and the colonial division of China.

By World War II, however, India and British-controlled Burma served as critical staging areas for shuttling supplies to Kuomintang (Nationalist) forces in western China who were resisting Japan's invasion. This period saw the construction of the famed Burma Road, and the Flying Tigers flew over the Himalayan "Hump" to fulfill their critical supply mission.

Following the independence of India in 1947 and the establishment of the People's Republic of China in 1949, both states emerged as developing-world leaders and became "nonaligned" signatories of the Five Principles of Peaceful Coexistence, or Panchsheel, in 1954.<sup>3</sup> During the early stages of the Cold War, Nehru's India and Mao's China found common cause in anticolonialism, socialism, adherence to strict notions of national sovereignty and equality in international affairs, and a developing-world mentality that sought to distinguish itself from traditional, great-power politics. When Chinese premier Zhou Enlai visited India in 1956, Indians lined the streets and chanted "*Hindi-Chini bhai bhai*," or "India and China are brothers."

However, frictions over territorial boundaries in Aksai Chin, along Indian Kashmir and China's Xinjiang province, and Arunachal Pradesh, along India's northeast and Tibet's south, led to a deterioration in relations. While border talks began in 1954, the territorial dispute simmered throughout the 1950s due to provocations by both sides: China's annexation of Tibet in 1950; India's alleged support for the Khampa rebels in Tibet after 1956 and provision of sanctuary to the Dalai Lama and his Tibetan government-in-exile in Dharamsala after 1959; India's discovery of a completed Chinese road running through the Aksai Chin region in 1958; and India's extension of its defense perimeter and "forward policy" of placing military outposts in disputed areas in 1959. Skirmishes throughout 1962 erupted into full-scale war on October 20 as China sought to "teach India a lesson" (rhetoric that it would employ again in its quick border war with Vietnam in 1979).<sup>4</sup>

China's attack and quick defeat of India's border army stunned Nehru's India. Diplomatic relations were subsequently downgraded, and bilateral trade was

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<sup>3</sup> Agreement between the People's Republic of China and the Republic of India on Trade and Intercourse between Tibet Region of China and India, April 29, 1954. The Five Principles of Peaceful Coexistence are as follows: mutual respect for each other's territorial integrity and sovereignty; mutual nonaggression; mutual noninterference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence.

<sup>4</sup> After pushing back the Indian forces to within 48 kilometers of the Assam plains in India's eastern sector and occupying strategic points in Ladakh in the northeast, China declared a unilateral cease-fire on November 21 and withdrew 20 kilometers behind its new line of control. Unlike the India-Pakistan border dispute in 1947, when a formal peace agreement was signed following the hostilities and the cease-fire line was converted into the Line of Control (LOC), China and India signed no peace agreement, and the location of the Line of Actual Control (LAC) remains under dispute.

suspended for 14 years. The sense of betrayal and humiliation remains bitterly embedded in the memories of India's policymakers today, especially among the older generation. With the 1962 war, Jawaharlal Nehru's pan-Asian dream and notions of third-world solidarity were shattered for good, and he himself died of a heart attack less than two years later (many Indians in fact connect his death to a broken heart over the repercussions of the 1962 war).

In the ensuing years, China drew steadily closer to Pakistan as India fell increasingly into the orbit of the Soviet Union, deepening the Sino-Soviet split and the split between China and India. China's nuclear test in 1964 further strained relations and became one of the catalysts for India to conduct its own nuclear test in 1974. India's incorporation of Sikkim into the Indian Union in 1975 drew condemnation from Beijing, which regarded the territory as an independent state.

Changes in Cold War strategic conditions, particularly the death of Mao Tse-tung in China and the rise of an Indian government that sought to distance itself from the Soviet Union, led to a relative thaw in relations: the two countries exchanged ambassadors in 1976, India's foreign minister, Atal Bihari Vajpayee, visited China in 1979, and eight rounds of official talks on the boundary issue took place between 1981 and 1987.

Nonetheless, interaction remained tense as a result of accusations by both countries of military encroachment along the disputed border, which led to skirmishes in 1986 and 1987. Prime Minister Rajiv Gandhi's visit to Beijing in 1988, however, the first visit by an Indian prime minister since his grandfather Nehru visited in 1955, served as a turning point in the bilateral relationship, as the two countries sought to stabilize their strategic relations with the end of the Cold War approaching. The subsequent loss of India's Soviet ally, coupled with India's economic liberalization beginning in 1991, further fueled the nascent Chinese-Indian rapprochement.

The rise of the right-wing Bharatiya Janata Party in the late 1990s caused a brief setback in relations. The party focused on China's growing economic and military power, continued assistance to Pakistan, and encroachment into Burma to promote a more openly competitive relationship with Beijing. India's nuclear test in 1998 was justified not only as a response to Pakistan, but also to a prospective "China threat," which startled China.<sup>5</sup> China's intervention in the India-Pakistan Kargil border conflict in 1999 served as another turning point in China-India relations, however, as Beijing sought to adopt an even-handed approach to ending the hostilities. China's unwillingness to support Pakistan's

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<sup>5</sup> Indian defense minister George Fernandes described China as "potential threat number one" in May 1998, just a few days before India's nuclear test. In a letter to President Bill Clinton following the tests, Prime Minister Vajpayee stated, "We have an overt nuclear weapon state on our borders, a state which committed armed aggression against India in 1962. Although our relations with that country have improved in the last decade or so, an atmosphere of distrust persists mainly due to the unresolved border problem. To add to the distrust, that country has materially helped another neighbor of ours [Pakistan] to become a covert nuclear weapons state. At the hands of this bitter neighbor, we have suffered three aggressions in the last 50 years" (Nuclear Weapons Archive, <http://nuclearweaponarchive.org/India/VajpayeeLetter.txt>).

actions in Kargil, coupled with pressure from Washington, led to Pakistan's decision to withdraw its forces from the area.

In 2003, China and India signed a joint Declaration on Principles for Relations and Comprehensive Cooperation, which laid down guiding principles and goals for bilateral relations, including economic ties and a pledge that neither country would use or threaten to use force against the other. In January 2005, China and India took part in their first bilateral strategic dialogue, which was followed by the April 11 signing of the India-China Strategic and Cooperative Partnership for Peace and Prosperity. The two countries declared 2006 to be a "Friendship Year," marked by numerous political, economic, military, scientific, educational, and cultural exchanges. President Hu Jintao's visit to India in November 2006 achieved little in the way of substantive progress on lingering bilateral problems such as the continuing border dispute, but it nonetheless reaffirmed the positive trajectory in China-India relations.

## **Do the Interests of China and India Converge or Diverge?**

As the world's largest developing countries, China and India share a number of interests, chief among them domestic development and economic reform. Both countries are experiencing a period of exceptional economic growth and are struggling with complex social challenges that are arising as a result of this growth. India, in particular, has increasingly looked to China as an economic model to emulate, especially given its achievements in poverty reduction, urban development, and attracting foreign investment.

Both countries are also struggling to define their role in the world given their newfound influence on the global economy and in global affairs. China and India share great power ambition and seek to preserve dominant political influence, if not hegemony, in their respective neighborhoods. They both promote the notion of a multipolar world in which they each may serve as major international players alongside the United States. Both are also preoccupied with maintaining their sovereign independence from outside influence, a lasting residue of their unhappy colonial experiences.

China's strategic interest in India stems from its desire to maintain a peaceful international environment, promote stable relations with nations on its periphery, prevent the formation of anti-China blocs, and develop new markets, investment opportunities, and resources to fuel its economic growth. China also seeks to prevent any distractions from addressing its critical domestic challenges. To these ends, China has viewed India largely as an economic opportunity, although in recent years it has also begun to take notice of the implications of India's rise, particularly India's growing political and potentially strategic relations with the United States and Japan.

India's own focus on internal development encourages it to cultivate positive relations with China. Overall, elite attitudes within India toward China remain mixed. Leftist parties such as the Communist Party of India (Marxist), which forms part of the current ruling coalition government, have pushed for improved

relations with China. India's Ministry of Finance and Ministry of Commerce are also opposed to any national policies that might undermine Chinese investment in India. But India's Ministry of Home Affairs and national security establishment identify China as a "security risk."

India and China have cooperated in the creation of the G33 (developing world) bloc at the World Trade Organization to promote a more "equitable" international trading system, including adopting convergent views on the elimination of trade-distorting subsidies on agriculture. But while China has called for enhanced representation of developing countries in the United Nations Security Council and for India, specifically, to play a greater role in the UN as a whole, Beijing has failed to explicitly endorse India's bid for a permanent seat in the elite body. China's desire to maintain its privileged position in the body, as well as its loyalty to old-friend Pakistan, may explain Beijing's reluctance in this regard.

In the military sphere, exchanges of senior military officials have become more regular.<sup>6</sup> In November 2003, the Chinese Navy held a naval exercise with India in the East China Sea, only its second such joint exercise with a foreign military after one with Pakistan earlier in the year.<sup>7</sup> This was followed by joint mountaineering training in August 2004 and another joint naval exercise in December 2005, this time in the Indian Ocean, marking China's first joint naval exercise with India outside its territorial waters.

During Indian defense minister Pranab Mukherjee's visit to China in May 2006, the two countries signed a Memorandum of Understanding (MOU) on defense cooperation, which institutionalized exchanges between the leaders and high-level functionaries of the Defense Ministries and the armed forces of the two countries; established an annual defense dialogue; formalized joint military exercises and training programs in search-and-rescue, antipiracy, counterterrorism, and other areas; and called for study tours by senior and mid-level officials of each country to better understand the foreign, defense, and national development policies of the other side.

## Economics

Economic ties between China and India have accelerated steadily over the past decade. Bilateral trade was \$260 million in 1990; by 2006, it approached \$25 billion, making China India's second-largest trading partner and India China's tenth-largest partner.<sup>8</sup> In July 2006, China's only direct trade link with India was

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<sup>6</sup> Fernandes visited China in April 2003. Chinese defense minister Cao Gangchuan visited India in March 2004, the first visit by a Chinese defense minister to India in nearly a decade. In December 2004, India's army chief, Gen. N.C. Vij, visited China, also the first visit by an Indian army chief in a decade.

<sup>7</sup> In order not to send the wrong signal to its long-standing regional partner, joint Sino-Pakistani military exercises have always preceded these Sino-Indian exercises.

<sup>8</sup> Chinese Ministry of Commerce, "Top Ten Trading Partners," February 7, 2007, <http://english.mofcom.gov.cn/aarticle/statistic/ie/200702/20070204363763.html>.

reopened after 44 years along the Nathu La pass on the border between India's Sikkim state and China's Tibet Autonomous Region.<sup>9</sup>

Both states have pledged to increase bilateral trade to \$40 billion by 2010. With bilateral trade surging by more than 30 percent annually since 2004, China may soon overtake the United States as India's leading trade partner.<sup>10</sup> Yet, the growth in bilateral trade is no larger than China's growing trade with other countries and regions:<sup>11</sup> China accounts for 5 percent of India's total trade volume, while India accounts for a mere 0.8 percent of China's trade.

China's trade surplus with India is just over \$4 billion. India seeks to move the trade relationship toward higher value-added products; India's exports to China are primarily natural resources, such as iron ore and other minerals, whereas China's exports to India are primarily electronic goods, pharmaceutical products, and processed metals. Despite official rhetoric on the complementarity of China's hardware and manufacturing industries and India's software and service-sector expertise, however, cooperation has been limited to date.

Security concerns and bureaucratic delays in India have created an imbalance in Sino-Indian investment relations as well. Indian investment in China exceeds \$130 million and is concentrated in information technology; Chinese investment in India totals less than \$50 million and is concentrated in infrastructure development.<sup>12</sup> The Indian government has derailed efforts by Chinese companies to invest in strategically important industries, including plans by Hong Kong-based Hutchison Port Holdings to invest in India's port infrastructure and attempts by Huawei Technologies and ZTE Corporation to invest in India's telecom sector.<sup>13</sup> Nonetheless, in the first six months of 2006, Chinese companies invested \$2.2 billion in India, compared to \$1.8 billion in all of 2005.<sup>14</sup>

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<sup>9</sup> Three months after the road was reopened, Chinese exports through the pass totaled approximately \$12,500 per week. Indian exports have been slightly higher. The Nathu La Study Group, which was commissioned by the Sikkim government, has predicted that trade flows will reach \$4.57 million by 2007. "China-India Cross-Border Trade at Nathu La Pass 'Not Ideal': Chinese Official," *People's Daily* (Beijing), August 11, 2006, [http://english.people.com.cn/200608/11/eng20060811\\_292151.html](http://english.people.com.cn/200608/11/eng20060811_292151.html).

<sup>10</sup> Embassy of India, "U.S.-India trade stood at just under \$32 billion in 2006" (quoted in "India-US Trade," <http://www.indianembassy.org/newsite/indoustrade.asp>, accessed March 5, 2007).

<sup>11</sup> While Sino-Indian trade grew from \$3 billion in 2000 to \$18 billion in 2005, during the same period Sino-Thai trade grew from \$6.5 billion to \$20.2 billion, Sino-Philippines trade from \$3.3 billion to \$17.6 billion, and Sino-African trade from \$10 billion to \$40 billion.

<sup>12</sup> Vivian Fernandes, "India Wants \$50 Bn Chinese Investment," CNN-IBN News, November 14, 2006, <http://www.ibnlive.com/news/indochina-trade-boom-beyond-expectation/26199-7.html>.

<sup>13</sup> *Ibid.* India has also rejected a bid by China Harbor Engineering Company for a port contract, due reportedly to the company's involvement in developing Pakistan's Gwadar port, a project that worries Indian strategists given concerns that China could use this facility to monitor Indian naval activity in the Arabian Sea and U.S.-Indian maritime cooperation in the Indian Ocean.

<sup>14</sup> Anand Kumar, "Security Issues in Port Projects," *Dawn* (Karachi, Pakistan), November 20, 2006, <http://www.dawn.com/2006/11/20/abr10.htm>.

## Energy

In the energy sphere, China-India interaction has tended to be competitive rather than cooperative. Both states have competed for oil assets in Kazakhstan, Ecuador, Angola, and Burma, and in every case, China has prevailed, not necessarily by offering a higher bid than India but rather by adopting a more strategic and holistic approach that integrates financial incentives with aid, infrastructure projects, diplomatic incentives, and arms packages. Chinese companies have often found more utility in forming joint ventures with major Western companies than in aligning themselves with their Indian peers.

Nonetheless, in recent years there have been sporadic instances of cooperation, as both states have recognized that their competition for energy resources has helped increase the price of global oil and energy assets. China and India have joined forces to acquire and develop energy assets in Columbia, Iran, Sudan, and Syria (see table 1). In January 2006, India and China signed five memoranda of cooperation in the energy sector, covering upstream and downstream development, pipeline projects, research and development, nonconventional sources of energy, and environmental protection. They have also cooperated through multilateral forums such as the Asia-Pacific Partnership for Clean Development and Climate, which was launched in January 2006.

Both states also have an interest in the security of sea-lanes to safeguard their growing oil imports, which are vulnerable to obstruction along maritime choke points from the Persian Gulf to the Strait of Malacca, through which 80 percent of China's oil imports and more than 50 percent of India's trade passes.

## Territorial Disputes

Progress in resolving the long-standing border dispute between the two countries remains elusive given the importance of Aksai Chin to China—as a link between Tibet and Xinjiang—and Arunachal Pradesh to stability in India's restive northeast, which is plagued by insurgencies.<sup>15</sup> The border conflict is rooted in the disputed status of the McMohan Line, which defines the border between India and Tibet according to the 1914 Simla Convention between British India and Tibet. India uses this agreement as the basis for its territorial claim; China challenges the validity of the colonial-era boundary agreement involving Tibet, which it considers a local government without treaty-making authority.

Following their brief border conflict in 1962, relations remained tense along the disputed territory for several decades. China's construction of a military post and helicopter pad in the area in 1986, and India's grant of statehood in February 1987 to Arunachal Pradesh (formerly the North-East Frontier Agency), of which China claims 11 of the 15 districts, caused both sides to deploy additional troops to the area, raising fears of a new border war. Nonetheless, border relations began

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<sup>15</sup> India claims 43,180 square kilometers of Jammu and Kashmir occupied by China, including 5,180 square kilometers ceded to Beijing by Islamabad under a 1963 Sino-Pakistan boundary agreement. China claims 90,000 square kilometers of territory held by India in Arunachal Pradesh.

to improve as the overall bilateral relationship began to show improvement in the late 1980s. Border agreements were signed in 1993 and 1996.<sup>16</sup>

Since the 1990s, both sides have agreed to keep working on the border issue but not to let the disagreement interfere with building constructive and stable relations.<sup>17</sup> Rumors persist of a territorial swap that would involve India giving up its claim to Aksai Chin in exchange for China renouncing its claim over Arunachal Pradesh (see maps). Meanwhile, the two countries have pursued confidence-building measures along the border, including mutual troop reductions, regular meetings of local military commanders, and advance notification of military exercises, to build momentum for constructive and stable relations. In 2003, China and India appointed special representatives to address the border issue.

The same year, China recognized India's suzerainty over Sikkim as a *quid pro quo* for India's reiteration of Tibet as part of China.<sup>18</sup> It should be noted that although the Indian government has recognized Tibet as part of China, at a popular level there remains significant sympathy for the Tibetan cause within India, fueled by the presence of more than 100,000 Tibetan refugees in India. New Delhi's continued willingness to provide sanctuary to the Dalai Lama's government-in-exile in Dharamsala, which is only 200 miles from the Chinese border, is a continued source of friction in China-India relations.

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<sup>16</sup> The Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control in the India-China Border Areas, signed on September 7, 1993, and the Agreement on Confidence-Building Measures in the Military Field along the Line of Actual Control in the India-China Border Areas, signed on November 29, 1996.

<sup>17</sup> As in many other matters, Deng Xiaoping established China's strategic approach to China-India relations that remains the guide for Beijing's policy today. He highlighted China's interest in a more cooperative approach to addressing the territorial dispute to enable better China-India bilateral relations:

"There is no really big problem between China and India. There is no Chinese threat towards India and vice versa. The problem is only about the boundary. The only solution is mutual compromise. I believe that we will find a solution to solve the boundary issue between China and India. *Even if it cannot be solved for now, we can first put it aside* [emphasis added]. In trade, economic and cultural fields, we can do many things together. Our cooperation has a broad future."

Source: "Zengjin Zhongyin Youyi" [Improving China-India Friendship] and "Jiaqiang Nannan Hezuo" [Strengthening South-South Cooperation], in *Selected Works of Deng Xiaoping*, vol. 3 (1982-1992), Deng Xiaoping Wenxuan (Beijing: Foreign Languages Press, 1994).

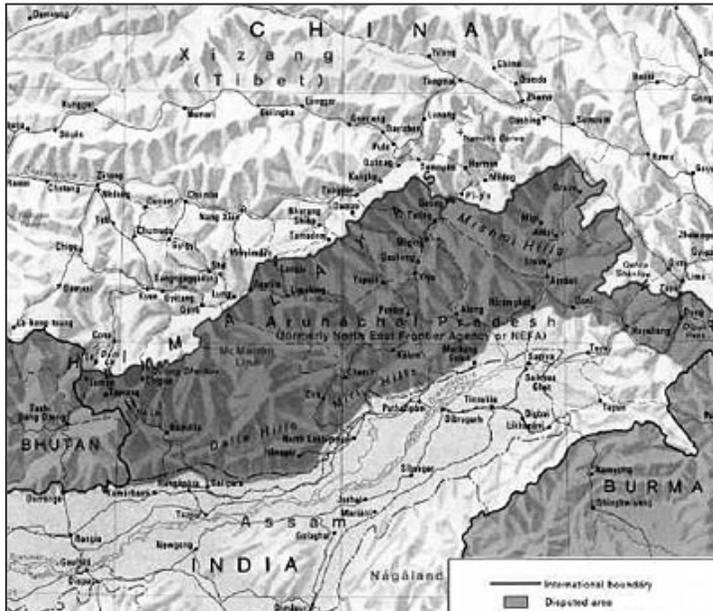
<sup>18</sup> There had been debate over whether India recognized China's "suzerainty" or "sovereignty" over Tibet until the 2003 agreement explicitly recognized Chinese sovereignty over Tibet.

## Disputed Territory between China and India

### Aksai Chin



### Arunachal Pradesh



Both countries retain their strong claims to the disputed territory, however, fueled by national pride and national security interests. China's "Go West" development policy and July 2006 opening of the Qinghai-Tibet railway have received mixed responses from Indian policymakers; those who favor expanded trade and people-to-people contacts have regarded the developments as positive, but some within the national security establishment have raised concerns that they

will allow Beijing to extend its military power projection into Tibet and beyond into South and Central Asia.

Three rivers running through India—the Indus/Sengge Chu, Sutlej/Langqen Tsangbo, and Brahmaputra/Sang Po—originate in Tibet, a fact that has spurred Indian fears that China could use upstream dams and barrages to control the flow of water into India. India, for instance, has blamed a series of flash floods along the Sutlej River in its state of Himachal Pradesh to China's reluctance to supply hydrological data to India in a timely manner or allow Indian scientists to conduct surveys of melting glaciers on Chinese soil. The absence of any water-sharing treaty between both states as a result of the disputed status of their borders contributes to these water tensions.

## Regional Affairs

Regionally, Sino-Indian cooperation has been the exception rather than the rule. Beijing watches closely New Delhi's increasing engagement of East Asia, including relations with nations that have historically had particularly difficult interactions with Beijing, such as Japan, Vietnam, and Indonesia. At the same time, Indian strategists have expressed quiet concern over China's growing influence in the subcontinent, not only its maintenance of a robust political and military relationship with India's rival Pakistan, but also its extensive political, economic, and security relationship with Burma, growing relations with Bangladesh and Nepal, and increasing naval presence in the Indian Ocean. China's admission as an observer to the South Asian Association for Regional Cooperation (SAARC) in November 2005, with New Delhi's reluctant acquiescence, has been cited as further evidence of China's emergence as a player in India's backyard and the desire of India's smaller neighbors to draw China into the region as leverage.<sup>19</sup>

India has viewed growing Chinese influence in Burma, which is strategically located along the eastern end of the Indian Ocean, with great suspicion. In the mid-1990s, India had been one of the most vocal and ardent supporters of Burma's democracy movement, led by Aung San Suu Kyi. However, the combination of India's aim to forge closer links with Southeast Asia as part of its "Look East" policy, its need for Burma's support in countering insurgent groups in India's northeast, its desire for access to Burma's natural resources, including energy (often in competition with China), and its alarm over China's growing military ties to the Burmese junta led India to adopt a more conciliatory engagement policy with the Burmese leadership by the late 1990s to counterbalance Chinese influence. Most notably, the presence of Chinese radar technicians in Burma's Coco Islands, which border India's Andaman and Nicobar

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<sup>19</sup> Other SAARC members, led by Nepal, linked India's effort to admit Afghanistan into SAARC to China's admittance as an observer. Ultimately, only Bhutan openly opposed China's entry. India conceded to China's bid for observership when Japan was also admitted as an observer, and Afghanistan was granted full membership in 2005. For its part, Beijing agreed to admit India as an observer at the Shanghai Cooperation Organization (SCO), but only as a quid pro quo for Russia agreeing to admit Pakistan.

Islands, has fueled concern in New Delhi (and Washington) that Beijing is monitoring naval activities in the region.

Furthermore, China's efforts to develop alternative overland routes to transport oil and gas imports through port facilities at Gwadar in Pakistan's Baluchistan province,<sup>20</sup> which is at the entrance of the Strait of Hormuz, as well as through Bangladesh and Burma, have been viewed by India as part of a Chinese "string of pearls" strategy of economic and military encroachment into South and Central Asia. Indeed, China's senior-most leaders have openly declared Beijing's attention to placing priority focus on naval modernization, including greater power-projection capability.<sup>21</sup> Indian policymakers fear that China's moves could undermine India's regional preeminence.

At the same time, India's joint naval exercises in the South China Sea—with Vietnam in 2000 and Singapore in 2005, joint patrols with Indonesia in the Andaman Sea beginning in 2002, and exercises off the Japanese coast with the U.S. and Japanese navies in April 2007, have sparked concerns in Beijing.<sup>22</sup> The Indian Navy, the world's fifth-largest, has also set up a Far Eastern Naval Command (FENC) off Port Blair on the Andaman Islands to increase its presence in the Strait of Malacca and potentially monitor Chinese naval activities in the region. Such mutual suspicions could result in China-Indian naval rivalry in and around the Indian Ocean over time.

For their part, East Asian nations have increasingly looked to India as a potential partner in economic and regional security affairs, with some, such as Japan, apparently considering India as a potential element in a hedging strategy against China. South Asian countries have likewise begun to play the "China card" in order to counterbalance India's influence in their affairs or gain policy concessions from India and the West.

For instance, as relations have soured between New Delhi and Dhaka in recent years, China has become Bangladesh's largest supplier of military hardware and has replaced India as Bangladesh's overall largest trading partner. In Nepal, China defied international suspension of military aid and other support to King

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<sup>20</sup> China contributed \$200 million for the construction of the first phase of the port facility, which was inaugurated in June 2005.

<sup>21</sup> In a speech to People's Liberation Army Navy (PLAN) officers in December 2006, President Hu Jintao stated, "We should endeavor to build a powerful people's navy that can adapt to its historical mission during a new century and a new period." David Lague, "China Airs Ambitions to Beef up Naval Power," *International Herald Tribune*, December 28, 2006. China's 2006 national defense white paper also calls for a "gradual extension of the strategic depth for offshore defensive operations" (*China's National Defense in 2006* [Beijing: Information Office of the State Council of the People's Republic of China, December 2006, <http://www.china.org.cn/english/features/book/194421.htm>]).

<sup>22</sup> India has been conducting joint naval exercises with Singapore (SIMBEX) since 1993; all except one in 2005 have been in the Indian Ocean. India has conducted joint naval exercises with the United States (MALABAR) since 1992, with a four-year suspension following India's nuclear tests in 1998. India also took part in a multination naval exercise, Milan-06, off the Andaman coast in January 2006 with Australia, Bangladesh, Burma, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, Sri Lanka, Thailand, and Vietnam, with a focus on disaster relief, EEZ patrols, and interdiction at sea.

Gyanendra's regime after the monarch suspended democracy from February 2005 to April 2006, calling the situation Nepal's "internal affair." King Gyanendra reciprocated by shutting down the office of the Dalai Lama's representative in Nepal as well as the Tibetan Refugee Welfare Office.

In the end, China and India each recognize the inexorable reality of the other's increasing involvement in its neighborhood. In response, the two nations are quietly balancing the prospects for cooperation and competition in their relationship without letting any residual suspicions, tensions, or mistrust derail their mutual desire to test the possibilities of political rapprochement, economic engagement, and confidence-building in the years ahead.

### People-to-People Contacts

People-to-people contacts between China and India have increased in recent years, albeit from a low base. Regular direct flights were established in 2002, when China's tourism authorities designated India as an "authorized destination." More than 5,000 Indian students are currently studying in Chinese universities.<sup>23</sup> In India, enthusiasm for Chinese popular culture is growing, and Indians tend to respect, if not envy, China's economic and political rise, which they would like to have their own country mirror. India dubbed 2006 the "Year of Friendship with China," and China declared 2007 the "Year of China-India Friendship through Tourism."

Nonetheless, while official interaction is on the rise and public opinion polls suggest that a majority of citizens and businessmen in both states hold favorable views of each other overall,<sup>24</sup> popular interaction remains relatively minimal, restricted by the language barrier, cultural differences, and other factors. Chinese and Indian observers alike will note that the Chinese have more natural affinity with countries in East and Southeast Asia, while Indians are more comfortable in dealing with English-speaking countries and other South Asian states.

Mutual mistrust persists, particularly within India's older generation, whose memories of the Sino-Indian border conflict lead it to view China with suspicion. India's media and educational system have also nurtured the notion that China "stabbed India in the back" in 1962 and is sitting on Indian land. India's visa policy, in fact, is very restrictive and suspicious of the entry of citizens from China (among other nations, including the United States), further constraining popular contact.

For their part, the Chinese have expressed difficulty in understanding India's cultural and interpersonal style and have tended to be snobbish in their view of

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<sup>23</sup> Swaran Singh, "On the Road to Increasing China-India Tourism," *China Daily* (Beijing), January 18, 2007, [http://www.chinadaily.com.cn/opinion/2007-01/18/content\\_786296.htm](http://www.chinadaily.com.cn/opinion/2007-01/18/content_786296.htm).

<sup>24</sup> Indians view the bilateral relationship as more cooperative than adversarial, although more Indians than Chinese view the relationship as being infused with rivalry. According to one major poll taken in 2006, 46 percent of Indians view China as a partner and 38 percent view it as a rival, while 56 percent of the Chinese people view India as a partner and 30 percent view it as a rival. Interestingly, a majority of Americans (66 percent) view China and India as adversaries (Chicago Council on Global Affairs, *Global Views 2006: The United States and the Rise of China and India* [Chicago: Chicago Council on Global Affairs, 2006, 39–40]).

India and its state of development relative to China. While Indians may be focusing increasingly on China, relatively little Chinese popular attention is directed toward India. Few Chinese students study in India, for instance. Even at the official level, a similar lack of symmetry in the level of attention paid by China and India toward each other appears to prevail.

## **How Are China and India's Relationships with Other Nations Affecting their Bilateral Ties?**

### **Pakistan**

China's continued support for Pakistan has long been a source of friction in China-India relations. The China-Pakistan relationship has been described as an "all-weather relationship" by both states, with President Hu Jintao reaching hyperbolic heights when he described it as "higher than the Himalayas, deeper than the Indian Ocean, and sweeter than honey" during his November 2006 visit to Islamabad.

The China-Pakistan relationship grew out of their mutual desire beginning in the 1960s to counterbalance India, which had closely aligned with the Soviet Union against China, following the 1962 border war. Pakistan's nascent relationship with China can in fact be traced as far back as 1954, when Pakistan reassured Beijing that the Southeast Asia Treaty Organization (SEATO) was not directed against China, and 1961 when it supported a draft resolution to restore China's membership in the United Nations.<sup>25</sup> In 1963, Pakistan ceded to China the Trans-Karakoram Tract, also known as Shaksam Valley, in the disputed territory of Kashmir. The area subsequently became part of the land bridge linking Pakistan to China's Xinjiang along the Karakoram Highway.

China sided with Pakistan during the 1965 and 1971 wars with India, during which China put its own forces along the Indian border on full alert. In April 2005, China and Pakistan signed the "Treaty of Friendship, Cooperation, and Good Neighborly Relations," which binds both signatories to desist from joining "any alliance or bloc which infringes upon the sovereignty, security, and territorial integrity of the other side."

In recent years, China's engagement with Pakistan has been further motivated by Beijing's desire to extend its influence into South and Central Asia in order to maintain a stable periphery; gain access to markets, natural resources, and raw materials; and maintain amicable relations with the Islamic world to mitigate support for the Islamic insurgency in Xinjiang province. Pakistan is the leading recipient of China's arms exports<sup>26</sup> and has received substantial support from China for its civilian and military nuclear program.<sup>27</sup>

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<sup>25</sup> A decade later, China reciprocated by supporting a resolution condemning India's actions in its 1971 war with Pakistan, one of Beijing's first resolutions upon taking up a permanent seat in the UN Security Council.

<sup>26</sup> China exported \$900 million worth of arms to Pakistan between 2000 and 2004 (*SIPRI [Stockholm International Peace Research Institute] Yearbook 2005: Armaments, Disarmament, and*

In recent years, however, China has adopted a more balanced approach toward its relationship with Pakistan and India, fueled by Beijing's desire to maintain amicable relations with all states along its periphery, its recognition of India's growing economic and strategic potential, especially in the wake of improving U.S.-India relations, rising concern over Pakistan's future viability, and China's shared concerns with India over Islamic extremism and separatism. China has also noted the rapprochement in U.S.-Pakistan relations following September 11, which has encouraged Beijing to diversify its relations on the subcontinent in turn. To display its credentials as a responsible international actor, China has lessened its material support for Pakistan's ballistic missile and nuclear weapons programs and its automatic political, moral, and rhetorical support to Pakistan in its relations with India.

The shift in China's policy toward the India-Pakistan relationship has been most visible over the issue of Kashmir. Although China supported Pakistan's position during the India-Pakistan conflicts of 1965 and 1971, Beijing announced in January 1994 that it not only favored a negotiated solution on Kashmir but also opposed any form of independence for the region. During the Kargil conflict in 1999, when Pakistani and Kashmiri forces advanced provocatively into the Indian side of the Line of Control, China for the first time adopted a neutral position rather than siding with Pakistan.

China adopted a similar position when both states were on the verge of war in December 2001 following a terrorist attack on the Indian parliament. Indeed, unless India is the clear aggressor, China is unlikely to support Pakistan automatically in any future India-Pakistan conflict, as China's focus on internal development and maintaining a stable periphery will lead Beijing to place its primary emphasis on stopping any hostilities or unrest along its border.

Nonetheless, Beijing continues to employ the "Pakistan card" in voicing its displeasure over Indian behavior. Beijing's reluctance to admit India to the Shanghai Cooperation Organization (SCO) while supporting Pakistan's bid, and its offer to support Pakistan's civilian nuclear program following the conclusion of the U.S.-India nuclear deal, suggests that China has not completely abandoned its traditional loyalty to Pakistan. Indeed, China benefits today from the reduction of tensions between India and Pakistan, which allows Beijing to continue its two-track approach. China's relationship with Pakistan however continues to rile New

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*International Security* [Oxford: Oxford University Press, 2005, 420–1]). According to one source, as much as 80 percent of Pakistan's military hardware, including 60 percent of its military aircraft, has come from China. Ramtanu Maitra, "China and India Aim to Extend Cooperation," *Executive Intelligence Review*, February 18, 2005.

<sup>27</sup> Pakistan's reliance on China's support for its nuclear program dates back to the early 1980s, when Western export controls and enforcement mechanisms on Pakistan grew increasingly stringent. Both states signed a nuclear cooperation agreement in 1986. U.S. intelligence reports have noted that China had provided Pakistan with warhead designs as early as 1983 and highly enriched uranium for application to several of Pakistan's nuclear weapons ("Weapons of Mass Destruction: Pakistan Nuclear Weapons," in *Globalsecurity.org*, <http://www.globalsecurity.org/wmd/world/pakistan/nuke.htm>, accessed December 1, 2006).

Delhi, which remains resentful and suspicious over continued arms sales and other elements of the historical partnership over the past 45 years.

## United States

Many Chinese have viewed the Bush administration's attention to developing strategic relations with India since 2001 as an attempt to contain or at least counterbalance China in South and East Asia. President George W. Bush has stated that the United States is committed to helping India become a world power, and in June 2005, India and the United States signed the New Framework for the U.S.-India Defense Relationship, a 10-year agreement paving the way for joint weapons production, cooperation on missile defense, and a possible lifting of U.S. export controls on sensitive military technologies.<sup>28</sup>

Growing U.S.-India military-to-military cooperation, most notably in the Indian Ocean, has emerged as a particular source of concern in Beijing, given China's growing dependence on oil imports transiting the Indian Ocean. China expressed principled discomfort over the March 2006 U.S.-India civil nuclear agreement, which in essence recognized India as a nuclear weapons state and granted India assistance for its civilian nuclear program in exchange for India's promise to open its civil nuclear facilities to international inspection and safeguards. China initially criticized the deal as creating a "nuclear exception" and undermining the nonproliferation regime, although its opposition has cooled due to concern about its potential impact on relations with New Delhi.<sup>29</sup>

Nonetheless, while the United States does seek to draw India into a values-based strategic and operational partnership to handle common international challenges, U.S. officials have denied that the relationship is meant to contain or otherwise oppose China.

Regardless, absent extraordinary provocation from Beijing, New Delhi will have no interest in allying with Washington in any active strategy to contain or oppose China. As a legacy of its "nonaligned" foreign policy, Indian policymakers maintain an aversion to alliances, especially those that are perceived as counterbalancing or containing other countries. This has prompted India to keep its distance thus far from both China-centered forums such as the Shanghai Cooperation Organization, and U.S.-centered organizations such as the

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<sup>28</sup> Notable U.S. military engagements with India include the transfer of the U.S. amphibious transport ship *Trenton* to India in 2007, U.S. firms competing in the Indian Air Force tender for multirole combat aircraft, including F-16 and F-18 combat aircraft, and a U.S. firm competing in the Indian Army's commercial tender for a new light helicopter (*Fact Sheet: U.S.-India Defense Relationship* [Washington: U.S. Department of Defense, March 2006]). The United States also permitted the sale of the Phalcon airborne warning and control system by Israel to India in 2003, after blocking a similar sale to China in 2000 (Arutz Sheva, "Israel Completes Phalcon Deal with India," *Israel National News.com*, February 12, 2004, <http://www.israelnationalnews.com/News/News.aspx/57795>).

<sup>29</sup> During President Hu Jintao's visit to India in November 2006, for example, China refrained from expressing opposition to the deal. Instead, the two countries issued a joint statement that called for "innovative and forward-looking" approaches to civilian nuclear cooperation.

### Proliferation Security Initiative and the U.S.-Japan-Australia Trilateral Strategic Dialogue.

The legacy of nonalignment has made India particularly resistant to becoming anything resembling a junior partner of the United States (or China) and allergic to anything that constrains its flexibility and policy options. Indeed, India's position toward the United States has not emerged from its Cold War shadow, and New Delhi is taking the bilateral partnership slowly. In the end, India will maintain its strategic independence to pursue a multilayered approach combining both cooperation and competition with China in a way that serves its own unique political, economic, and security interests.

### Russia

The legacy of India's close relations with the Soviet Union during the Cold War lingers in its attitudes toward Russia. India signed the "Treaty of Peace, Friendship, and Cooperation" with the Soviet Union in 1971 at the height of the Sino-Soviet split, which led Beijing to denounce India as "tool of Soviet expansionism." As far back as 1959, as the split emerged, the Soviet Union supplied India with transport planes for use during border clashes with China. Russia remains the main source of India's advanced weaponry today; Moscow, in fact, provides technologies even further advanced than those it sells to China.

In the post-Cold War period, China-Russia rapprochement has brought about a convergence in Chinese, Russian, and Indian interests. The three countries have shared an interest in combating Islamic extremism within their borders. They each are committed to promoting a multipolar world and preserving strict adherence to the principles of state sovereignty and noninterference in states' internal affairs. China and India share an interest in importing Russian energy resources and intersect in their interest in confidence-building in Central Asia.

As a result, some U.S. analysts have worried about an emerging strategic triangle between China, India, and Russia that could seek to counterbalance the United States, especially after India acquired observer status in the Shanghai Cooperation Organization in 2005 and trilateral foreign-minister talks began the same year.<sup>30</sup> There is little possibility of such a strategic triangle, however. Not only do India and China continue to mistrust one another, but India at least shows no desire to collaborate with China and Russia at the expense of its ongoing political rapprochement with the world's only superpower. India has distanced itself from the Shanghai Cooperation Organization, for example; India was the only country not to send its head of state to the June 2006 SCO summit in Shanghai. The trilateral meetings themselves are in a nascent phase in which nonmilitary, nonstrategic issues, such as energy, agriculture, industrial restructuring, and environmental protection, are discussed.

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<sup>30</sup> At the first annual meeting of the three countries' foreign ministers in Vladivostok, Russia, in June 2005, a joint communiqué was issued that called for the "democratization of international relations," "multi-polarization in the international order," the "centrality" of the United Nations in the conduct of international peace and stability, and cooperation in the fields of "transportation, agriculture, energy, and high-tech industries."

## Taiwan

India recognized the People's Republic of China over the exiled Republic of China on the island of Taiwan in 1950 and has never wavered in its perspective on formal relations with the two sides. Nevertheless, Taiwan's leadership has reached out actively to New Delhi in recent years. Taiwan's government has spoken openly about how India could serve as an alternative investment destination and a democratic comrade-in-arms with which the island might work to raise its international profile and perhaps constrain mainland action across the strait.

Indian leaders and close advisers within the nongovernmental community have increased their interaction with Taiwanese delegations in recent years, but New Delhi has been very reluctant to accept Taiwan's overtures for more official ties and closer relations. There remains little overt interaction between the political communities, and even that has largely been focused on economic issues. In 1995, India and Taiwan founded the India-Taipei Association, India's trade mission in Taiwan. The organization had been led by retired government officials, but in 2003 India raised the level of its representation by assigning leadership to a serving official.

In February 2006, the two sides established the Taiwan-India Cooperation Council, which was intended to promote and facilitate Taiwanese business investment in India. Taiwanese leaders like to note that Taiwan's hardware expertise and India's strong software industry are an excellent complement to each other. Presently, about 70 percent of hardware and IT components manufactured on the Chinese mainland are based on Taiwanese investments, and this has prompted Taiwanese businesses to seek to diversify their IT market. Nonetheless, Taiwan-India bilateral trade reached about \$2 billion in 2005. India makes up only 0.67 percent of Taiwan's total trade, although the figure has grown by 33 percent between 1995 and 2002. Investment also lags considerably, with Taiwanese businesses investing a total of \$116 million in India as opposed to well over \$100 billion in China.<sup>31</sup>

Taiwan has made quiet overtures to India to establish military cooperation, but so far military interaction remains very limited. Nonetheless, New Delhi has benefited from the insights of Taipei's intelligence establishment that assist India in understanding developments on the mainland.

In the end, however, India views Taiwan as an economic partner more than as a potential political partner. India is quite aware of the sensitivity of the Taiwan issue to China and the potential for it to affect China-India relations. India's desire for stable relations with China, and in particular its aim of encouraging Beijing to pursue more balanced relations between India and Pakistan in South Asia, make India's leaders extremely cautious to not inflame tensions over the issue about which Beijing is most sensitive.

Indian decisionmakers reject any notion of using the Taiwan issue as a way to distract or exercise leverage against China. They do note, however, that peaceful resolution of the Taiwan issue will be an important indicator of China's future

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<sup>31</sup> Indrajit Basu, "Taiwanese Hardware Makers Eye India," *Asia Times Online*, November 14, 2006.

direction as a peaceful and responsible international actor and have linked the way China deals with Taiwan with the way it will handle Tibet, an issue of more direct salience for India.

## Appendix

Table 1. Sino-Indian Energy Cooperation vs. Competition

Competition				
Asset	India's Bid	China's Bid	Winner	Date
Sonangol—50% stake, offshore block 18 (Angola)	ONGC—\$310 million	Sinopec—\$725 million	China	Nov-04
PetroKazakhstan (Kazakhstan)	ONGC-Mittal—\$3.9 billion	CNPC—\$4.18 billion (Initial bid—\$3.6 billion)	China	Aug-05
EnCana Corp (Ecuador)	ONGC—\$1.4 billion (Bid withdrawn)	Andes Petroleum (CNPC, CNOOC)—\$1.42 billion	China	Sep-05
South Atlantic Petroleum—45% stake (Nigeria)	OVL—\$2 billion (Bid withdrawn)	CNOOC—\$2.3 billion	China	Jan-06
Cooperation				
Asset	Sino-Indian Bid		Date	
Greater Nile Oil Project (Sudan)	OVL—25% (\$750 million), CNPC—40% (\$441 million)		OVL—March 2003, CNPC—1996	
Petro-Canada—37% (Syria)	\$573 million (OVL-CNPC—Himalaya Energy)		Dec-05	
Omimex de Colombia Ltd.—50% (Columbia)	\$850 million (OVL-Sinopec)		Aug-06	
Yadavaran oil field (Iran)	OVL—29%, Sinopec—51%		Sep-06	

CNPC—China National Petroleum Corporation (China)

CNOOC—China National Offshore Oil Corporation (China)

ONGC—Oil and Natural Gas Corporation (India)

OVL—ONGC Videsh Limited (India)