

India and China: Constrained Cooperation

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India and China embody two great civilizations, depicting fascinating historical legacies, cultures and prospects. With their population jointly representing 36 per cent of that of the world (China at 1.33 billion and India at 1.15 billion), the two countries together have a significant impact on the world's economy.

The India-China equation makes for a classic case of the realist vs. idealist debate, which acknowledges that while conceding India's rise as a regional power, China is attempting to make inroads into India's immediate and extended neighbourhood by broadening economic and security linkages with virtually every South Asian nation. India on the other hand lacks a coherent policy to deal with that country at all levels. This article analyses recent trends in the areas of India's convergence with China, and divergence of strategic interests with that country, as they vie for a greater strategic space and say in Asia.

Economic Convergence: Is it Balanced?

The combined GDP of South Asia (with India as the most substantial contributor) and China touches (US)\$ 4 trillion. With its annual trade volume with India reaching nearly \$60 billion in 2010, China's short-term India policy seems to be to focus exclusively on the economic aspect. In improving economic cooperation with the countries of South Asia, Beijing has taken the following measures: increase Chinese FDI (foreign direct investment); transfer technology; remove non-tariff barriers; and technical assistance to increase trade bases of production in agricultural and manufacturing sectors. Asian economies, including that of China, have been buffeted by the global financial crisis. Beijing realizes the crucial importance of South Asian countries, which are aiming to reach 8 percent growth, in general and that of New Delhi in particular in its own economic growth.

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During Premier Wen Jiabao's South Asia visit in December 2010, this understanding was reflected in Assistant Foreign Minister Hu Zhengyue's statement that China was interested in strengthening "high level contacts to enhance strategic mutual trust and expand bilateral trade". A huge trade delegation comprising more than three hundred representatives of leading Chinese business houses accompanied the Chinese Premier. According to a statement by Chinese Foreign Minister Yang Jiechi, China and India are striving to take their bilateral trade volume to \$100 billion by 2015, and further expand cooperation in sectors such as investment, high-technology and energy. By sealing trade deals with New Delhi worth \$16 billion and arriving at consensus to establish a China-India Strategic Economic Dialogue and CEO Forum, China has sought to enlarge its share of the market in India. However, it may be noted that New Delhi has still not agreed to sign a free trade agreement with China.

Proponents of the economic convergences between New Delhi and Beijing need to note that India (the world's second fastest-growing economy) is largely exporting primary commodities to China and importing finished products. For example, China is known to have mineral deposits two-and-a-half times that of India, but is importing iron ore from India. India also suffers a swelling trade deficit with China, which touched approximately \$16 billion in October 2010. The dumping of Chinese goods is also adversely affecting India's local manufacturing industry.

China maintains non-trade barriers and other mechanisms that keep out higher-value Indian exports, such as information technology and pharmaceutical products; it exports to India double of what it imports in value; it continues to blithely undercut Indian manufacturing despite a record number of anti-dumping cases against it by India in the World Trade Organization; and its FDI in India is minuscule (\$52 million in the past decade).

Commonality of Countering Terror Networks

It is widely accepted that terror networks have established widespread support infrastructures beyond the borders of a single nation and cross-pollination takes place among them. China and India have both been advocates of continued strengthening of multilateral counterterrorism cooperation within the UN framework. A memorandum of understanding (MoU) signed between them in May 2006 stipulated that they would hold joint military exercises and join forces in counterterrorism operations. Military ties between the Indian and Chinese armed forces have been building since December 2007, when

the first joint counterterrorism exercise Hand-in-Hand was held at Kunming. After the terror attack in Mumbai in November 2008, a joint military combat exercise was conducted from 6 to 14 December 2008 in Belgaum, Karnataka, which featured joint tactical manoeuvres and drills, with a 137-strong Army contingent from the 1st Company of the Infantry Battalion of the Chengdu Military Area Command and troops from the 8 Maratha Light Infantry Battalion of the Indian Army. The exercise focused on interoperability training and joint command post procedures, and culminated in a simulated joint counterterrorism operational exercise. The larger aim of this initiative was to be able to evolve a collaborative security mechanism among Asian powers to tackle transnational terrorism.¹ However, according to B. Raman:

Operational cooperation in counter-terrorism and counter-piracy between the navies of the two countries is of far greater relevance as compared to cooperation between Indian and Chinese armies, since no India-based terrorist group is operating in Chinese territory and vice versa. On the contrary, Chinese territory and nationals have been subjected to attacks not only by the Uighurs, but also by indigenous Pakistan-based Jihadi terrorist organisations.²

Given that India has experienced the scourge of terror groups in Kashmir and beyond, and China in Xinjiang province, the two could forge closer collaboration in intelligence sharing and counter-terror exercises. India has shared with China evidence about the involvement of Pakistan-based elements, seeking its influence to persuade Islamabad to bring the perpetrators of the Mumbai terror attack to justice. The then Foreign Secretary Shiv Shankar Menon provided details of the attack to Chinese Vice Foreign Minister He Yafei, who was sent to India as a special envoy to defuse tensions between India and Pakistan. Initially, the Chinese state-controlled media had simply echoed Islamabad's position on the issue; subsequently, the Chinese government refused to condemn its ally.

During the course of the first counterterrorism dialogue since November 2008, held in Beijing in July 2011, China maintained its position of objecting in the UN to proscribing Maulana Masood Azhar of the terror outfit Jaish-e-Mohammed and two Lashkar-e-Taiba operatives, Azam Cheema and Abdul Rehman Makki, under the al Qaeda and Taliban sanctions list. On the face of it, the dialogue was interpreted as a step in moving forward towards enhancing bilateral cooperation; however, there was no substantive development, with Chinese officials insisting that the information provided by the Indian delegation was "still insufficient" – which makes for a technical requirement under the

relevant UN resolutions. Details of Chinese arms worth \$2 million from TCL, a subsidiary of the Chinese arms producer China Xinshidai, provided by Anthony Shimray of the Nationalist Socialist Council of Nagaland (NSCN(IM)), were also rejected by the Chinese delegation on the ground that they could not act upon a “confessional statement” – regardless of whether it had been admitted in a court of law.³

However, in August 2011, hinting at a change of stance, China obliquely pointed at Pakistan for the deadly attacks in Xinjiang. According to a statement published in the *Global Times* by Pan Zhiping, Director, Institute of Central Asia at the Xinjiang Academy of Social Sciences, “Located in the southern part of Xinjiang, Hotan is close to the border with Pakistan ... Due to their affinity in religion and language, some Uyghur residents there are at risk of being influenced by terrorist groups such as the East Turkistan Islamic Movement.” A conscious policy on the part of Beijing has been to put Pakistan as a “terror proxy” against India.⁴

Vying for Regional Supremacy

China’s posture towards India in the recent past has been to focus only on the economics of their relationship whilst ignoring the contentious aspects. These include the interminable territorial dispute and the strategic conflicts over China’s growing role in South Asia. There appears to be a consensus among the more conservative and nationalist elements in China to toughen that country’s policies and selectively make its presence felt.⁵ Alastair Ian Johnston has argued that China has historically exhibited a relatively consistent hard realpolitik strategic culture across different time periods and it persists currently. China’s strategic behaviour exhibits a preference for offensive use of force, mediated by a keen sensitivity to relative capabilities. Chinese decision-makers seem to have internalized this strategic culture.⁶ China’s ongoing campaign for military modernization and its consequent impact on India, especially in the light of the recent brazen aggressiveness that China has displayed against India both at the diplomatic and military level, point in this direction.

China continues to be in physical occupation of large areas of Indian territory, starting with the Aksai Chin plateau in Ladakh, approximately 38,000 sq km, since the mid-1950s. In addition, Pakistan has illegally ceded to China, in 1963, 5180 sq km of Indian territory in the Shaksgam Valley of Pakistan-Occupied Kashmir (POK), north of the Siachen Glacier, under a bilateral

boundary agreement. Additionally, China continues to stake its claim to about 96,000 sq km of Indian territory in Arunachal Pradesh, which it calls Southern Tibet. China's often stated official position is that reunification of Chinese territories is a sacred duty of the People's Liberation Army (PLA). The Line of Actual Control (LAC) between India and China is yet to be physically demarcated on the ground and delineated on military maps. Despite the Border Peace and Tranquillity Agreement signed by the two countries in 1993 and the agreement on confidence-building measures in the military field signed in 1996, border guards of the PLA have intruded repeatedly into Arunachal Pradesh and Ladakh and have even objected to Indian road construction efforts there. These periodic intrusions have been reported in the Indian press and discussed in Parliament.

China acknowledges that it shares an interest in a peaceful and stable South Asia. Nevertheless, strengthened Indo-US ties are widely perceived in Beijing as an attempt by Washington to enlist New Delhi as a potential counterweight to China or as part of a containment strategy against it. Beijing's concerns stem from steps undertaken by successive US administrations to "preserve a balance of power" and statements such as that by Secretary of State Condoleezza Rice: "We expect that we will be able to keep a balance in this [South Asian] region."⁷ According to Zhao Gancheng, Director of South Asia Studies at the Shanghai Institute for International Studies:

A strategically more autonomous South Asia would ... lead to less reliance of South Asia on foreign forces ... From the angle of long-term interests ... China should adopt a dialectic approach and follow a long term South Asia policy ... As the construction of a new South Asian regional order progresses, it would be necessary for China to play a permanent role in establishing equilibrium and stability in South Asia.⁸

China is also increasing rapidly its influence in the Indian Ocean region, crucially engaging Pakistan, Nepal, Sri Lanka, Bangladesh and Myanmar. There have been security concerns in India that China is actively pursuing an "encirclement strategy" towards India to gain long-term strategic advantage in the region. China is developing a deep-sea port for Pakistan off the Makran coast at Gwadar, which overlooks the Gulf shipping lanes and is in the neighbourhood of the Iranian border. The Gwadar port eventually will double up as a naval base and a major energy hub transporting Gulf and African oil by pipeline to China. This in turn would lower Chinese reliance on shipping lanes through the Malacca and Taiwan Straits. The port in Myanmar at Sittwe may be used for berthing facilities or upgraded to bases for the PLA Navy (PLAN)

in future. China also has a base in Myanmar's Coco Islands since 1993.

Besides, China has invested heavily in a deep-water seaport and bunkering facility in Sri Lanka at Hambantota. It has invested \$1.5 billion, almost 85 per cent of the cost, in development of Phase 1 of the port. Hambantota would be crucial in providing Beijing greater access to the sea-lanes passing through the northern Indian Ocean and the critical Straits of Malacca. Additionally, the new Chinese naval base at Sanya, on Hainan Island, could house a large fleet of surface warships and also serve as an underwater naval base for submarines. The completion of the Sanya base will allow China to extend its influence in the South China Sea and command superior naval presence closer to important sea-lanes. The PLAN will be able to operate and sustain itself in the northern Indian Ocean region by about 2015–16.

The fact that Beijing has undertaken swift modernization of the PLA's hardware capabilities while enhancing abilities to wage asymmetric warfare in space, cyber-space and information domains puts several of its Asian neighbours at great unease. China has a 22,000 km land border with fourteen adjacent states. It has resolved territorial disputes with twelve of them, but appears disinclined to resolving the territorial and boundary dispute with India. It has recognized the McMahon Line as its boundary with Myanmar, but refuses to do so with India. China also has an unresolved boundary dispute with Bhutan.

China is focusing on anti-access, area-denial strategies, procuring platforms with the capability and intention to deter, prevent or complicate the intervention of the US (and/or others including India) in a Taiwan-like scenario. China's force structure for long-distance air and naval operations is consistent with a limited regional force projection capability. The production of conventional missiles and upgrading China's nuclear arsenal from silo-based to road-mobile and from liquid- to solid-fuelled makes China's strategic nuclear forces more survivable and hence provide a far more credible deterrent. Robust military modernization can be interpreted as China's negotiating strategy to resolve all outstanding disputes, including those with India.

The 'Pakistan Factor'

With a larger aim to keep New Delhi tied down within the subcontinent and restrict its growth beyond the region, Beijing has adeptly crafted its relationship with Islamabad. China's emergence as a leading arms dealer is a key source of unease for India: by virtue of its arms sales in Asia, the Middle East and

Africa, Beijing is the world's fifth-largest arms exporter. China's biggest arms sales could be attributed to Pakistan. In the realm of nuclear and missile collaboration, China has provided crucial direct assistance to Pakistan's nuclear weapon programme since the 1980s. According to a study conducted by the Monterey Institute of International Studies, China reportedly transferred the design of a 25-kiloton nuclear bomb – possibly a Chic-4 design – to Pakistan in 1983. Besides, Pakistani nuclear scientists have claimed to have been permitted by the Chinese to test a nuclear device in the Lop Nor test range in China in 1983. Although China pledged publicly in 1984 that it would not contribute to the spread of nuclear weapons and agreed to IAEA safeguards on its nuclear exports, there is evidence that China continued providing weapon-related aid to Pakistan and exported unsafeguarded nuclear material to other nations as late as 1987.

Nuclear politics are revisiting the Indian subcontinent yet again. The China National Nuclear Corporation has acknowledged signing an agreement with Pakistan for providing two new 650-MW nuclear reactors at Chashma, i.e. Chashma III and Chashma IV. This is in violation of China's obligations under the Nuclear Non-Proliferation Treaty (NPT) and in violation of the Nuclear Suppliers Group (NSG) guidelines, which call on NPT signatories not to supply nuclear equipment to non-nuclear weapon states, including Pakistan, without comprehensive IAEA (International Atomic Energy Agency) safeguards. This deal has observably generated debate, given the current political and strategic uncertainties in Pakistan and the constant queries being raised about the security of its nuclear arsenal.

By completely ignoring NSG guidelines, China has managed to get approval from the IAEA for the transfer of the Chashma III and IV reactors. The "Type-66" agreement for the two reactors approved by the IAEA Board of Governors was identical to similar agreements already in place for Chashma I and II. Beijing refused to confirm or deny the intended transfer, when reports first surfaced in 2009. Although the NSG guidelines allow countries to finish nuclear projects that are already in the pipeline at the time they join the cartel, Chashma III and IV do not meet these criteria. When it was admitted to the NSG at the Goteborg plenary in May 2004, China only mentioned Chashma II as an "ongoing supply".⁹ China has always sought to maintain some sort of parity between India and Pakistan in that whenever it sees Islamabad falling short on a given front, it rushes in to the rescue. The Chashma III and IV transfer takes place following the much-debated Indo-US civilian nuclear deal, which enhanced India's credibility as a responsible nuclear weapon power with a spotless non-proliferation record.

Perhaps the most significant Chinese activity in India's backyard is the ever-growing Chinese footprint in POK. Recent reports suggest that Pakistan has allowed increased Chinese activity in the strategic area of Gilgit-Baltistan. This region is the northernmost part of POK and was earlier referred to as the Northern Areas in Pakistan. Situated between the Hindu Kush and Karakoram range of mountains in the north and western Himalayas in the south, it consists of seven districts, namely Gilgit, Skardu, Diamir, Ghizer, Astore, Ghanchi and Hunza-Nagar, bordering Xinjiang in China. The Khunjerab Pass straddles the border between China and POK and is located about 270 km from Gilgit. The Lhasa-Kashgar/Aksai Chin/Xinjiang Highway, commonly referred to as China's Western Highway, runs through this region, and links Kashgar and Lhasa (3105 km). China is funding as many as 767 development projects in the Gilgit-Baltistan region, which include construction of dams, bridges, roads, water-diversion channels and telecommunication facilities.

The 1300-km-long Karakoram Highway, which China has built on Indian territory illegally ceded to it by Pakistan, provides a strategic land link between Xinjiang, Tibet and Pakistan. It cuts through the zone between Asia and the Indian subcontinent, where China, Tajikistan, Afghanistan, India and Pakistan come within 250 km of each other. China and Pakistan have agreed to link the Karakoram Highway to Gwadar in south-western Baluchistan through the Chinese-built Gwadar-Dalbandin Railway, which extends up to Rawalpindi. They have also agreed to allow market access for bilateral trade in eleven service sectors as they intensify efforts to increase border trade through the Karakoram Highway. By means of an MoU signed in June 2006 between China's Assets Supervision and Administration Commission and the National Highway Authority of Pakistan, it was decided that the Karakoram Highway would be widened from 10 metres to 30 metres. During President Asif Ali Zardari's visit to China in July 2010, an agreement was signed between the China Road and Bridge Corporation and the National Highway Authority of Pakistan for upgrading and widening Karakoram Highway Phase-2, connecting the Thakot Bridge to Sazin, and with the China Gezhouba Group International Engineering Company for widening the Jaglot-Skardu Road. Constructed to accommodate heavy vehicles in extreme weather conditions, the repair and upgradation of the highway is slated to be completed in 2012.

Indian concerns about China's growing connectivity with Pakistan by means of linkages through the occupied territory of the Indian state of Jammu and Kashmir have been placed on record in the 2008-09 Annual Report of the Ministry of Defence as follows: "Enhancing connectivity with Pakistan through the territory of Jammu and Kashmir, illegally occupied by

China and Pakistan, will have direct military implications for India.”

Conclusion

Although China and India have been converging on the economic front (heavily fashioned to favour China) and counterterrorism mechanisms, the never-ending border dispute is just one of the many areas of discord between the two. China's march towards making a bid for regional primacy by virtue of its expanding economic and military clout in South Asia directly impacts upon India. Intending to engage the entire South Asian subcontinent by means of enhancing economic and strategic ties with Pakistan, Nepal, Bangladesh, Sri Lanka and others, China wants to put forth as many regional pressure points as possible against India to deny it a peaceful launch pad for development and growth. Nonetheless, China is not likely to succeed in “engaging South Asia” unless it reaches an understanding with India. Competition for regional influence will always underpin the Sino-Indian relationship, with India experiencing the need to shape its foreign policy accordingly. It is puzzling, therefore, that a nation such as India, which hopes to be a global player, is somewhat insouciant about its closest competitor.¹⁰ More importantly, with the Chinese realists being subdivided into “offensive” and “defensive” as well as “hard” and “soft” camps, each strand believes that the state has to build its own strength. The hard-power realists argue for strengthening comprehensive national power (*zonghe guoli*) – particularly the military and economic dimensions, while soft-power realism emphasizes diplomacy and cultural power.¹¹ The “offensive realists” argue that China should use its newly built military, economic, and diplomatic influence to essentially coerce others toward the ends China desires.¹²

For the time being, economic convergence of interests between China and India has tended to override the prevailing strategic differences and provides a novel connotation to the relations between the two nations. However, their bilateral territorial and boundary dispute has the potential to flare into a border conflict, leading to alteration of the strategic balance in the region. The recurrent and tiring rounds of talks, agreements and discussions without a significant breakthrough or even a possibility of it, seem to indicate that the border dispute will eventually become a key impediment in the future course of China's relations with India. On the eve of Premier Wen Jiabao's visit to India in 2010, the Chinese Ambassador to India, Zhang Yan stated, “China-India relations are very fragile and very easy to be damaged and very difficult to repair.” Even the Chinese Premier bluntly stated that sorting out the border disputes “will take a fairly long period of time”. China's rapidly expanding

military reach and prowess, coupled with higher stages of economic growth, could well tempt it to chip away at the claims of other nations through mechanisms of coercive diplomacy. The realist mode negates the understanding that the economic facet of Sino-Indian ties would constitute the key to the success of the future relationship: economic stakes and convergences cannot discount the existential strategic divergences, which could become a future spoiler in the relationship, as both contend for a larger share of the global economic and strategic pie.

Endnotes

- ¹ Cited in a *Xinhua News Agency* report, 14 December 2008.
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- ¹² Ibid.

