

DEBATE

INDIA–CHINA RELATIONS: CONFLICTING TRENDS¹

Will the conflicting trends override the cooperative drive in Sino-Indian relations in coming times?

China and India, immediate neighbours, are powerhouses in regional and global politics. To what extent will they compete or cooperate or find a via media between the two polar options? How they work out this conundrum carries enormous implications for regional and global politics. Conventional wisdom suggests that the current vitality and import of Sino-Indian relations extends far beyond the purview of bilateralism, to much wider regional and global political facets. Their relationship is currently akin to other pre-eminent major-power relations, such as Sino-US, Sino-Japanese or Sino-Russian. It is important to contextualize the debate against the fact that China has emerged as the second largest economy and India as the third largest economy in world GDP (PPP) ranking.

Admittedly, the two countries have their differing perspectives on various matters, whether bilateral, regional or international; they also have bilateral disputes. Regardless, there is a point to be noted from the speech Prime Minister Manmohan Singh made at the Central Party School in Beijing in October 2013: the China-India relationship is ‘unique’ in world politics.² Does that speech reflect satisfaction at the state of the relationship over the last nine and a half years? Or, is it a bit wishful about what might have been, and then lays down the parameters for the development of the relationship? Will the Chinese meet us halfway on the conditions the PM has laid down as prerequisites? What are the conflicting trends that can be gleaned from PM’s speech?

In his speech at FICCI during his trip to India, Le Keqiang, the Chinese Premier also described this connection as ‘most important global relations[hip]’. Therefore, Sino-Indian relations indeed are the focus of considerable attention from analysts of world affairs.

The pattern of engagement between the two countries has, however, remained limited in some ways. The boundary dispute festers as the main

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² Speech delivered by the Prime Minister, Shri Manmohan Singh at the Central Party School in Beijing, China, on October 24, 2013. Available at: <http://www.pmindia.nic.in/speech-details.php?nodeid=1382>. It is being reproduced in this volume as a part of this debate.

obstacle between the two on the road to possibly warmer relations. Maritime developments in the South China Sea and in the Indian Ocean region have currently become additional irritants. Compounding these is the fact that the People's Liberation Army (PLA) made incursions into India's sovereign territory in Ladakh in 2013. There is also the Sino-Pakistani nexus, and the Chinese antipathy to India's commercial interests in the South China Sea.

On the other hand, India's closer relationship with the USA; the US rebalancing towards Asia where India is a factor in the American 'pivot'; and New Delhi's rising economic and political reach in Southeast/East Asia; and its stable rise as a democratic country and a dynamic economy are causing unease in China. On the obverse side, there has been constant political engagement between the two sides. Trade and economic contacts have also been growing.

Against this background, Sino-Indian relations in the global context deserve close scrutiny and assessment. These countries are currently two of the leading powers in the comity of nations, contributing significantly at various levels of regional and global politics. Their current competition for resources in Africa, their quest to draw in the developing and emerging countries into their respective folds in active pursuit of their individual national interests are some aspects that suggest a fertile ground for their mutual antipathy.

But antipathy has no place in real-politik. Constant mutual engagement, seeking areas of consensus as well as collaborating in multilateral bodies in the interest of spreading their individual spheres of influence are the order of the day. The association of India and China in BRICS and BASIC exemplify this approach. Pressuring the West to reform global financial institutions like the WTO, IMF and World Bank in favour of developing countries have also brought them closer.

Xi Jinping is about to finish one year of his term as President of China. He has indicated that China's foreign policy must be upgraded, and China is formulating a 'new type of major power relationship' with the USA. At the same time, his concept of the 'Chinese Dream' aims primarily at consolidating China's domestic strength and governance, and building China as a powerful country. These changes will have far-reaching implications for India. Besides, from India's domestic point of view, New Delhi is going to face a general election soon. As always, approaching China will continue to remain a policy challenge for India in the times to come.

Keeping these diverse aspects in view, this debate aims to analyse and engage with the current and future aspects of the discourse of the Sino-

Indian relationship by addressing five questions of considerable import.

- How will the boundary dispute unfold? Are the current boundary negotiations heading anywhere? To what extent will the issues relating to the boundary question impact the relationship in the future? The border issue is often projected as the major impediment. Is this really so?
- How does the current Chinese leadership view India's foreign policy strategy? Will it pursue a less aggressive and more accommodative policy towards India? In return, what should India's strategy be towards China in coming times?
- Has bilateralism as a focus in foreign relations overtaken the Sino-Indian regional power strategy? What main regional issues and developments will dominate and influence China-India relations in future? How will the China–India dynamic unfold in neighbouring maritime sectors like the South China Sea and the Indian Ocean Region (IOR)?
- Where precisely is the Sino-Indian competition prevalent in Asia? Where does China place and upgrade its posture at the regional level vis-à-vis India? Are we going to witness a new level of power politics and rivalry in the Asia–Pacific region? How do we see China–India relations moving in the East Asian region?
- Can we pinpoint the main aspects of the China–India discord and collaboration at the global level? Is their attempt to collaborate at the global level through the label of 'developing countries' or 'emerging economies' merely a temporary stratagem? How do we see future power politics between the two countries playing out in global political and financial institutions? Will the outcome be decidedly cooperative or competitive?

This debate is contextualised around Indian perceptions, stringing together a range of views and perspectives from subject experts, former diplomats, academics, etc., and their views are published in the following pages. To enrich the debate, speech delivered by the Prime Minister, Shri Manmohan Singh at the Central Party School in Beijing, China, on 24 October, 2013, is being reproduced in this volume as a part of this debate.

(The views expressed by the authors are their own and do not reflect the views of the *Indian Foreign Affairs Journal*, or that of the Association of Indian Diplomats)



India and China in the New Era

Manmohan Singh*

I am conscious of the unique place that this School holds in the governance system of contemporary China and its contribution to the remarkable transformation of Chinese society. Many of you will play a decisive role in shaping China's future development, which will be of great significance for Asia and the world. I can think of no better place than this School to speak about India and China in the new era.

Relations between India and China are unique in the world. We are two continuous ancient civilizations. We are neighbours with a long history of cultural, spiritual and economic ties. We both embarked on a new phase of our political histories around the same time. Today, we are the world's two most populous nations, engaged in a process of socio-economic transformation of our people on a scale and at a pace unprecedented in human history.

Both our countries have achieved considerable success in this endeavour. Indeed, China's early economic reforms and impressive achievements are a source of inspiration across the developing world. After China, India has been the fastest growing major economy in the world, averaging a growth rate of 7 percent per year over the past two decades and around 8 percent per year during the past ten years. As a result, both our economies have expanded several times. We have achieved a high degree of economic modernization and have lifted hundreds of millions of our people out of the clutches of poverty.

In our own ways, we have also had an impact in shaping the global economy – China in the manufacturing sector and India in the services sector.

Over the past two decades, the process of economic reforms in India has gone through the rigour of democratic debate, and met the test of political consensus and public support. India's policies have focused not only on accelerating growth, but also on making it sustainable and regionally balanced. We have emphasized not only modernization, but also addressing the challenges of opportunities, capacity and equity for our vast and diverse population. This is the path on which we will continue to move forward.

In structural terms, India's growth is propelled by domestic demand and financed largely by our own resources. But we are also increasingly integrated

*Speech delivered by the Prime Minister, Shri Manmohan Singh at the Central Party School in Beijing, China, on 24 October 2013, at: <http://www.pmindia.nic.in/speech-details.php?nodeid=1382>

into the global economy. The prolonged global economic crisis has affected us, as it has many other emerging economies. I believe, however, that this is a temporary disruption. In recent months, we have taken measures to enhance foreign investment flows, speed up implementation of major projects, boost infrastructure development, strengthen our financial markets, reform our tax system and make our business environment more attractive.

Our effort is to return the Indian economy to a sustained growth rate of 7–8 percent per annum. We believe that the underlying fundamentals of our economy, particularly investment and savings rates, are strong and consistent with this projection.

India's critical challenges in the days ahead are precisely in areas where I see opportunities for cooperation between India and China and I would like to highlight eight specific areas in this regard.

One: We need to pay much greater attention to the expansion and modernization of our infrastructure. India plans to invest one trillion U.S. dollars in infrastructure in the next five years and we would welcome China's expertise and investment in this sector.

Two: We need to increase our agricultural productivity in order to reduce rural-urban disparities in income and manage efficiently the process of mass urbanization, which is a phenomenon common to both our countries. This will mean paying particular attention to the issues of water and waste management.

China has significant experience of urbanization and our national planners, city administrators and entrepreneurs should share experiences and seek solutions in dealing with the physical, social, environmental and human challenges of mobility and urbanization.

Three: We want to draw upon China's strength in the manufacturing sector, which is vital for providing mass employment. India, for its part, has strength in services, innovation and certain manufacturing sectors, which can benefit China. A linked challenge for India is in skill development, where we can learn from each other's experience.

Four: As large and growing consumers of energy, we should intensify cooperation on the shared challenges of energy security, including joint development of renewable energy resources, as well as working jointly with third countries.

Five: Growing population, shrinking land, improving consumption levels and price volatility make food security a key policy priority for us. India has

launched a major legislation-based food security programme. Our two countries should pool our resources and expertise in this area.

More broadly, in an uncertain global environment, India and China can work together to impart stability to the global economy and sustain growth in our two economies by leveraging our resources, large unsaturated demand, economies of scale and our growing income levels.

Six: In an integrated world, economic success requires a favourable external environment. In recent decades, India and China have been among the greatest beneficiaries of an open global economy; a rule-based and open international trade regime; and free flow of finance, information and technology.

However, the emerging global environment may not remain as favourable as it has been in recent decades. We should therefore work together to make the international economic environment more conducive to our development efforts. Please allow me to elaborate this point.

After the prolonged global economic crisis of 2008, we face a fundamentally different future for the world economy. We are in the midst of a significant and ongoing transformation where both political and economic power is being diffused. A multi-polar world is emerging but its contours are not yet clear.

Protectionist sentiments in the West have increased and the global trading regime may become fragmented by regional arrangements among major countries. India and China have a vital stake in preserving an open, integrated and stable global trade regime even as we work together to foster regional economic integration. We should also intensify our efforts to support trade and investment and reduce risks in emerging markets. The BRICS Development Bank and the Contingency Reserve Arrangement are examples of such cooperative efforts. Our cooperation will also help accelerate reforms in global financial institutions.

Seven: While we welcome and celebrate the rapid economic growth of our economies, we must also confront the challenges of climate change and focus greater attention on the safeguarding of our fragile environment. Both India and China are heirs to civilizations that value Nature and have practiced sustainability through the ages. However, as we meet the basic needs of our people, we also face the danger of unfair burdens being imposed on us for mitigating climate change. We should ensure that the international response to climate change does not constrain our growth and that it continues to be based on the principle of common but differentiated responsibilities.

Eight: India and China have also benefited from a largely stable global

order and peaceful periphery. But we cannot take a stable political and security environment in our region and beyond for granted. If we look carefully, many of our challenges are common. Terrorism, extremism and radicalism emanating from our neighbourhood affect both of us directly and can create instability across Asia. Similarly, maritime security in the Pacific and Indian Oceans is vital for our economies just as peace and stability in West Asia and Gulf are essential for our energy security.

Above all, India and China need a stable, secure and prosperous Asia Pacific region. The centre of gravity of global opportunities and challenges are shifting to this region. In the coming decades, China and India, together with the United States, Japan, Korea and the ASEAN Community, will be among the largest economies in the world. While this region embodies unparalleled dynamism and hope, it is also one with unsettled questions and unresolved disputes. It will be in our mutual interest to work for a cooperative, inclusive and rule-based security architecture that enhances our collective security and regional and global stability.

While both India and China are large and confident enough to manage their security challenges on their own, we can be more effective if we work together. Regional stability and prosperity will also gain from stronger connectivity in the Asia-Pacific region. This should be a shared enterprise of India and China.

I have said on several occasions that India welcomes China's emergence. Frankly, old theories of alliances and containment are no longer relevant. India and China cannot be contained and our recent history is testimony to this. Nor should we seek to contain others.

We both know that the benefits of cooperation far outweigh any presumed gains from containment. Therefore, we should engage with each other in a spirit of equality and friendship and with the confidence that neither country is a threat to the other. This is the essential premise of India's external engagement. Our strategic partnerships with other countries are defined by our own economic interests, needs and aspirations. They are not directed against China or anyone else. We expect a similar approach from China.

The landmark visit of Prime Minister Rajiv Gandhi to China 25 years ago marked a new beginning in our relationship. Since then, successive leaders in our two countries have built on that historic opening. Over this period, our relationship has prospered and our cooperation has expanded across a broad spectrum of areas. This is because we have managed our differences and

have, in general, kept our border regions tranquil. At the same time, we continue to make progress in resolving our border dispute. Having agreed to the Political Parameters and Guiding Principles, we are now discussing a Framework for a fair, reasonable and mutually acceptable boundary settlement.

This stability in our relationship has created the basic conditions for our two countries to exploit the opportunities created by our economic growth and opening. Indeed, the most dynamic area of our relationship has been economic and China has emerged as one of India's largest economic partners.

Naturally, there are also concerns on both sides – whether it is incidents in the border region, trans-border rivers or trade imbalances.

Our recent experiences have shown that these issues can become impediments to the full exploitation of the opportunities for bilateral and multilateral cooperation between India and China, which is important for the continuing progress and transformation of our two countries.

I believe that our two countries not only share a common destiny, but that we have unlimited possibilities for closer cooperation. Let me therefore outline seven practical principles of engagement that I believe will set India and China on this course.

One: We should reaffirm an unwavering commitment to the principles of Panchsheel and conduct our relationship in a spirit of mutual respect, sensitivity to each other's interests and sovereignty, and mutual and equal security. India has welcomed President Xi Jinping's concept of a new type of great power relations. This is a contemporary development of the *Panchsheel* or Five Principles of Peaceful Co-existence, elaborated by Prime Minister Nehru and Premier Zhou Enlai in the 1950s. It highlights, in a modern context, the need for creating inter-state relations among major powers, based on mutual trust, sensitivity to each other's core concerns and a commitment to resolve all outstanding issues through peaceful dialogue. We should develop our relations on the basis of these principles.

Two: Maintaining peace and tranquillity in the India-China border areas has been the cornerstone of our relations. It is essential for mutual confidence and for the expansion of our relations. We should do nothing to disturb that. Indeed, we can achieve it by adhering to our agreements and utilizing our bilateral mechanisms effectively. At the same time, we should move quickly to resolve our boundary issue.

Three: We should increase consultations and cooperation on complex issues such as trans-border rivers and our trade imbalance so as to strengthen

our strategic and cooperative partnership.

Four: We should maintain a high level of strategic communication and consultations, in a spirit of transparency, on our region and our periphery, eliminating misunderstanding between our two countries and building experience of positive cooperation. As the two largest countries in Asia, our strategic consultation and cooperation will enhance peace, stability and security in our region and beyond.

Five: Our convergence on a broad range of global issues should lead to enhanced policy coordination on regional and global affairs and cooperation in regional and multilateral forums in the political, economic and security domains.

Six: We should harness the full potential of cooperation in all aspects of our relationship, including in the economic area.

And **finally**, we will achieve much greater success in our relations by increasing contacts and familiarity between our people in every walk of life.

Like a beautiful '*tangram*' that emerges from seven different shapes, these seven principles would together create a beautiful tapestry of India-China relations in the years ahead.

I am pleased that the agreements that we have signed yesterday will help to advance many of these shared principles. As officials who will determine public policy, I hope you will do everything to advance our cooperation and promote India-China relations from your positions of responsibility.

Before I conclude, let me recall what I have often said that the world is large enough to accommodate the development aspirations of both India and China.

In my meeting with President Xi yesterday, he echoed this thought when he said that the Chinese and Indian dreams for becoming strong, developed and prosperous nations are inter-connected and mutually compatible. My meetings with President Xi and Premier Li give me great confidence that we can fulfil this noble vision. More than ever before, the world needs both countries to prosper together. We were not destined to be rivals, and we should show determination to become partners. Our future should be defined by cooperation and not by confrontation. It will not be easy, but we must spare no effort.

What is at stake is the future of India and China; indeed, what may be at stake is the future of our region and our world.

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Meaningful Cooperation on Afghanistan – A Test of the Relationship

C. V. Ranganathan*

In 2013, China recorded a growth rate of 7.5 per cent. A marked fall from previous double digit growth rates, it was still among the countries which recorded high growth rates for the year, and vastly exceeded the rates of developed countries. If one considers that the Gross Domestic Product of China is estimated to amount to US dollars nine trillion, this annual growth rate is significant. Presiding over the ruling Chinese Communist Party for more than a year, Xi Jinping has centralized many institutional offices under his supervision. This is unprecedented for the leadership in China since the death of Mao Zedong. His authority is established over the Party, the Government, the Peoples' Liberation Army, a newly established National Security Council, and another policy group which monitors and implements reforms. He has also sought to strengthen his constituency amongst the public by following populist policies. These include setting an example by cutting down official ostentation, moving against Party corruption by making examples out of both high and low cadres and officials, and introducing innovative concepts of governance. Responding to mass public dissatisfaction, Premier Li Keqiang (at the recently concluded National People's Congress) has promised to fight a 'war' against air and water pollution, improve housing facilities, improve food and drug safety, provide affordable health care, social security, and reduce income disparity. The implementation of these measures would also strengthen social stability. However, the protection of this extends to taking stern measures against the real or perceived opposition mounted by social activists and intellectuals who challenge the dominance of the Party.

A major terrorist attack in the South Western city of Kunming, reportedly undertaken by the Uighurs from Xinjiang during the session of the Congress, has highlighted the continuing resistance to the regime's policies, and the sense of alienation felt by large sections of ethnic minorities in this sensitive area. The response as articulated by the Premier was on predictable hard lines: 'We will build a wall of bronze and iron for ethnic unity, social stability and national unity.' At the Congress Session also, the military budget for 2014 was passed. This called for an increase of the defense budget by 12.2 per cent over the previous one, thus amounting to a total of US dollars 132 billion. This was

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justified on the grounds that there is a high risk security environment in the region. The Premier has called for placing war preparations on a regular footing, undertaking coordinated planning in military preparations in all scenarios, and pushing the development of new and high technology weapons and equipment. The enhancement of border, coastal and air defenses are also envisaged.

From the above, it is apparent that the present leadership is determined to tackle seriously the glaring deficiencies in social governance which have accompanied China's rise to prosperity. At the same time, as China needs to face new problems in the governance of China at home, it is also following a very robust policy in strengthening its defense capabilities. This causes anxieties for China's neighbors with whom it has maritime or territorial disputes, including India. Over the years, China has also taken advantage of its geographical neighborhood in Central, South, and South East Asia to rewrite geopolitical realities through either establishing road, rail and pipeline connections, or planning new ones. Investments in these fields seek to ensure political, economic, and social interdependence which give substance to diplomatic interactions between China and the countries involved.

Turning to India–China relations, it has to be noted that with no other country as with China has India entered into so many declarations, statements, agreements, memoranda of understandings, dialogue mechanisms – accompanied by frequent exchanges of visits and meetings of heads of both Governments. All these signify the importance attached by each side to the India–China relationship, and the mutual need to continuously add substance to the relationship in diverse fields. Although the trade balance is skewed in China's favor, it has emerged among India's largest trade partners. The accepted rubric for characterizing the relationship in numerous statements signed at the level of the two Premiers is that it is one of 'Strategic and Cooperative Partnership for Peace and Prosperity.' The basis of the relationship is predicated on the Five Principles, and mutual sensitivities for each other's concerns and aspirations.

The Joint Statement, signed on the occasion of Chinese Premier Li Keqiang's visit to India in May 2013, addresses many of India's interests in South Asia where, as India's largest neighbor, Chinese interests also intersect. To mention a few of these references, the Statement recognizes that the relationship between the two countries transcends the bilateral scope, and has acquired regional, global and strategic significance. Both countries also view each other as partners for mutual benefit, and not as rivals or competitors. The two sides are committed to taking a positive view of, and support each other's friendship with other countries. The two sides agree to enhance bilateral

cooperation on maritime security, and work together to tackle nontraditional security threats, and to safeguard the security of international sea lanes and freedom of navigation. The two sides have also agreed to enhance bilateral engagement at the working level on wide ranging issues of regional and global significance. In this context, the statement refers to bilateral consultations which have been held on Afghanistan, West Asia, Africa, as well as on counter terrorism. Other bilateral consultations on Central Asia, maritime affairs, disarmament, non-proliferation and arms control have also been envisaged.

Specifically on Afghanistan, acknowledging that its future concerns regional security and stability, both sides reiterated support for an “Afghan led, Afghan owned” reconciliation process as well as their support to working with regional countries and the international community to help Afghanistan achieve its objective of peace, stability, independence and development at an early date. The Joint Statement emphasized the need to implement all relevant UN resolutions dealing with counter terrorism, particularly those adopted by the Security Council. Lastly, in referring to the Asia-Pacific Region, the Joint Statement was of the view that the current priority is to maintain peace and stability in the region, promote regional common development, and establish an open, transparent, equal and inclusive framework of security and cooperation based on the observance of the basic principles of international law.

The above important statements should not be seen as abstractions devised by diplomats to inflate the significance of the India–China relationship. Rather, they should be seen as the clear articulation of positions in the context of the experience gained over the years in dealing with each other, the response of both countries to the developing international and regional situations, and the broad framework of mutual agreement to guide the approach to solving these situations. As such, both sides have a responsibility to implement them in letter and spirit to meet the expectations of the public in both countries. Despite the undoubted improvement over the years (since Prime Minister Rajiv Gandhi’s visit to China in 1988), the relationship between the two countries has yet to achieve that degree of trust and confidence necessary for it to reach its potential. Implicit in what has been said earlier by both Governments is that both countries are committed to achieving a framework of cooperative security in regional situations. The biggest test of this commitment would arise in what is called the Af–Pak region, taking into account the important transitional developments in both countries.

Two sets of developments characterize the situations in Afghanistan and Pakistan. Both developments are crucially interlinked, and have a bearing in

the short and medium terms following the withdrawal of the present American and NATO presence in Afghanistan. The first is the series of two elections there (for the President and Parliament) in 2014 and 2015. It is for the people of Afghanistan and its government to provide the conditions for a free, fair, and credible election. The results will have to be accepted by all parties, despite the country's complex ethnic and tribal differences, and its problematic security and law and order maintained by the civil and military forces. The other development which has a crucial bearing on the future of Afghanistan is the possible outcome of the reported negotiations being sporadically carried on by the Pakistan Government with parties representing the Taliban for a durable peace within Pakistan. This will have a bearing on whether Afghanistan will be able to emerge into a new political dawn without the external interference through cross border terrorism from Pakistan based Taliban associates. Only the success of these negotiations – which should lead to mutually agreed and enforceable decisions with respect for Pakistan's constitution, the eschewal of religious fundamentalism, respect for the rule of law, and tolerance for plurality – would ensure durable peace in Pakistan, and have a beneficial impact on Afghanistan.

India's concerns are that, on both counts, a peaceful political transition in Afghanistan and negotiated solutions to the dialogues with Taliban should be achieved in the larger interests of a more secure neighborhood. The intersections of Indian and Chinese interests in such outcomes are obvious. However, the pursuit of these interests needs *more* proactive joint moves by the governments of India and China than mere laudable statements. What may be necessary is a three party dialogue between India–China–Pakistan to convey mutual assurances on objectives which are centered on an inclusive Afghanistan, to which all three countries can make joint contributions in infrastructure development and economic recovery in an environment of political stability. All branches of the establishment in Pakistan should understand from recent experience that an India which is involved in Afghanistan in accordance with the peoples' wishes there is far less of a threat to Pakistan than what the Taliban, based in its borderlands, is to Pakistan. It would give a qualitative boost to India–China relations if China is seen to exercise her undoubted leverage in Pakistan to ensure effective cooperation on the future of Afghanistan. The dialogue should also include other neighbours of Afghanistan, such as Iran and some Central Asian states, as it gains traction. Such an exercise would also have useful side effects on the future of Indo–Pakistan relations.

Towards the east of India, in the Bay of Bengal region, prospects of cooperation in the security field have improved. A joint Study Group on

strengthening connectivity in the Bangladesh–China–India–Myanmar region for closer economic ties, trade, people to people linkages, and to initiate the development of a BCIM Economic Corridor is to be set up. Even as this Study Group carries out its mandate, it is urgent that in some of India's states in the north-east, the development of road, rail and other modern infrastructure to facilitate better border management is carried out. The economic and social advantages to the people of the north-eastern states through an opening of this area to its neighbors in South East Asia have been discussed for a long time. It is high time to take active steps to realize this, especially since the process of BCIM cooperation has been taken up by the governments of the four countries.

In South East and East Asia, a series of actions surrounding Chinese claims to maritime areas in the South and East China Seas have resulted in a variety of reactions from the countries involved. In Japan's case, where the dispute with China is over the Senkaku Islands, strong nationalist sentiments have been invoked in Japan, a long dormant sentiment for strengthening its military is being revived, and its traditional military alliance with USA is being reinforced. In the case of China's claims of sovereignty over the South China Sea, these bring it into conflict with the Philippines, Vietnam (both of whom have enhanced their military cooperation with the USA), Malaysia, Brunei and Taiwan. With Japan, the Chinese are dealing with the dispute more stridently and assertively, whereas with the South Eastern Asian countries, the lever of the value of close economic cooperation with China is emphasized. The objective of establishing an open, transparent, equal, and inclusive framework of security and cooperation based on the observance of the basic principles of international law to which India and China have committed seems distant, even difficult to attain given the positions of the contending countries and China's approach in extending sovereignty claims beyond the norms of international law.

The approaching end game in Afghanistan, marked by the withdrawal of American and NATO troops, draws attention to the urgency of the pursuit of cooperation in the security sphere between India, China, Pakistan, and other neighbours of that country. Even as various diverse fields in bilateral relations between India and China continue to grow the issue of constructive and meaningful cooperation with regard to the future of Afghanistan should be considered an important test of the quality of the relationship, having a vital bearing on the peace, stability, as well as the economic and social development of the Indian subcontinent.

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Cooperation, Competition and Peaceful Confrontation

Nalin Surie*

For India, China is perhaps its most important bilateral relationship in the contemporary era. The reverse is not necessarily the case, although India will certainly rank high in the Chinese list. From the ideological perspective though, India would rank higher in the Chinese ranking since India's democratic experiment has demonstrated quite clearly that its political and socio economic model is not only sustainable but also consistent with high growth rates – self-inflicted wounds notwithstanding. Our world views are also quite distinct: while the Chinese are practitioners of the game of balance of power, the Indian approach is much more in the nature of 'live and let live' till 'push comes to shove'.

Since the opening up by Deng Xiaoping in 1978, China has benefitted enormously from the status quo in the international political, economic, strategic and financial architecture. This has necessarily required important internal adjustments; but that does not detract from the premise referred to. In so far as external adjustments are concerned, the Chinese effort has been to push reform so as to strengthen its own position, and collaborating as necessary with new and old powers, essentially with a similar objective in mind. Its position as the second largest economy and trading nation in the world, that has withstood the global financial and economic crisis well, has considerably enhanced its space for manoeuvre and the ability to seek preferred outcomes.

Since the Four Modernisations of 1978, modernising China's defence remains an integral part of its development paradigm and pattern. As a consequence, it now boasts of a huge defence industry and increasingly modernised armed forces, albeit largely untested. The latter is of scarce comfort though to its neighbours essentially in the light of China's broadly defined core interests and its unremitting focus on sovereignty and territorial integrity as unilaterally defined by itself.

India and China have made considerable progress in the development of their bilateral relations since the beginning of this century. This has been a top down driven approach, with the top political leadership in the two countries realising the intrinsic value of bilateral, regional and international cooperation.

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But, certain limits have already been reached, and some of the low hanging fruit harvested. The trust deficit remains to be bridged even though it has jointly been acknowledged by both at the highest political levels that the two are not rivals or competitors but partners for mutual benefit, and that there is enough space for them to grow together.

The India–China relationship, for a variety of reasons (including some referred to above), is destined in the foreseeable future to be marked by cooperation, competition and even peaceful confrontation. These vary from issue to issue, and from time to time. Importantly, mechanisms have and are being put in place to manage these phases and build on collaborative ventures.

In the high level political dialogue between India and China this century, it has been agreed that the two sides shall act with mutual respect and sensitivity for each other's core concerns, aspirations and equality. As we seek the way forward in our bilateral and other relations with each other, we must first dialogue and come to agreed conclusions on each other's core concerns, aspirations and sensitivities. Both sides have articulated them from time to time in broad terms, but a consensus, no matter how limited to begin with, is necessary if the relationship is to progress to the next level of maturity and common interest. The border is not our only core concern. There is the critical issue of shared water resources. Also, a few others include our neighbourhood, interference in our internal affairs, China's economic policies, energy security, sea lanes security, our extended hinterland, the objective and focus of China's unrelenting military modernisation and commitment to the Principles enunciated for bilateral relations at the highest political level.

Developments in China are of very great interest to India. Similarly, developments in India are of serious interest to the leadership in China. The new leadership in China has signalled a clear interest in pursuing the India relationship. How we respond will depend on the approach of the new government in Delhi following the ongoing General Elections. The Chinese are skilful in dealing with and exploiting the weaknesses and strengths of whichever party is in power in India. The CPC maintains good relations with both the Congress and the BJP, and will adjust its dealings with the predilections and idiosyncrasies of the party in power. From India's perspective, it is important to ensure that our policy towards China is consistent, firm and, where necessary, coordinated with our other partners.

The boundary settlement will need to be on the basis of the parameters and principles agreed to in April 2005. This millstone will no doubt take time to be removed. However, clarity on the core concerns referred to above can help build trust and facilitate the comprehensive development of relations.

In Asia, the Indian Ocean region, and indeed in the Asia Pacific, new balances are coming into place. China is not the only nation with a growing naval program. India's is also ambitious and underway. So too are those of some ASEAN nations. Will Japan and ROK be far behind? The US pivot is already in play though its outlines are not yet clear. There will have to be greater collaboration among all the regional and extra regional players to ensure peace and stability in the region. And, respect for the provisions of The Law of the Seas. Both India and China will have to be major participants in this effort. Their collaboration will not only be to mutual benefit but also to the region.

India and China are too big to be contained, and their interests and concerns are both regional and international. This is truer now than ever before. Partly due to this, their bilateral relationship cannot remain exclusively thus. It will have to take into account some sub regional and regional factors/issues. India can offer more than simply balance. Together with China, it can offer greater opportunity for regional development and prosperity. This will not, however, be easy to achieve, and will require much greater transparency in China's approaches and actions.

The India–China relationship is already not a zero sum game. The potential for collaboration to mutual benefit though is much greater whether from the perspective of learning from each other's socio economic programs and successes, for bilateral economic relations or cooperation in regional and international programs. However, for this to be realised in greater and greater measure will require the development of much greater mutual trust and a mindset change, especially in our largest neighbour.

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Simultaneous Rise of China and India – The Way Ahead

Srikanth Kondapalli*

The recent rise in economic and military strength and changes in the political leadership in China have several implications for India at the bilateral, regional and international levels. China's rise in comprehensive national strength parameters has resulted in expanding asymmetries with several countries, including India. Significantly, the reform and opening up policies in China have contributed to enormous capacity building in various sectors, including the manufacturing sector, science and technology, infrastructure, skilled human resources and the like. By 2013, China's gross domestic product reached over \$10 trillion, in comparison to India's \$2 trillion, although the structure of these economies reflect sharp contrasts in consumption and exports, manufacturing and the services sector, etc. In other words, while each has its own niche areas, and even as both have been rising 'simultaneously' – as China's leaders have recently started suggesting – the overall asymmetries in power between the two countries are visible.

The new political leadership that took over the reins of power in November 2012 at the 18th Communist Party Congress, and were formalised at the March 2013 National People's Congress session, indicated the direction the country is going to take –further economic reform (including in the State Owned Enterprises) and the consolidation of the national security apparatus through the newly announced National Security Commission. While economic reforms could further liberalise trade so as to make China a potential member of the Trans-Pacific Partnership, the security body is expected to counter myriad political, ethnic and social challenges domestically *vis-à-vis* India, these two Chinese priorities could mean mounting pressure by Beijing on New Delhi for a free trade area as well as joint efforts at countering China's version of the 'three evils': separatism, extremism, and splittism (all aimed at countering Uighur/Tibetan resistance). Indeed, the November 2006 joint statement between the Indian Prime Minister and China's President in New Delhi stated that both oppose the 'three evils'. The armies of India and China have launched 'hand-in-hand' joint operations thrice so far –at Kunming, Belgaum and Chengdu – with counter-terror missions, although China is unwilling to accept the Indian version of countering 'cross border terrorism', specifically in relation to Pakistan.

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Before embarking on his first overseas visit after becoming the President of China on 19 March 2013, China's new leader Xi Jinping stated the following to the correspondent of the Press Trust of India:

First, we should maintain strategic communication and keep our bilateral relations on the right track. Second, we should harness each other's comparative strengths and expand win-win cooperation in infrastructure, mutual investment and other areas. Third, we should strengthen cultural ties, and increase the mutual understanding and friendship between our peoples. Fourth, we should expand coordination and collaboration in multilateral affairs to jointly safeguard the legitimate rights and interests of developing countries, and tackle global challenges. Fifth, we should accommodate each other's core concerns, and properly handle problems and differences existing between the two countries.

These points suggest that the new leadership in China intends to expand contacts between the two countries, stabilise borders if not resolve all the bilateral problems besetting the two countries. Further, in June 2013, China's new leadership came up with a hierarchy of international power, viz., 'new type of major country relations', emerging countries and the like, etc. In this milieu, India is configured as an 'emerging country' along with the other BRICS countries, and indicates the canvas and focus of Beijing's foreign policy priorities. In other words, while China's new leaders prioritise relations with the USA in strategic fields, relations with India are useful in the economic sphere and in its other 'developmental interests'. Also, the recent proposal of Xi Jinping for a 'maritime silk route' in the Indian Ocean indicates that the new leadership will make comprehensive preparations for its rise, including in the maritime domains.

To elaborate, at the bilateral level, even though India and China have marked 2014 as the 'Year of Friendly Exchanges' – and indeed in the preceding year, an unprecedented number of visits took place at the political, diplomatic, economic and military levels – both have differed on a number of issues. Firstly, the territorial dispute has not been resolved despite more than three decades of discussions between officials at various levels. For both countries, this issue unsettles the limits of their respective national identities even as they spend huge resources in stabilising borders, including in the diplomatic, financial, military and para-military fields. However, China clearly enjoys an advantage over India given the asymmetries in defence spending and troop deployments. The intrusion of Chinese troops in Indian claimed territory in Depsang Plains in 15 April–6 May 2013, and the hectic parleys between the two sides indicates this uncertainty on the borders between the two countries.

The fact that the Chinese side did not clarify this issue of intrusion of its troops suggests the limitations of the strategic partnership between the two.

Secondly, while the 'stapled visas' issue appears to have been resolved, yet China's investments in infrastructure and the reported troop presence in Pakistan Occupied Kashmir (POK), brings back the Kashmir issue in the bilateral relations. Thirdly, although India has stated that Tibet is a part of China, the recent self-immolation cases in the region and protests in Tibet adds to the uncertainty in the trans-Himalayan belt. The democratic experiment among the Tibetan diaspora could well bring out ideological tensions between India and China in the future. While not compromising on any of these issues, New Delhi is trying to stand its ground, and attempting to re-shape the situation through diplomatic efforts, and strengthening conventional and nuclear deterrence postures.

In another aspect of the bilateral relations, economic interactions have expanded after the 1988 formulation –articulated during the visit of Prime Minister Rajiv Gandhi – which says that pending the resolution of the territorial dispute, both should diversify interactions, including in trade. As a result, today China had emerged as the largest trading partner of India. Between 2007 and 2013, bilateral trade between India and China exhibited tremendous growth, with trade reaching \$28 billion in 2008 to \$74 billion in 2012, and \$66 billion in 2013, although in this period China's favourable balance of trade amounted to cumulatively \$164 billion over India.

Both countries have concluded three strategic and economic dialogues, besides a CEO Forum meeting, and have plans for Chinese investments in five industrial zones in India. At the Boao Forum for Asia (BFA) in April 2013, expectations were raised after President Xi Jinping announced that China will import \$10 trillion worth of raw materials, export \$500 billion in capital, and see outbound tourism of over 400 million Chinese in this decade. However, these remain futuristic possibilities, with the current ground reality suggesting the opposite. For instance, between 2000 and 2013, the cumulative investment of China in India is about \$300 million even though China's companies have recently hiked their project investments to more than \$50 billion in India. This indicates that China's contribution to the Indian rise so far has been either marginal or even negative (the trade deficit with China accounting for half of the Indian current account deficit), and hence India tends to look to Japan, South Korea, Singapore and Taiwan for investments and technology flows.

At the regional and international levels, India and China have coordinated, cooperated, and even competed in the recent period. While during the Cold War period China had termed India as an important country in South Asia, the

rising Indian profile and the emerging relations between India and the USA has made China re-adjust its policy towards India in April 2005. During Premier Wen Jiabao's 2005 visit, China agreed to a 'strategic partnership and cooperation' with India. The next year, during President Hu Jintao's visit to New Delhi, the joint statement made with Indian Prime Minister suggested that both work together in Asia. As a result, an emerging consensus between the two countries – at least in diplomatic rhetoric – is that both have 'enough space in Asia', and that they need to coordinate their activities for stabilising the region. During the visit of defence minister Liang Guanglie in September 2010, China suggested that both militaries expand their cooperation in the Asia–Pacific region. While no spectacular achievements have been made by China and India in Asia so far, they have initiated dialogue mechanisms on Central Asia, Afghanistan and South East Asia, besides recent discussions at the East Asian Summit.

Despite these initiatives at the regional level, differences persist between India and China. India has expressed concerns on China's role in South Asia, specifically in Pakistan (in the nuclear and ballistic missile fields), Nepal and Sri Lanka, while China is wary of India's relations with the USA and Japan, specifically in nuclear cooperation, the Indian Ocean Region and the South China Sea. During his talks with China's President in early 2012, the Indian Prime Minister assured Beijing that India is not a part of any global or regional plans for the containment of China. Later, during his visit to Beijing in October 2013, Manmohan Singh offered a unilateral 'strategic reassurance' to his counterpart Premier Li Keqiang on this aspect. Yet, China expresses its concerns now and then about growing US–India relations. On the other hand, US–China relations have also flowered since President Nixon's visit to China in 1972 and Deng Xiaoping's visit to Washington in 1979, and now have been described as a part of the G-2 – all sometimes at the cost of New Delhi, as for example in the Cold War period; the formation of Bangladesh; the nuclear tests of 1998; and in November 2009 during President Obama's visit to Beijing.

At the international level, India and China as developing countries have coordinated at many multilateral institutions, including at the United Nations on the issue of state sovereignty and the non-interference principle; at the World Trade Organisation and G-20 against trade protectionism and the rights of the developing countries; on climate change proposals; and overall in fashioning a more equitable world order. The five-nation BRICS format has further expanded such interactions between the two countries. However, while India has supported China's candidature in the United Nations since the 1950s, New Delhi is aware that China remains the only one among the P-5

countries that has not explicitly endorsed the Indian candidature in the reformed Security Council. Also, China has not supported Indian membership in the Nuclear Suppliers Group so far. In 2008, differences between New Delhi and Beijing also came to the fore at the International Atomic Energy Agency and the NSG regarding the ‘clean waiver’ for New Delhi in the international commerce on uranium and nuclear technologies. Beijing relented at the behest of Washington at these fora – but only after proposing Pakistan’s case. Subsequently, as a balancing act, China decided to ‘grandfather’ the Chashma III and Chashma IV nuclear projects in Pakistan.

India–China tensions at other multilateral fora are also legion: the reported reluctance of China towards wanting Indian membership (a shift from its current observer position) in the Shanghai Cooperation Organisation, or differences over the South China Sea dispute at the ASEAN Regional Forum, or regarding free navigation principles in the East Asian Summit meetings.

The above brief depiction of the bilateral and multilateral interactions between India and China suggests that the new leadership in China views relations with India as being important but, overall, subservient to its equations with Washington. As China became the second largest economy in the world in 2010, and is poised to overtake the USA in GDP terms, Beijing is concerned with the possible negative outcomes of this ‘power transition’ – much like Germany and Japan faced in the 1930s and 1940s. For instance, Beijing has expressed concerns about USA’s ‘rebalancing in the Asia-Pacific’, although it is the major beneficiary of the G-2. In order to cushion its rise further in a sustained manner in the international and regional orders, China is working momentarily with other emerging countries on issue-based coordination. India in turn needs to evolve policies which are based on its own self-interest; make choices that contribute to its capacity build-up; make its territorial integrity more secure through conventional and nuclear deterrence; make active efforts to re-shape the regional and international environment conducive to its rise and avoid being marginalised at a minimum, as well as protect and expand its rightful place in the international system through an inclusive and democratic architecture.

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