

India-China Relationship Since 1988 – Ensuring Economics trumps Politics

by Deep Pal

M.A. in Broadcast Journalism, May 2003, MCRPV Bhopal
B.A. in Philosophy, May 2001, University of Calcutta

A Thesis submitted to

The Faculty of
The Elliot School of International Affairs
of The George Washington University in
partial fulfillment of the requirements for
the degree of Master of Arts

August 31, 2014

Thesis directed by

Deepa Ollapally
Research Professor of International Affairs

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Abstract of Thesis

India-China Relationship Since 1988 – Ensuring Economics trumps Politics

The Sino-Indian relationship marked by mutual mistrust for the last six decades has seen certain changes since the late 1980s. Though considerable number of issues remain to be worked out, the two countries have begun establishing mechanisms to establish a certain level of trust. This paper argues that economic interests of the two rising powers is behind this behavior. The priority for both is economic development and they are acting to ensure this goal is not stalled on account of disagreements with each other. The paper analyzes recent literature on this relationship and finds them falling short in explaining the complex association that the two nations are building guided by a series of frameworks, mechanisms and agreements. This paper attempts to demonstrate that in the evolutionary arc of interstate relations, Sino-Indian relations have not reached a point where only one of the two options – cooperation and competition, will be chosen. The framework mentioned above are created to this end, so that the two can continue to collaborate in economic matters bilaterally or in international issues of mutual interest even when they don't see eye to eye on disputes left over from history.

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Chapter 1: Introduction

“We can choose our friends but not our neighbors. Our policy is to engage with our neighbors.”¹

In October 2010, on his way back from the East Asia Summit in Vietnam, Indian prime minister Manmohan Singh described India’s relationship with its neighbors in the manner quoted above. Significantly, the comments were made in response to a question about his meeting with premier of the People’s Republic of China (PRC) Wen Jiabao in the sidelines of the East Asia Summit. The comment, in a way reflects the spirit of Indian foreign policy towards China during the last two and a half decades or so starting with the visit of Indian prime minister Rajiv Gandhi to Beijing in the winter of 1988. It was the first visit by an Indian head of state to China in thirty-four years – the last one being well before India and China faced off in a brief war in 1962. As economic growth in both countries began accelerating, both countries seemed to exhibit signs of a policy of accommodating each other – establishing mechanisms to ensure differences between the two, which there are many, did not get out of hand. The leadership of the two countries of a billion plus people each ensured that they stay in constant touch – Rajiv Gandhi’s visit was the beginning. Since then, bilateral visits have been more the norm than the exception, with annual visits from those in the highest levels of government in one country to the other.² Similarly, meetings in the sidelines of multilateral engagements

¹ Ruchika M. Khanna, *PM: We’ll engage ‘uneasy’ neighbours in dialogue* The Tribune, October 30, 2010, accessed May 1, 2014 <http://www.tribuneindia.com/2010/20101031/main4.htm>

² CNN.com, *Timeline: Key events in Sino-Indian relations* December 14, 2010 accessed May 1, 2014 <http://www.cnn.com/2010/WORLD/asiapcf/12/14/sino.india.timeline/>

like at East Asia Summit (EAS), ASEAN, and the United Nations meetings have picked up in the same way – former Indian prime minister Singh met his counterpart Wen Jiabao a record 26 times while the two were in office. These meetings have acted as instruments to cement the relationship – India’s external affairs ministry claims the total number of agreements, Memoranda of Understanding (MoU), and dialogue mechanisms put in place during these meetings clocks at an impressive 36 spanning trade, cultural relations, border-talks and military confidence building measures (CBMs).³ It would possibly not be an exaggeration to claim that since the India and China have never been in as close contact as they are now since the two established diplomatic relations in 1949.

This paper will analyze the purpose behind this strategy exhibited by the two countries of trying hard to maintain peace regardless of the existence of obvious contentious issues. It will look at some of the existing literature on the relationship – John W Garver’s “Protracted contest: Sino-Indian rivalry in the twentieth century,” and J Mohan Malik’s “China and India: Great Power Rivals,” and demonstrate how the analysis offered by either does not explain the current state of Sino-Indian relations. Garver proposes that the only way India and China can coexist is with India accepting Chinese supremacy completely and not contending Chinese claims. Malik, on the other hand, sees no immediate resolution to the clashes between the two, and believes that standoffs between India and China will only increase. This paper will propose an alternate analysis demonstrating how economic goals of both best explain their strategy of accommodating each other.

³ Ministry of External Affairs, Government of India, *India-China Relations*, last updated February 2013 accessed May 1, 2014
http://www.mea.gov.in/Portal/ForeignRelation/China_Brief.pdf

This paper will test the hypothesis that China's and India's behavior can be explained through their focus on their longer term goals, primarily the goal of economic development. The paper believes that the primary objective both is economic development –nurturing an economic relationship with each other, as well as with the rest of the world; being embroiled in stand-offs that could spin out of control will come in the way of this primary goal, and explains the strategy of balancing cooperation and competition being followed by the two. The paper takes its supporting argument from a recent paper by Deepa Ollapally that state that the two countries are driven by an economic identity – at their present stage in development they want to be perceived as economic powerhouses over any other international identity.⁴

The paper will first look at a brief history of the two countries, laying out major issues that spoiled the relation in early years –an unsettled border and developments in Tibet leading to the 1962 war. The paper will summarize attempts to normalize the relationship through high level bilateral visits since the 1980s and important additions to the relationship. The paper will examine major issues from both perspectives and why they fester. The next section will examine Garver and Malik's works to understand what Sino-Indian relationship should have been had it moved in the direction suggested by either.

In the next section the paper will draw out the correlation between the goals of India and China, and see how they have handled inflection points in the relationship. The paper will demonstrate how the outcomes do not fit into the frameworks posited either by

⁴ Deepa M Ollapally, *China and India: Economic Ties and Strategic Rivalry*, Orbis 58.3 (Summer 2014): 342-57 accessed August 11, 2014

Garver, who sees capitulation by India as the only way forward, or Malik, who believes in a scenario with increased clashes between the two. The paper will establish that the existing literature is incomplete in its analysis of the relations and do not seem to take into account the efficacy of frameworks and agreements that have managed and mitigated several crises successfully. The paper will then turn to explaining the big picture goals of the two powers. China continues to be dedicated to its goal of economic development initiated in the 1970s while India began its economic liberalization over a decade later – in 1991. The section will illustrate how the two have managed each other’s interests and ambitions in the region and that both seem to believe that altercation between the two at this juncture will distract them from their goal of increased prosperity for their people. Before concluding, the paper will look at two developments that remain black swan events and capable of disturbing the balancing act – developments in Tibet should the Dalai Lama pass away, and the role of Pakistan in supporting terrorism in India. In its concluding part, the paper will attempt to assess the feasibility of the policy India and China are pursuing towards each other as it is bound to get increasingly difficult with time.⁵ As both India and China grow, the two countries will have to try extra hard not to step on each other’s toes.

⁵ See, for example, Christopher K. Johnson et al, *Decoding China’s Emerging “Great Power” Strategy in Asia*, (CSIS/Rowman & Littlefield) 2014 accessed August 11, 2014 <http://csis.org/publication/decoding-chinas-emerging-great-power-strategy-asia>

Chapter 2: The story of estrangement

The two largest and most populous countries in Asia began their journey in their present form within years of each other – India in 1947, and China in 1949. However, the roles that the two envisaged for themselves in the world were radically different. India looked at itself as a node away from the bipolar world order, developing itself as an epicenter around which the non-alignment movement could coalesce. The PRC, paramount leader Mao Zedong declared, will have to “lean to one side,”⁶ choosing the Soviet camp. Through their decisions, India and China had ended up standing at two different corners of the world stage. In those early days though, they only displayed signs and admiration for each other. India was the second country to recognize the PRC; China reciprocated by acknowledging India to be the leader of Asian and African nations. But beneath the surface the seeds of dispute were being sown.

The most important issue between India and China – that of the border, was one inherited from the British as a result of a numerous separate but overlapping boundaries marked in the 18th and 19th century by British surveyors. India started registering transgressions in the border from 1954. India’s prime minister Jawaharlal Nehru did not want to escalate the issue as he believed a mutually agreeable solution was possible. Nehru and Chinese premier Zhou Enlai began interacting on the issue the same year. As far as Nehru was concerned, the entire boundary was not in question, but only a section of it. In the eastern sector, India accepted the McMahon Line drawn by the British in

⁶ Mao Zedong, *The People's Democratic Dictatorship*, sourced from Modern History Sourcebook, June 20, 1949, accessed May 21, 2014 <http://www.fordham.edu/halsall/mod/1949mao.html>

1914, and claimed that it was legally binding on China as well. China believed otherwise, both for the eastern and western sector – as evident from maps unveiled in 1958 that included Aksai Chin in the west as well as parts of the eastern sector. Chinese premier Zhou Enlai wrote to Nehru in January 1959

“Historically no treaty or agreement between the Sino-Indian boundary has ever been concluded between the Chinese central government and the Indian government. So far as the actual situation is concerned, there are certain differences between the two sides over the border question⁷.”

There are no clearly demarcated borders in these areas even now – and forms the biggest roadblock to normalizing relations alongside the Tibet question.

As Tibet was incorporated in the PRC in 1950, Nehru was keen on maintaining support to Tibet, but not at the cost of affecting Chinese control over the region. India accepted the Chinese position on Tibet in 1954, the year it signed the Panchsheel Agreement, or the Five Principles of Peaceful Coexistence.⁸ Nehru even insisted that the Dalai Lama must go back when he came visiting in 1956 and disclosed that he was considering seeking political asylum. Things took a turn for the worse in merely two years. In March 1959, a revolt began in Lhasa over the invitation of the Dalai Lama to the local Chinese camp which the Chinese government tried to suppress. As Tibet descended into chaos, the Dalai Lama disappeared from Lhasa during the commotion, and surfaced

⁷ AG Noorani, *India-China Boundary Problem (1846 - 1947)*, (Oxford University Press) 2010 pp. 226

⁸ Abanti Bhattacharya, *India Should Revisit its Tibet Policy*, IDSA Comment, April 4, 2008, accessed May 12, 2014, <http://www.idsa.in/node/712/1782>

in India asking for political asylum. This time, Nehru agreed, possibly believing that the situation was beyond repair. Some analysts like Sumit Ganguly attribute a less altruistic motive to this decision suggesting that Nehru changed his mind believing that using the Dalai Lama as a bargaining chip, would allow him to still affect Chinese policy in Tibet.⁹ Analysis such as this form the foundation of the school of thought that Malik subscribes to – that the position of importance that both India and China have traditionally enjoyed in the region can only lead to a situation where conflictual relations will dominate.

In 1954 China began developing in Aksai Chin in the eastern sector. Nehru's attempts at resolving the issues quickly with participation from both sides had failed. In a letter to premier Zhou in September 1959 he wrote:

We did not give publicity to this in the hope that peaceful solutions of the disputes could be found by agreement by the two countries without public excitement on both sides. In fact our failure to do so has now resulted in sharp but legitimate criticism of the Government both in Parliament and in the press in our country.¹⁰

⁹ Manjeet S Pardesi, *Instability in Tibet and the Sino Indian Strategic Rivalry: Do Domestic Politics Matter?*, in Sumit Ganguly, and William Thompson eds. *Asian Rivalries: Conflict, Escalation, and Limitations on Two-level Games*, (Stanford, California : Stanford Security Series, an imprint of Stanford University Press) 2011 pp 104 accessed May 1, 2014

¹⁰ Ministry of External Affairs-Government of India, *Letter from the Prime Minister of India to the Prime Minister of China*, 26 September 1959, in Notes, Memoranda and letters Exchanged and Agreements signed between The Governments of India and China - WHITE PAPER IV - Correspondence Nehru-Zhou September 1959 - March 1960, accessed July 23, 2014
http://www.claudearpi.net/maintenance/uploaded_pics/Correspondence_Zhou_Nehru_Sept-Nov59.pdf

As patrols of People's Liberation Army (PLA) soldiers started increasing in border areas, in November 1961 Nehru decided to implement his "Forward Policy" of aggressive patrolling and placing certain outposts north of the McMahon Line. By middle of 1962, China had decided to escalate the standoff at the border. Henry Kissinger writes about Mao's comments to assembled Chinese leaders in October 1962:

...the Indians want to fight a war with us. Naturally, we have no fear. We cannot give ground; once we give ground, it would be tantamount to letting them seize a big piece of land, equivalent to Fujian province... Since Nehru sticks his head out and insists on us fighting him, for us not to fight with him would not be friendly enough.¹¹

By October 20, China had started attacking Indian positions in both the eastern and western sectors. In a month, it proved its superiority and threw the Indian political and military leadership in disarray and capturing Rezang La in the western theater and Tawang in the eastern theater. Having proved its point, China unilaterally declared a ceasefire and withdrew its troops to pre October 20 positions by November 22.

The war opened up a wide chasm between the two countries. Having taken by surprise once, India decided to form a close relationship with the USSR to cultivate a powerful ally balancing against China and its growing closeness to Pakistan, culminating in the Indo-Soviet Treaty of Friendship and Cooperation in 1971. Attempts to move beyond the estrangement had to wait till April 1976 when India restored diplomatic relations; Beijing reciprocated after five long months. The next year, India and China

¹¹ Henry Kissinger, *On China*, (London : Penguin) 2012 pp 268 accessed May 1, 2014

signed the first crucial post war agreement agreeing to resume trade from 1978. Though it was cut short due to the China Vietnam war, Indian foreign minister Atal Bihari Vajpayee led to the first high level visit from India to China in February 1979 after a gap of thirty years.

The two started talking about the border issue after the visiting Chinese foreign minister declared that China was ready to talk during a 1981 visit. The process soon reached a deadlock as both sides seemed content reiterating their established positions based on historical claims without attempting to move forward.¹² Tensions again began rising in the eastern sector in 1984 in the Sumdorong Chu valley, administered by India. Chinese troops surprised India in the winter of 1986, taking position in the valley leading to another confrontation. It took a visit of the Indian foreign minister ND Tiwari to Beijing to meet the Chinese leadership on his way back from Pyongyang to deescalate the situation. The incident however emphasized the pressing need of opening more channels of communication between the countries, which began the next phase of relations in 1988.

¹² Jerrold F. Elkin and Brian Fredericks, *Sino-Indian Border Talks: The View from New Delhi*, Asian Survey, Vol. 23, No. 10 (Oct., 1983), pp. 1128-1139 accessed May 1, 2014

Chapter 3: Beginning of a new relationship

Indian prime minister Rajiv Gandhi's December 1988 visit to Beijing came at the time when the Sino-Indian border discussion had just reached a dead end in 1987 after limping along for seven rounds. Chinese negotiators claimed that they had graciously offered a package deal to settle the boundary dispute once and for all. The memories of 1962 still fresh in their minds, Indian negotiators looked at the deal as more of a demand for concessions than a package deal.¹³ The joint communique issued after the visit reiterated the commitment of both sides to the Panchsheel agreement and to draw up a working group to look in to the boundary question.¹⁴ The visit was marked by a meeting between Gandhi and Deng Xiaoping, who by then had retired from most Party and government posts, but for all practical purposes was still the *éminence grise* – showing the importance accorded to the visit. Deng is believed to have told the young Indian leader that both sides should relegate the boundary issue to the back-burner – for “future generations to resolve” and concentrate on issues where the two could cooperate. As developments show, both sides heeded the advice – despite all disagreements, the Sino Indian border remains the most peaceful disputed border in the world.

Premier Li Peng visited India in December 1991, while the Indian president R Venkataraman reciprocated in May 1992. The working group on the border held six

¹³ Dinesh Lal, *Indo-Tibet-China Conflict* (Delhi: Kalpaz Publications) 2008 pp 23-24 accessed May 1, 2014

¹⁴ Embassy of the People's Republic of China in India, *Sino-Indian Joint Press Communique*, December 23, 1988 accessed May 23, 2014 <http://in.chineseembassy.org/eng/zygxc/wx/t762866.htm>

rounds of talks between 1988 and 1993, and signed the first military CBM in 1993¹⁵ – on maintenance of peace along the Line of Actual Control (LAC). This built the road map for more meetings between military commanders, mutual troop reductions and advance notice of exercises. The agreement came into place as a result of the July 1992 visit of Indian defense minister Sharad Pawar. While the two sides were ensuing the border dispute was brought under frameworks, they were moving ahead in building trade relations. Border trade resumed in 1992, and consulates were reopened in the commercial capitals of the two cities – Mumbai and Shanghai in the same year. The next important military CBM was signed in 1996, during the visit of Chinese president Jiang Zemin to India setting in place important mutually agreed conditions – from the types of weaponry deployed on the border to kind of exercises both would engage in.¹⁶ On the border issue, in March 1995 the two sides agreed to set up two additional points of contact in the border for meetings by the two militaries.

The relationship experienced a bump in the road in 1998 with the Indian nuclear tests. The greater fallout for the relationship was from the leak of a letter from the Indian prime minister AB Vajpayee to US president Bill Clinton justifying the tests by pointing at the Chinese threat. China remained sharply critical of India on the issue and relations

¹⁵ Ministry of External Affairs, *Agreement On The Maintenance Of Peace Along The Line Of Actual Control In The India-China Border*, The Henry L Stimson Center, September 7, 1993, accessed April 13, 2014, <http://www.stimson.org/research-pages/agreement-on-the-maintenance-of-peace-along-the-line-of-actual-control-in-the-india-china-border/>

¹⁶ Ministry of External Affairs, *Agreement between the Government of the Republic of India and the Government of the People's Republic of China on Confidence-Building Measures Along The Line Of Actual Control In The India-China Border Areas*, November 29, 1996, accessed April 13, 2014 http://peacemaker.un.org/sites/peacemaker.un.org/files/CN%20IN_961129_Agreement%20between%20China%20and%20India.pdf

remained frosty for the remainder of the decade. A flurry of visits helped break the ice – Indian president KR Narayanan in 2000, premier Zhu Rongji in 2002 and in 2003, by AB Vajpayee, who was now prime minister. The Declaration on Principles for Relations and Comprehensive Cooperation between India and China unveiled during this time declared that “the common interests of the two sides outweigh their differences. The two countries are not a threat to each other.”¹⁷ The India-China Special Representatives Talks was set up for the border issue as one of the highest mechanisms that would meet regularly. The mechanism has met 17 times since then, and is headed by the State Councilor on the Chinese side, and the National Security Advisor (NSA) on the Indian side. In 2004, India-China bilateral trade crossed the ten billion dollar mark for the first time.

During Premier Wen Jiabao’s visit the following year, India and China decided to establish a strategic and cooperative partnership. The two also signed an agreement on the guiding Principles for the border issue.¹⁸ In 2006 as president Hu Jintao came visiting, the countries decided to reopen Nathu La, a pass in the Himalayas in the Indian state of Sikkim that China had begun to accept as a part of India starting 2003. Earlier in the year

¹⁷ The Prime Minister’s Office, Republic of India, *Declaration on Principles for Relations and Comprehensive Cooperation Between the Republic of India and the People’s Republic of China*, Press Information Bureau, June 23, 2003 accessed April 13, 2014, <http://pib.nic.in/archieve/lreng/lyr2003/rjun2003/24062003/r2406200318.html>

¹⁸ Ministry of External Affairs, *Agreement between the Government of the Republic of India and the Government of the People’s Republic of China on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question*, April 11, 2005 accessed April 23, 2014, <http://www.mea.gov.in/bilateral-documents.htm?dtl/6534/Agreement+between+the+Government+of+the+Republic+of+India+and+the+Government+of+the+Peoples+Republic+of+China+on+the+Political+Parameters+and+Guiding+Principles+for+the+Settlement+of+the+IndiaChina+Boundary+Question>

the countries had signed a MoU to ensure regular joint exchanges and exercises between the militaries. The first such joint exercise was conducted in Yunnan in 2007.

In 2010 the neighbors agreed to establish a mechanism of regular high-level exchanges between top leaders. Starting from the same period, though, there have been increased instances of transgressions in the border areas. This can be partly explained by the increased assertiveness of the Chinese foreign policy and security establishment towards its neighbors. But the behavior does not seem to have derailed the economic relationship. In 2010, the two set a target of taking bilateral trade to \$100 billion by 2015. Initial euphoria about reaching the target and reports of trade surpassing annual targets till 2011 has been replaced with some pessimism in recent years. This has been led by India's worry over trade deficit and falling percentage of iron ore in its exports to China. One important step to mitigate this has been the June 2014 go ahead to set up Chinese industrial parks in India.¹⁹ In the meantime, in 2012, the Working Mechanism for Consultation and Coordination on India-China Border Affairs was set up to "explore the possibility of cooperation in the border areas that are agreed upon by the two sides."²⁰ The two sides followed this up with the agreement on border defense cooperation in 2013 that made use of lessons learnt during the April 2013 standoff in Depsang in the western sector, and agreed not to tail each other's patrols.

¹⁹ PTI, *India, China sign pact to set up Chinese industrial parks in India*, The Economic Times, June 30, 2014, accessed July 31, 2014, http://articles.economictimes.indiatimes.com/2014-06-30/news/50974610_1_indian-it-chinese-investments-trade-deficit

²⁰ Ministry of External Affairs, *India-China Agreement on the Establishment of a Working Mechanism for Consultation and Coordination on India-China Border Affairs*, January 17, 2012 accessed May 23, 2014, <http://mea.gov.in/bilateral-documents.htm?dtl/17963/IndiaChina+Agreement+on+the+Establishment+of+a+Working+Mechanism+for+Consultation+and+Coordination+on+IndiaChina+Border+Affairs>

Chapter 4: Thorny Issues

China's impression of India

The reason why India and China insist on enveloping the border issues in multiple mechanisms, agreements and frameworks is because the lack of resolution leaves the issue open, and the border prone to agitation. Though China has been busy elsewhere in its periphery, this issue has been at the top of the mind for India, led largely by memories of the humiliating 1962 defeat and the resulting mistrust. In the meantime, the PRC's foreign policy thrust has been towards preparing for exigencies in its eastern border due to the centrality of Taiwan in the PRC's narrative, and the presence of Japan, a primary actor in China's "century of humiliation." Even Garver agrees that South Asia ranks somewhere in the middle of China's foreign policy thrust areas – ahead of its relations with Africa, Middle East and Latin America, but after its focus on the US, Taiwan, Japan, South East Asia and the Korean Peninsula.²¹ Militarily too, as MIT's M Taylor Fravel describes it, the southern border has been the "secondary strategic direction."²² In the volume *China and South Asia: Strategic Implications and Economic Imperatives*,²³ edited by Lowell Dittmer and George Yu, Lawrence Saez and Crystal Chang suggest that this explains the relative paucity of official literature laying down South Asia policy.²³

²¹ John W Garver, *Protracted contest : Sino-Indian rivalry in the twentieth century* (Seattle : University of Washington Press) 2001 pp 375 accessed May 1, 2014

²² M Taylor Fravel, *China views India's rise: deepening cooperation, managing differences*, in Ashley Tellis, Travis Tanner and Jessica Keough, eds. *Strategic Asia 2011-12: Asia responds to its rising powers* (National Bureau of Asian Research) 2011, pp 90 accessed May 1, 2014

²³ Lawrence Saez and Crystal Chang, *China and South Asia: Strategic Implications and Economic Imperatives* in Lowell Dittmer and George T. Yu eds. *China, the Developing*

Srikanth Kondapalli points out a telling analysis in the 2001 PLA World Military Yearbook that analyzes India's goals and infers that it wants to control the Indian Ocean and strives to be a world class military power.²⁴ The timing of this analysis is crucial. It comes three years after India's nuclear tests in 1998. One of the essential elements that China believed is crucial for its rise is a peaceful periphery – and two neighbors with a history of four wars going openly nuclear within weeks of each other is not comforting. In addition, as J. Mohan Malik explains, India's ability to make friends easily among the great powers, especially the US in recent years, as well as high rate of economic growth in the same period have goaded China into relooking at their South Asia policy.²⁵ This is another aspect where Garver's assessment that China has managed its great power relations better than India doesn't add up.²⁶ His suggestion that India has no great power allies after the USSR's demise, and China's ability to prove itself be a “master of maneuver” by building bridges with both the US and Russia does not stand up to developments like the India-US Civil Nuclear deal in 2008 or the Framework for Defense Cooperation in 2005. Moreover, if Fravel's account of Chinese military buildup aimed at Taiwan²⁷ along with development of A2/AD capabilities aimed at US vessels is compared to the PLA's buildup in Tibet, it mirrors a far lower element of trust in the US-

World and the New Global Dynamic (Lynne Rienner Publishers) 2010 pp 93 – accessed May 1, 2014

²⁴ Srikanth Kondapalli, *The Chinese Military Eyes South Asia*, Chapter 9 in Andrew Scobell and Larry M. Wortzel, eds. *Shaping China's security environment: the role of the People's Liberation Army*, (Strategic Studies Institute, U.S. Army War College) 2006 pp 205-207 accessed May 1, 2014

²⁵ Mohan Malik, *India and China: as China rises, India stirs*, in Harsh V. Pant, ed. *Indian Foreign Policy In A Unipolar World* (New Delhi: Routledge) 2009 pp 165-166 accessed May 1, 2014

²⁶ Garver, *Protracted contest* pp 376-377 accessed May 1, 2014

²⁷ Fravel, *China views India's rise*, pp 89-91 accessed May 1, 2014

China relationship than that in the US-India relationship. Devin T Hagerty elaborates – “although US and India have had cold relations, they have never viewed each other as direct strategic adversaries”.²⁸ It is not difficult to infer that the latest irritant in the US-China relationship is the “Pivot to Asia” – the US maintains it is to protect its own interests in the region, but the Chinese are convinced this is a euphemism for containing them.²⁹ This continues to be a crucial concern for China despite India addressing the issue of its participation in the pivot by putting the indigenous concept of “strategic autonomy” over the offer to actively partner with Washington.³⁰ China hopes to balance this by building closer ties to South Asian nations and continue to attempt to limit India’s international influence as it has, over India’s membership of ASEAN and as well as the Nuclear Suppliers Group (NSG) and bid for a UNSC seat.³¹

It is undeniable that in the same period, China has grown exponentially. It is the second largest economy, and has added to both its arsenal and defense budgets at a pace unmatched anywhere else. As such, as Malik points out, the only country they see as having to catch-up with, and by extension, compare themselves to, is the US. In fact

²⁸ Devin T. Hagerty, *India and the Global Balance of Power: A Neorealist Snapshot*, in Harsh V. Pant, ed. *Indian Foreign Policy In A Unipolar World* (New Delhi: Routledge) 2009 pp 38 accessed May 1, 2014

²⁹ Congressional Research Service, *Pivot to the Pacific? The Obama Administration’s “Rebalancing” Toward Asia*, by Mark E. Manyin et al CRS Report R42448 (Washington, DC: Office of Congressional Information and Publishing) March 28, 2012 accessed May 1, 2014 <http://www.fas.org/sgp/crs/natsec/R42448.pdf>

³⁰ Press Information Bureau, Government of India, *India and US Hold Defence Talks Asia-Pacific Countries Should Settle Bilateral Disputes as Per International Law: Antony*, June 6, 2012, accessed May 1, 2014 <http://pib.nic.in/newsite/erelease.aspx?relid=84715>

³¹ Robert Sutter, *Chinese Foreign Relations: Power and Policy Since The Cold War*, 3rd edition (Rowman and Littlefield 2012), pp 242 accessed May 3, 2014

Malik cites the derision reserved for those who dare to compare China with India.³² In a race with the US, a peaceful vicinity now has even more importance; or as Fravel puts it, China's interests in the region are to uphold own core objectives – regime security, territorial integrity and economic growth.³³ Saez and Chang agree – China's involvement in South Asia is on the basis of “specific strategic concerns” within the broad rhetoric of Five Principles of Peaceful Coexistence.³⁴ Admittedly, the only country that could offer a semblance of a challenge to this goal either in terms of economic or military power is India. And therein lies India's importance to China. There are numerous examples of China's awareness of this – Mao Zedong's assertion of India-China friendship in an impromptu conversation with the Indian chargé d'affaires in 1970³⁵ or Deng Xiaoping's warming up to India in 1979³⁶, offering a compromise solution to the border question are cases in point. Ashley Tellis makes an important point in this regard. He suggests, while it might seem that India is only a footnote in China's strategic calculus, China actually is acutely aware of India's abilities and cognizant of its nuclear capabilities, choosing to cast Pakistan as a counterweight to keep India occupied, while staying away from Pakistan's revisionist ideology.³⁷ According to King's College's Harsh V Pant, China's

³² Mohan Malik, *China and India : great power rivals*, (Boulder, Colo. : FirstForumPress) 2011 pp 164 accessed May 1, 2014

³³ Fravel, *China views India's rise*, pp 67-68 accessed May 1, 2014

³⁴ Saez and Chang, *China and South Asia* pp 97 – accessed May 1, 2014

³⁵ Brajesh Mishra, *Walk Out of the Dinner and Eat It*, lecture at Indira Gandhi National Centre for the Arts, 1998, accessed May 1, 2014 http://ignca.nic.in/ks_41052.htm

³⁶ Susan Shirk, *One-Sided Rivalry: China's Perceptions and Policies Toward India*, in Francine R. Frankel and Harry Harding, eds. *The India China Relationship: What the United States Needs to Know* (New York: Columbia University Press) 2004, pp 80 accessed June 13, 2014

³⁷ Ashley Tellis, *China and India in Asia*, in Francine R. Frankel and Harry Harding, eds. *The India China Relationship: What the United States Needs to Know* (New York: Columbia University Press) 2004, pp 139-140 accessed June 13, 2014

awareness of India's nuclear capabilities is reflected in its refusal to engage India in dialogue in the matter – believing that doing so would mean a de-facto endorsement of India as a nuclear state.³⁸

As India grows and involves itself in the neighborhood, an emerging area where India's participation concerns China is the South China Sea where India is jointly exploring and developing oil along with Vietnam. One of the blocs taken up by India falls in waters claimed by China,³⁹ provoking China to react repeatedly, including intimidation of Indian naval vessels in the South China Sea⁴⁰ attending ports of call in South East Asian nations. China has rejected India's repeated assurances that its interests are purely economic and not strategic in nature, leading to the chief of the Indian Navy finally asserting in 2012 that India was ready to go in to the "South China Sea to protect its maritime and economic interests."⁴¹ While China did respond immediately to the statement, the response was muted, perhaps because of a leadership change around the same time or a greater controversy erupting over claims on the Senkaku/Diaoyu islands with Japan around the same time.

³⁸ Harsh V Pant, *India comes to terms with a rising China*, in Ashley Tellis, Travis Tanner and Jessica Keough, eds. *Strategic Asia 2011-12: Asia responds to its rising powers* (National Bureau of Asian Research) 2011, pp 113-114 accessed June 13, 2014

³⁹ Harsh V. Pant, *Understanding India's Interest in the South China Sea: Getting into the Seaweeds*, CSIS December 8, 2012, accessed June 13, 2014
<http://csis.org/publication/understanding-indias-interest-south-china-sea-getting-seaweeds>

⁴⁰ Ben Bland and Girija Shivakumar, *China confronts Indian navy vessel*, Financial Times August 31, 2011 accessed May 1, 2014 <http://www.ft.com/intl/cms/s/0/883003ecd3f6-11e0-b7eb-00144feab49a.html#axzz2S9iVYzpZ>

⁴¹ Arup Roychoudhury and Mayank Bhardwaj, *Indian navy prepared to deploy to South China Sea to protect oil interests*, Reuters December 3, 2012 accessed June 13, 2014
<http://www.reuters.com/article/2012/12/03/us-china-sea-india-idUSBRE8B20KY20121203>

The issue that touches the rawest nerve for China is Tibet. It is a question of territorial integrity for China, one among those it describes as “core interest,” along with Taiwan, Xinjiang, and for a very brief period in 2010, the South China Sea.⁴² China continues to remain unconvinced of India’s insistence that it accepts the Chinese position on Tibet. At the center of China’s this mistrust is India allowing the Dalai Lama and Tibetans to stay and move freely. Fravel, in “Strong Border, Secure Nation,” suggests that this has caused a permanent worry in China – of the Tibetan government-in-exile operating out of India challenging the legitimacy of the Chinese Communist Party (CCP) along the lines of the Taiwan government.⁴³ India has attempted to assure China multiple times, even cracking down on Tibetan protesters in the country ahead of high key visits⁴⁴ and earning a bad name in the process, but without any success in convincing China. China’s concern, as Sumit Ganguly suggests, arises out of its inability to completely suppress Tibetan resistance.⁴⁵ This forms the core of Chinese mistrust of India, and Chinese strategy has been to connect the issue that leads India’s mistrust of China – the border question, to this issue as a kind of insurance.

⁴² Edward Wong, *China Hedges Over Whether South China Sea Is a ‘Core Interest’ Worth War*, The New York Times, March 30, 2011 accessed May 1, 2014
<http://www.nytimes.com/2011/03/31/world/asia/31beijing.html>

⁴³ M. Taylor Fravel, *Strong borders, secure nation : cooperation and conflict in China's territorial disputes*, (Princeton: Princeton University Press) 2008 pp 182 accessed June 13, 2014

⁴⁴ Jason Burke, *India cracks down on Tibetan protests during Chinese leader's visit*, The Guardian 28 March 2012 accessed June 13, 2014
<http://www.guardian.co.uk/world/2012/mar/28/india-cracks-down-tibetan-protests-china>

⁴⁵ Sumit Ganguly, *India and China: Border Issues, Domestic Integration and International Security*, in Francine R. Frankel and Harry Harding, eds. *The India China Relationship: What the United States Needs to Know* (New York: Columbia University Press) 2004, pp 126-127 accessed June 13, 2014

How India looks at China

India's focus on China beyond the memories of the 1962 war is a relatively new affair. With the dehyphenation of India and Pakistan in the eyes of international security community and the economic growth, many Indians have come to believe that a comparison with China is better suited to their stature than one with Pakistan. Given the centrality of the 1962 humiliation in the Indian memory, one of the ways in which this outlook was made public was the widely reported 2010 comment of the Indian defense minister that directed the army to prepare for a "two-front war" – keeping both China and Pakistan in the calculation should hostilities break out.⁴⁶ Similarly, most of India's military modernization has been with China in focus – the successful test of India's most powerful ICBM – Agni V was celebrated as the first indigenous missile capable of reaching targets in China.⁴⁷ Currently, India is in the process of ramping up infrastructure on the Indian side of the border, building railroads and operationalizing airfields. It has already established two new mountain divisions comprising 36,000 men and deployed them in and around Arunachal Pradesh in the east. It is also raising a 50,000 strong new offensive strike formation with China in mind (all three of India's current strike corps are Pakistan focused and based near the western border). At the same time, as Stephen Cohen and Sunil Dasgupta point out, India's affinity for strategic restraint, along with the political class' lack of interest in defense matters continue to hinder institutional

⁴⁶ Dan Blumenthal, *India Prepares for a Two-Front War*, The Wall Street Journal, March 1, 2010, accessed June 22, 2014

<http://online.wsj.com/article/SB10001424052748704240004575085023077072074.html>

⁴⁷ Kanwal Sibal, *Agni V a positive step on security*, Mail Online India April 23, 2012 accessed June 22, 2014 <http://www.dailymail.co.uk/indiahome/indianews/article-2134074/KANWAL-SIBAL-Agni-V-positive-step-security.html#ixzz2SF3L47HR>

mechanisms in India that can facilitate optimal modernization and development of joint doctrine by the armed forces.⁴⁸ It is clear that a holistic domestic doctrine to deal with China in its entirety is still in the making. But at the same time, India's national pride in being mentioned in the same breath with China is reason why it seems implausible that there will be a shift in Indian thinking to accept a greater role for China in the region as Garver foresees.⁴⁹ It may be termed, as Susan Shirk describes it, a "one-sided rivalry,"⁵⁰ that feeds on India's belief that it deserves a place in the high table of international relations. On the other hand, India, keenly aware that it cannot balance China on its own, has been building alliances based on economic, political, military and security needs. David Scott calls this India's "extended neighborhood" strategy that stretches beyond the immediate South Asian neighborhood and stretches from "Suez Canal to the South China Sea and includes within it West Asia, the Gulf, Central Asia, South East Asia, East Asia, the Asia Pacific and the Indian Ocean Region."⁵¹ Such alliances have periodically raised China's heckles. After the India-US annual naval drill – Exercise Malabar turned multilateral in 2007 involving Japan, Australia and Singapore, China strongly objected, sending a *démarche* to participating countries, leading to the exercise turning bilateral once again for subsequent editions. In 2014, Japan once again participated, though without loud protests from China; initial plans suggest Australian participation in 2015.

⁴⁸ Stephen P. Cohen and Sunil Dasgupta, *Arming without aiming : India's military modernization*, (Washington, D.C.: Brookings Institution Press) 2010 pp 26-28 accessed June 22, 2014

⁴⁹ Garver, *Protracted contest* pp 387 accessed May 3, 2014

⁵⁰ Shirk, *One-Sided Rivalry*, pp 77 accessed May 1, 2014

⁵¹ David Scott, *India's "Extended Neighborhood" Concept: Power Projection for a Rising Power*, *India Review*, Vol. 8, No. 2 (April–June, 2009), pp 108, accessed May 3, 2014

India's greatest discomfort with China over the years has been on the border issue. Much of India's 3000 mile border with China is disputed, with India claiming that China is in illegal occupation of 14,600 square-mile Aksai Chin, while China claims the 34,700 square-mile Arunachal Pradesh is actually Southern Tibet. This has led to instances of brinkmanship such as China issuing stapled visas to Indian citizens from Jammu and Kashmir, or refusing visas to residents of Arunachal Pradesh claiming that they are Chinese citizens, and therefore, do not need visas. In recent years China has been known to refer to the area as South Tibet. In one particularly damaging interview to an Indian television station in 2006, a week before the visit of president Hu Jintao, Chinese ambassador Sun Yuxi claimed that Beijing believed the entire state to be part of China – "In our position the whole of what you call the state of Arunachal Pradesh is Chinese territory and Tawang (district) is only one place in it."⁵² Sun Yuxi was soon after unceremoniously and quietly transferred out of India leading to speculation that he spoke without clearance from Beijing. Nonetheless, the Indian government has gone on record admitting there have been more than 500 instances of PLA soldiers crossing over the LAC between 2010 and 2012.⁵³ More recent figures break down the numbers to 411 times in 2013, and 334 times till August 4, 2014.⁵⁴ The issue is currently handled by the

⁵² Surya Gangadharan, *Arunachal is Chinese land: envoy*, IBN Live, November 20, 2006 accessed May 12, 2014 <http://ibnlive.in.com/news/arunachal-is-chinese-land-envoy/26108-3.html>

⁵³ Rajat Pandit and Vishwa Mohan, *China violated Line of Actual Control 500 times in last two years*, The Times of India 17, 2012, accessed May 3, 2014 http://articles.timesofindia.indiatimes.com/2012-05-17/india/31748482_1_chinese-troops-sq-km-finger-area-pangong-tso

⁵⁴ PTI, *Chinese Army transgressed Sino-Indian border 334 times in 2014*, Deccan Chronicle, August 13, 2014, accessed August 15, 2014 <http://www.deccanchronicle.com/140813/nation-current-affairs/article/chinese-army-transgressed-sino-indian-border-334-times-2014>

mechanism of special representatives according to a decision to settle the matter politically, and not historically. Admittedly, any resolution in this case seems distant. Sumit Ganguly suggests this is because of China's advantageous position in the negotiation which they perceive balances their insecurity about Tibet.⁵⁵ Some analysts, like Ashley Tellis in this case, echo Garver's view of a stronger China holding all the cards suggesting that China has gauged that India is more anxious to settle these issues quickly, and calls the current Chinese position a "policy of Chinese insurance vis-à-vis India" that it doesn't feel compelled to resolve urgently under the belief that it will tilt further in its own direction, should it choose to wait.⁵⁶ Indian analysts have been of the opinion that China, acutely aware of its rapidly increasing strength and are playing to stall the process unless parts of the eastern sector like Tawang in Arunachal Pradesh are turned over to it, which is unacceptable to India, thereby leading to an impasse.⁵⁷

India also remains extremely wary of Chinese involvement in the Indian Ocean region. India has considered this as its backyard, and is uncomfortable with not only China making forays into the region but also taking the opportunity to build closer relations with countries in India's littoral. China's is building ports for Myanmar, Sri Lanka and Bangladesh and resting stops for its own oil tankers and anti-piracy vessels in

⁵⁵ Ganguly, *India and China*, pp 122-124 accessed May 1, 2014

⁵⁶ Ashley Tellis, *China and India in Asia*, pp 143 accessed June 22, 2014

⁵⁷ Avalok Langer, *Both Sides Will Protect Their Territorial Integrity, But They Will Not Go To War On Small Issues*, Tehelka May 4, 2013, accessed June 22, 2014
<http://tehelka.com/both-sides-will-protect-their-territorial-integrity-but-they-will-not-go-to-war-on-small-issues/#sthash.Gqbx3TUD.dpuf>

Seychelles.⁵⁸ It has also invested heavily in developing economic and military ties with Maldives. China claims its motive is not to encircle India, but to keep the Sea Lanes of Communication friendly towards its own economic interests, most crucially, to its energy security. It is difficult to counter this claim considering China has devoted its naval resources towards anti-piracy initiatives in the Indian Ocean since 2008.⁵⁹ Be as it may, China's increasing presence, leading up to, as Arun Sahgal of the Institute of National Security Studies points out, an eventual deployment of a carrier strike group in the Indian Ocean by 2025 makes India extremely uncomfortable.⁶⁰ Consequently, India has taken to increasing navy to navy activities, such as the MILAN exercise since 1995, involving Indian Ocean navies such as Indonesia, Thailand, Malaysia, Singapore, Brunei, Philippines, Vietnam, Australia, and New Zealand apart from India's neighbors; similarly, the Indian Ocean Naval Symposium initiated by the Indian Navy since 2008 now has 30 members, including Sudan, Tanzania, Eritrea, Madagascar, Bahrain, Yemen and UAE, apart from the aforementioned nations.⁶¹ Such measures, in no way can address India's concerns of PLA Navy submarines in the Indian Ocean Region as

⁵⁸ Jeremy Page and Tom Wright, *Chinese Military Considers New Indian Ocean Presence*, WSJ Online, December 14, 2011, accessed June 22, 2014 <http://online.wsj.com/news/articles/SB10001424052970203518404577096261061550538>

⁵⁹ Kamlesh K Agnihotri, *Four Years of Anti-Piracy Mission: Chinese Navy's Showcase Achievement*, National Maritime Foundation, January 22, 2013 accessed June 22, 2014 <http://maritimeindia.org/four-years-anti-piracy-mission-chinese-navy%E2%80%99s-showcase-achievement>

⁶⁰ Arun Sehgal, *China's Military Modernization: Responses from India*, in Ashley Tellis and Travis Tanner, eds. *Strategic Asia 2012-13: China's Military Challenge* (National Bureau of Asian Research) 2012, pp 282 accessed June 22, 2014

⁶¹ Nilanthi Samaranyake, *The Long Littoral Project: Bay of Bengal*, CNA, September 2012 accessed June 28, 2014 <http://www.cna.org/research/2012/long-littoral-project-bay-bengal>

articulated in a recent report by the Indian Navy that mentions sightings of such vessels.⁶² Also, India's concerns about China are not limited to its budding relationship only along the sea, but its closeness to India's other neighbors, most so – Pakistan. For countries like Nepal and Bangladesh, the Chinese slogan “great powers are the key, periphery is the priority, developing countries are the foundation” seems to hold true as its attempts to get friendlier with the countries seems to continue irrespective of the change in regimes. In Nepal, for instance, China has provided aid for infrastructure projects, set up industries, and even promised budgetary support, first, for the king, and then, quickly changing sides to support anti-royalists as the king was deposed in 2007.⁶³ With Bangladesh, it has worked on dual agendas of investment and development, selling military hardware as well as helping set up factories and industrial parks. It has also promised to favorably consider the country's request to reduce the widely skewed trade balance.⁶⁴

The relationship with Pakistan is perhaps the most complicated one, and merits greater discussion. Pakistan has described the relationship as “higher than the mountains, deeper than the oceans,”⁶⁵ but China, over the years has chosen to decide the extent of support to Pakistan on the basis of what suits its interests. This was apparent during the

⁶² Rahul Singh, *China's submarines in Indian Ocean worry Indian Navy*, Hindustan Times, April 07, 2013 accessed June 28, 2014 <http://www.hindustantimes.com/India-news/NewDelhi/China-s-submarines-in-Indian-Ocean-worry-Indian-Navy/Article1-1038689.aspx>

⁶³ Jonathan Holslag, *The Next Security Frontier: Regional Instability and the Prospects for Sino-Indian Cooperation*, Strategic Analysis, Vol. 33, No. 5 (Sept 2009), pp 656-658 accessed June 28, 2014

⁶⁴ Syed Tashfin Chowdhury, *Bangladesh gets boost from China investment*, Asia Times Online, April 24, 2012 accessed June 28, 2014 http://www.atimes.com/atimes/South_Asia/ND24Df03.html

⁶⁵ The Economist, *Sweet as can be?* May 12 2011, accessed July 11, 2014 <http://www.economist.com/node/18682839>

1971 war between India and Pakistan, when, despite dismemberment of the latter, China's help was limited to providing some military equipment. It is possible to conclude that India's 'Treaty of Friendship' with the USSR earlier that year stymied China's resolve. Similarly, as Feroz Khan points out, even during the 1965 war, China's role was "not as helpful as Pakistan had expected or hoped."⁶⁶ Even more recently, after the 1998 nuclear tests by India and Pakistan⁶⁷ and during the Kargil War in 1999,⁶⁸ China chose to stay neutral – perhaps indicating that it had its own ideas about the relationship. In recent years China has also gone back on its earlier policy on Kashmir of endorsing Pakistan's stand, to calling Kashmir a "disputed territory."

From this, would it be fair to deduce that China, as Rollie Lal suggests, is evolving a strategy that straddles the belief that positive relations with India might be more important than a status quo with Pakistan?⁶⁹ It may yet be too early to infer that. In the 1980s China made a strategic decision to assist Pakistan by supplying missile systems and help in missile technology as well as nuclear technology irrespective of costs. The extent of this support can only be guessed – despite claims by China that it has not helped Pakistan with its nuclear weapons program,⁷⁰ there is ample proof of transfer of ballistic missile and technology; it is also widely believed that Pakistan would not have managed

⁶⁶ Feroz Hassan Khan, *Eating grass : the making of the Pakistani bomb*, (Stanford, California : Stanford University Press) 2012 pp 47 accessed July 11, 2014

⁶⁷ James Martin Center for Nonproliferation Studies, *World Reaction to the Pakistani Nuclear Tests*, Archived May 1998, accessed July 11, 2014

⁶⁸ Swaran Singh, *The Kargil Conflict: Why and How of China's Neutrality*, Strategic Analysis, Vol. 23, No. 7, 1999 accessed July 11, 2014

⁶⁹ Rollie Lal, *China's relations with South Asia*, in Joshua Eisenman, Eric Heginbotham and Derek Mitchell, eds. *China and the Developing World: Beijing's Strategy for the Twenty-First Century* (New York: M. E. Sharpe) 2007, pp 147 accessed July 11, 2014

⁷⁰ Sutter, *Chinese Foreign Relations*, pp 241 accessed July 11, 2014

to build the bomb without Chinese handholding. Even now, China invokes the “grandfather clause” to provide nuclear reactors to Pakistan in violation of NSG guidelines.⁷¹ It is also the only country to not only sell Pakistan any weapon systems it wants, but also jointly develop them. With this in view, it is difficult to deny that China’s initial motive of getting closer to Pakistan to counterbalance India still stands. As Jonathan Holslag has pointed out, common security concerns for China and India have not resulted in security cooperation – “underneath the surface of rhetorical convergence, distrust and the fear to lose out still inhibit substantial security cooperation.”⁷² It must be pointed out that there are signs that China has moved closer to an interest based relationship from a *carte blanche* with Pakistan, given India’s rising stature in the world and growing importance to China. China’s reluctance to bail out Pakistan entirely during the 2010 flood⁷³ and hesitance in taking over Gwadar port in Baluchistan before finally agreeing in 2013⁷⁴ illustrate the Chinese philosophy of ‘win-win’ that doesn’t make allowances for investments unless they are cost-effective in some way or other.

⁷¹ Bill Gertz, *China, Pakistan Reach Nuke Agreement*, The Washington Free Beacon, March 22, 2013 accessed July 11, 2014 <http://freebeacon.com/china-pakistan-reach-nuke-agreement/>

⁷² Holslag, *The Next Security Frontier*, pp 660 accessed July 11, 2014

⁷³ Joe Lauria, *U.S. Presses China on Pakistan Flood Aid*, Wall Street Journal, August 19, 2010 accessed July 11, 2014 <http://online.wsj.com/article/SB10001424052748703791804575439613818191990.html>

⁷⁴ Ghulam Ali, *China’s strategic interests in Pakistan’s port at Gwadar*, East Asia Forum March 24th, 2013 accessed July 11, 2014 <http://www.eastasiaforum.org/2013/03/24/chinas-strategic-interests-in-pakistans-port-at-gwadar/>

Chapter 5: Two Views: Garver and Malik Analyze Sino-Indian Relations

In 2001, John W. Garver published “Protracted Contest: Sino-Indian Rivalry in the Twentieth Century,” looking at India and China from the 1940s and analyzing the relationship through the years. It was, and remains one of the most detailed looks into the relationship. He divides his research into thematic questions – such as the territorial dispute, the Sino-Pakistani relationship, the role of nuclear weapons and into regional questions – Nepal, Sikkim and Bhutan, and Myanmar find special mention.

Garver lists two “taproots” of conflict between India and China – “conflicting nationalist narrative,” and “conflict of security concepts,” leading to a classic security dilemma.⁷⁵ The former refers to the way the country looks at its history and its role in the region, including its relationship with other countries. It leads the country to take a cue from the past and envisage its future role in the region. Garver suggests that both India and China believe in the greatness of their civilizations and claim influence over a vast area in their neighborhood, which often overlapped. This, he says sets the two up for clashes as their impression of what their sphere of influence should be, also intersects. The other aspect, Garver posits, is that of a security dilemma – India preferring a South Asia where it can ensure that its interests are not threatened by the presence of an external factor. The growing closeness of such a power with neighbors in the shape of military alliances or political alignments definitely makes India uncomfortable. China, on the other hand, believes that it needs to build a relationship with South Asian nations for the sake of the southern part of the country and believes that India’s objections to this

⁷⁵ Garver, *Protracted contest* pp 11 accessed July 22, 2014

reluctance are rooted in its intention of dominating South Asia as a hegemon. Garver believes that unlike India, China's approach to South Asia is far more clear and cogent, spelled out in the "Five Principles of Peaceful Coexistence" that it signed in 1954.

In conclusion, Garver offers two pathways in to the future; one would see Chinese acceptance of Indian hegemony in South Asia, while the other would involve Indian acceptance of Chinese influence into South Asian countries. Garver believes that the former is unlikely, given that China is ahead of India on most parameters of power – military and economic. The author's analysis leads him to believe that it is more likely that India will eventually have little alternative to acknowledging China's preeminence in the South Asian region.⁷⁶ Interestingly, he does not use the term "Chinese hegemony" in outlining the second option. He seems to suggest, that in spite of its rise in military power and economic influence, China will continue to look at South Asia merely from the perspective of its own interests and not as a regional hegemon.

In his in his 2011 book "China and India: Great Power Rivals," J Mohan Malik does not agree completely with Garver, but doesn't have a very hopeful view of the future of Sino-Indian relations either. At the outset Malik clarifies that he aims "to temper the hyperbole that characterizes a lot of writing about the simultaneous accommodation of China and India in and by the international system."⁷⁷ He divides the book in three parts that deal with historical issues, present fault lines and ends with two chapters on the future that looks at some of the issues that could foment trouble in future, and suggests certain alternate scenarios. Malik unequivocally disagrees that the world is moving

⁷⁶ Garver, *Protracted contest* pp 377 accessed July 22, 2014

⁷⁷ Malik, *China and India* pp 2 accessed May 1, 2014

towards interdependence and multipolarity; on the other hand he believes that as India and China grow stronger and move to capitalize on their interests around the world, the security dilemma between the two also increases. Looking at the future, Malik includes a discussion on rivalry in the Indian Ocean region and competition over energy resources in this section, hinting at the issues he considers crucial for the future of the relationship; more telling, perhaps is his decision to not accord the border question as much importance in this part of the book.

The author explores the possibilities of various alignments in the region, especially one between India and the US. Additionally, he also explores the China-India-Japan triangle and the Russia-China-India relationships, before arriving at the various alternative scenarios for the China-India relationship. These include a China-India G2 in Asia, one of competition cum partnership, the possibilities of a Sino-Indian Cold War, the worst case scenario of a second war between the two, and the final possibility of India capitulating to China. Malik seems to be of the impression that while the partnership and competition strategy seems to be working now, a China-India Cold War looms large.⁷⁸ The reason for this, as he mentions in the build-up to the conclusion is the severe security dilemma between the two, an inability to see eye to eye on issues of interest and the increasing divide between India-China and US-China, pushing India and US to ultimately align with each other. Unlike Garver, he is of the opinion that it is unimaginable for India to yield to China.

⁷⁸ Malik, *China and India* pp 404-406 accessed May 1, 2014

Chapter 6: Documenting Progress: Bilateral Mechanisms at Play

Finding middle ground

In April 2013, a platoon of PLA soldiers transgressed into territory held by India in the northern frontier between India and China, establishing temporary shelters around 19 kilometers into territory in Indian control.⁷⁹ In response Indian soldiers set up posts near the Chinese camp, and initiated flag-meetings between the two sides. The Chinese envoy to New Delhi was summoned and issued a *démarche* reiterating Indian sovereignty over the occupied tract of land.⁸⁰ As the stand-off continued, the Indian media carried commentaries⁸¹ offering explanations of this sudden act coming barely a month after China proposed a pact for greater cooperation along the border to avoid misunderstanding between the two sides.⁸² The Chinese media on the other hand, avoided all mention of the

⁷⁹ PTI, *Ladakh: China troops intrude into Indian territory* Hindustan Times, April 19, 2013, accessed July 13, 2014 <http://www.hindustantimes.com/India-news/NewDelhi/Ladakh-China-troops-intrude-into-Indian-territory/Article1-1047178.aspx>

⁸⁰ Saurabh Shukla, *India-China face-off over Ladakh incursion to hurt bilateral relations*, Mail Today, April 25, 2013, accessed July 13, 2014 <http://indiatoday.intoday.in/story/india-china-face-off-over-ladakh-incursion-to-hurt-bilateral-relations/1/267495.html>

⁸¹ Deccan Chronicle, *Dragon in the tent*, April 28, 2013, accessed July 13, 2014, <http://www.deccanchronicle.com/130428/commentary-dc-comment/commentary/dragon-tent>. See also TCA Rangachari, *It's Time To Call A Spade A Spade*, Tehelka, April 30, 2013, accessed July 13, 2014, <http://tehelka.com/its-time-to-call-a-spade-a-spade/?singlepage=1>

⁸² PTI, *China proposes border defence pact, India to go slow*, The Economic Times, March 22, 2013, accessed July 13, 2014, http://articles.economictimes.indiatimes.com/2013-03-22/news/37936650_1_annual-defence-dialogue-indian-army-delegation-army-to-army

incident, except on one occasion carrying a press release by the Ministry of National Defense denying any breach of territory.⁸³

The timing of the standoff was crucial – in middle of May, PRC’s newly anointed premier Li Keqiang was supposed to arrive in India for his first state visit. Besides the obvious symbolic political significance of the gesture, there was a crucial business slant to the visit – the Chinese delegation was to have members of major Chinese companies including telecom giants Huawei and ZTE, while the itinerary of premier Li included a visit to technology giant TCS. With the border row refusing to die down, questions were raised about whether the visit would proceed as planned or not. News reports even claimed that the visit of Indian foreign minister Salman Khurshid to Beijing to finalize the schedule was about to be cancelled.⁸⁴ Following Garver’s analysis, this was an opportune moment for India to have given in, accommodating China’s position on the border – but that did not happen. Similarly, if Malik’s view is to be considered an accurate analysis of how the two countries would behave, this situation should have led at least to a cancellation of the visit along with further build-up at the border. What happened instead was worth noting. Both governments continued to reiterate respective national positions on the border issue assuring the domestic audience that they will not give in, while the local commanders of the two militaries met in multiple flag meetings held on April 18, April 23rd and April 30 to hammer out a common ground. The strategy

⁸³ Xinhua, *Defense ministry denies Chinese army's India trespass*, April 25, 2013, accessed July 13, 2014 http://news.xinhuanet.com/english/china/2013-04/25/c_132339967.htm

⁸⁴ AFP, *Foreign minister Khurshid hints may cancel China visit*, LiveMint, May 4, 2013 accessed July 13, 2014 <http://www.livemint.com/Politics/LgaK7QuUjmgPwRBZWPFYYP/Foreign-minister-Khurshid-hints-may-cancel-China-visit.html>

paid off and the issue finally being sorted out three weeks after it started without a public intervention at the political level.⁸⁵ Significantly, the uncertainty of the outcome while the two armies were meeting did not freeze the frameworks put in place for high level bilateral visits, which continued to operate in the background, making arrangements for the visit. The incident provided an interesting peek into the ability of the two countries to interact at parallel levels without one clouding the other. Though the process used for the purpose is far from perfect, it demonstrates a recently acquired capability. It also showcases that India and China have managed to put the economic relationship in a separate box from the political and security one.

Another contentious issue where the two have made progress is that of stapled visas issued by China to residents of certain states in India. Starting May 2009, China began stapling visas to the passport instead of printing them for Indian citizens from Jammu and Kashmir as well as Arunachal Pradesh to flag the fact that it considered the territories disputed.⁸⁶ This effectively barred Indian citizens from these states from travelling to China as India refused to acknowledge the system of two different kinds of visas for its citizens. Residents of Kashmir were selected to show support to Pakistan's claim on the region, while China chose Arunachal Pradesh to assert its territorial claim. India raised the issue multiple times including during premier Wen's 2010 trip. Despite assurances, the issue was not resolved immediately. As the problem snowballed, the

⁸⁵ Rajat Pandit and Indrani Bagchi, *China-India face-off ends as armies withdraw from Ladakh*, The Times of India, May 5, 2013 accessed July 13, 2014 <http://timesofindia.indiatimes.com/india/China-India-face-off-ends-as-armies-withdraw-from-Ladakh/articleshow/19899731.cms>

⁸⁶ Altaf Hussain, *Row over China Kashmir visa move*, BBC, October 1, 2009, accessed July 13, 2014 <http://news.bbc.co.uk/2/hi/8285106.stm>

neighbors found themselves staring at a crisis. In July 2010, China offered a stapled visa to Lt Gen BS Jaswal, commander of India's Kashmir based Northern Command who was leading a delegation to China. India retaliated with canceling the visit, a strongly worded *démarche* and refusal to grant visa to two Chinese defense ministry officials.⁸⁷ India eventually suspended military exchanges with China till Chinese defense minister Liang Guanglie visited India in September 2012. Eventually, China rescinded issuing stapled visas for Indians from Kashmir, even though the practice continues for those from Arunachal Pradesh.

The reason for the disparity in approach towards Kashmiris and those from Arunachal Pradesh is not difficult to understand. In issuing stapled visas to Kashmiris, China was merely displaying support for Pakistan. In the case of Arunachal Pradesh, going back on the decision would mean going soft on the question of its claim to the region. As Jeff Smith points out, instances of issuing stapled visas to residents of Arunachal Pradesh have recorded as far back as 1981, during which time government officials from the state were denied a visa.⁸⁸ Since then, the refusal has been extended to anyone from the state representing India in any official capacity. Ganesh Koyu, a bureaucrat from Arunachal Pradesh was denied a visa in 2007 – China claimed since he was from the state, he was a Chinese citizen, and did not need a visa; in 2013 two archers from the state representing India in a world championship in China were denied visas. In this instance, the Chinese foreign ministry officially connected that the visa issue was

⁸⁷ Indrani Bagchi, *China denies visa to top general in charge of J&K*, The Times of India, August 27, 2010, accessed July 13, <http://timesofindia.indiatimes.com/india/China-denies-visa-to-top-general-in-charge-of-JK/articleshow/6442437.cms>

⁸⁸ Jeff M. Smith, *Cold Peace: China-India Rivalry in the Twenty-first Century*, (Lexington Books), 2013. pp 44-45 accessed July 13, 2014

connected with resolution of the border issue – “China's practice with regard to the visa is a flexible move pending the resolution of the boundary question.”⁸⁹ Ever since, the issue has been brought up at every high level bilateral discussion, but there are no signs of early resolution. The most recent instance was when Chinese foreign minister Wang Yi visited India in June 2014.

The stapled visa issue is a classic instance of the two countries carefully calibrating their responses over an issue of disagreement. Garver would possibly have expected India to yield after China relented from issuing stapled visas to Kashmiris; but India has stuck to its demand of a complete rollback of the policy of two different types of visas. Malik, on the other hand, might have expected relations to deteriorate much further; that the two countries resumed their bilateral military exchanges is testament to the fact that the India and China are aware of these pitfalls and watchful to ensure they do not get out of hand.

Border mechanisms

Careful inspection of the history of the Sino-Indian relationship over the last few years demonstrates that India and China have continually kept the limitations of the relationship in mind while framing bilateral mechanisms. The most comprehensive of these can be the border mechanisms that go into extraordinary detail to create precedence for behavior of armed forces and to define acceptable moves by them at the

⁸⁹ PTI, *China defends move to issue stapled visas to Indian archers*, The Times of India, October 14, 2013, accessed July 13, 2014 <http://timesofindia.indiatimes.com/sports/more-sports/others/China-defends-move-to-issue-stapled-visas-to-Indian-archers/articleshow/24157677.cms>

border. For example, in the most recent one, signed in October 2013 – the Border Defence Cooperation Agreement (BDCA), the two sides have agreed not to “tail patrols of each other in areas where there is no common understanding of the line of actual control,” and promised to hold regular meetings between “relevant Military Regions of China and Army Commands of India and between departments responsible for military operations.”⁹⁰ The 2003 decision to “appoint a special representative to explore, from the political perspective of the overall bilateral relationship, the framework of a boundary settlement” has ensured uninterrupted communication on the issue for the last decade.⁹¹ Similarly, the 2005 “Guiding Principles” for the border stipulates that the two sides seek “a fair, reasonable and mutually acceptable solution to the boundary question through consultations on an equal footing, proceeding from the political perspective of overall bilateral relations.”⁹²

Though progress on the border talks has been slow with much of the talks spent on determining the framework, the greatest success of the negotiations has been a border largely free of volatility and troop mobilizations; the last time a shot was fired was in 1987. To a great extent this is due to agreements signed over the past two decades on

⁹⁰ Article VI, Agreement between the Government of the Republic of India and the Government of the People's Republic of China on Border Defence Cooperation, October 2013 accessed July 13, 2014

⁹¹ Declaration on Principles for Relations and Comprehensive Cooperation Between the Republic of India and the People's Republic of China, June 2003 accessed July 13, 2014

⁹² Article II, Agreement between the Government of the Republic of India and the Government of the People's Republic of China on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question, April 2005, accessed July 13, 2014

CBMs⁹³ and on settlement of the border question.⁹⁴ In the absence of genuine public support and political will to resolve the issue immediately, these have been geared more at managing the border situation than resolving them immediately and conclusively. The documents have therefore often fine-tuned earlier ones, covering loopholes, adding layer upon layer, in an act of defining, refining, and redefining mechanisms already established. For example, the 1996 agreement on CBMs in the LAC mentions “the two sides reaffirm their commitment to strictly respect and observe the line-of actual control.”⁹⁵ The 2005 protocol on CBMs further clarifies how this should reflect in the conduct of troops, should patrolling parties ever come face-to-face⁹⁶ – they should “exercise self-restraint and take all necessary steps to avoid an escalation of the situation.” It also suggests “both sides shall cease their activities in the area, not advance any further, and

⁹³ These are, Agreement On The Maintenance Of Peace Along The Line Of Actual Control In The India-China Border, September 1993; Agreement between the Government of the Republic of India and the Government of the People's Republic of China on Confidence-Building Measures Along The Line Of Actual Control In The India-China Border Areas, November 1996; Protocol between the Government of the Republic of India and the Government of the People's Republic of China on Modalities for the Implementation of Confidence Building Measures in the Military Field Along the Line of Actual Control in the India-China Border Areas, April 2005; and Agreement between the Government of the Republic of India and the Government of the People's Republic of China on Border Defence Cooperation, October 2013

⁹⁴ These are, Declaration on Principles for Relations and Comprehensive Cooperation Between the Republic of India and the People's Republic of China, June 2003; Agreement between the Government of the Republic of India and the Government of the People's Republic of China on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question, April 2005; and India-China Agreement on the Establishment of a Working Mechanism for Consultation and Coordination on India-China Border Affairs, January 2012

⁹⁵ Article II, Agreement between the Government of the Republic of India and the Government of the People's Republic of China on Confidence-Building Measures Along The Line Of Actual Control In The India-China Border Areas, November 1996

⁹⁶ Article IV, Protocol between the Government of the Republic of India and the Government of the People's Republic of China on Modalities for the Implementation of Confidence Building Measures in the Military Field Along the Line of Actual Control in the India-China Border Areas, April 2005, accessed July 13, 2014

simultaneously return to their bases.” The 2013 agreement on border cooperation, drawn up after the April 2013 incident in Ladakh proposed that both sides refrain from tailing the other’s patrols. It also suggests “establishing a Hotline between the military headquarters of the two countries.” This clause is a perfect instance of adding to already existing layers – the 1996 agreement proposed setting up a hotline⁹⁷, except that it specified one at more localized levels – “between the border meeting points at designated places along the line of actual control.”

For all the “layering” of agreements, niggles remain, quite often due to the inherent misalignment of the Chinese and Indian systems. For example, after the signing of the BDCA, India and China are having trouble deciding who the parties on either side of the hotline should be – India suggests a central military office like the Director General of Military Operations (DGMO), while China claims it does not have an equivalent rank – proposing that the responsibility be shared between the Lanzhou or Chengdu regional commands. The deadlock seems to be moving towards a middle path with Indian Army officers recently meeting the PLA General in charge of troop movements at the Sino-Indian border for the first time. In this first DGMO level meeting between the two India fielded its Vice Chief of Army Staff and the Chinese delegation was led by PLA’s Deputy Chief of General Staff (Operations).⁹⁸

⁹⁷ Article VII, Agreement between the Government of the Republic of India and the Government of the People's Republic of China on Confidence-Building Measures Along The Line Of Actual Control In The India-China Border Areas, November 1996, accessed July 13, 2014

⁹⁸ Sandeep Dikshit, *India, China discuss implementation of border pacts*, The Hindu, April 23, 2014 accessed July 23, 2014 <http://www.thehindu.com/news/national/india-china-discuss-implementation-of-border-pacts/article5938364.ece>

Chapter 7: Why ascribing a “zero-sum” game is wrong

The methods of resolving developments explained above reflects attempts by China and India on managing strategic mistrust in order to build a working relationship that puts the necessities of economics ahead of the vagaries of politics. This challenges the assertions by both John W Garver that suggests that for India and China to operate in South Asia, India must necessarily accommodate China,⁹⁹ and by Mohan Malik that suggests that the various outstanding issues between India and China can only increasingly draw them towards a standoff.¹⁰⁰

As the previous section shows, the two countries have put in place a multiple CBMs, frameworks, agreements and mechanisms to manage the relationship. A fair question to ask is – what is the underlying thought governing this effort? It is the unwavering focus on achieving economic development to a degree that has been beyond reach for both countries so far. And irrespective of the parties, personalities or regimes that have handled the administration in the two countries over the last three decades, nothing has changed this primary objective. It is a process that was started in China in the last years of the 1970s by Deng Xiaoping, and accelerated in the aftermath of the Tiananmen incident in 1989. The PRC continues to be the only country that has managed to achieve over a ten percent annual rate of GDP growth for over three decades. Deng’s successors – both Jiang Zemin and Hu Jintao stayed the course set by Deng, building economic relationships with neighbors and with far of countries in the world. Even as China approaches the inevitable slowing down that an economy that has grown very fast

⁹⁹ Garver, *Protracted contest* pp 368 accessed July 22, 2014

¹⁰⁰ Malik, *China and India* pp 405-406 accessed May 1, 2014

for very long must eventually encounter, the most important goal for any leader of the CCP remains unchanged – keeping the economy going fast enough to ensure there are adequate jobs to maintain domestic social stability.

The goal seems unchanged under the present administration led by Xi Jinping. True to the tradition of Chinese leaders coining slogans that define their administrative goals, days after taking over, Xi proposed the goal of attaining the “Chinese Dream,” which he defined as the goal of “the great rejuvenation of the Chinese nation.” Later, he explained the rejuvenation in terms of two goals – popularly called the “two one-hundred-year goals.” The first of these is the establishment of a “moderately prosperous socialist country” to be achieved in time for the 100th anniversary of the Chinese Communist Party in 2021; the second is to then develop into a “modernized socialist country that is prosperous, strong, democratic, civilized and harmonious” by 2049 by the 100th anniversary of the PRC. Both are extremely important milestones through which the CCP leadership has expressed its goal of seeing the Party carry on in power at least till the middle of the 21st century. Ensuring this is achieved will require continued economic prosperity and social stability. In other words, the political elite believe that their resources and energy are best utilized to promote economic growth and keep social unrest at bay, rather than being expended elsewhere.

The objectives for India are not very different. With the opening up of the economy in the early 1990s, the economy started accelerating for the first time since the 1940s, peaking in the 2000s to nine percent per annum. It subsequently declined to sub five percent levels in the early 2010s. This was accompanied by what analysts termed as

“policy paralysis,” as the central government in India, beleaguered by infighting and corruption charges seemed incapable of providing the much required support to necessary policy reform. Eventually, as the global economy began looking up, certain policy measures, both fiscal and monetary were taken in 2013, through a major overhaul of the economic system remains pending. The new government led by the Bharatiya Janata Party that took over in May 2014 primarily fought and won the election on the plank of speeding up the economy, and job creation.

Both India and China are aware of the immensely important role that their neighbors play in their quest for economic progress. The 2009-2014 foreign trade policy set out by the Indian government declared that it aimed to “(i) double our percentage share of global merchandise trade within 5 years and (ii) use trade expansion as an effective instrument of economic growth and employment generation.”¹⁰¹ This means not only a greater share for India and China in each other’s trade pie, but also an increase in trade carried out with other countries in the region. Six of China’s the top ten trade partners are Asian countries or regions, while the seven of India’s top trade partners are Asian nations. From the beginning of increased engagement between the two in late 1980s, India and China have worked actively to build up their trade relationship. The \$100 billion bilateral trade target for 2015 mentioned earlier in this paper demonstrates an attempt to work towards this objective. That trade increased from \$2.9 billion in 2000 to \$73.9 billion in a mere 11 years demonstrates the potential for this aspect of the relationship.

¹⁰¹ Directorate General of Foreign Trade, Government of India, *Foreign Trade Policy August 2009 - March 2014*, accessed June 15, 2014
<http://dgft.gov.in/exim/2000/policy/ftp-plcontent0910.pdf>

Both countries have reiterated their commitment to increased bilateral trade and cooperation a number of times. Delegations accompanying the prime ministers of both countries in official visits have been populated by chief executives of companies keen on investing in the other country. Premier Zhu Rongji, in his 2002 visit to India proposed that “India and China should collaborate, not compete.”¹⁰² In his 2005 visit, premier Wen stated “It is true India has the advantage in software and China in hardware. If India and China cooperate in the IT industry, we will be able to lead the world.”¹⁰³ During his next visit to India in 2010, premier Wen was accompanied by a delegation of 400 businessmen looking for opportunities to cooperate on key sectors like infrastructure and construction. Members of industry bodies such as the China Council for the Promotion of International Trade (CCPIT) expressed a desire to cooperate more closely in the information technology sector.¹⁰⁴ While Chinese companies interested in India set up the Chamber of Chinese Enterprises in India (CCEI) in 2006, Wen suggested setting up a Strategic Economic Dialogue (SED) between the two countries, which was accomplished the next year; the Dialogue has been meeting annually, to discuss not only bilateral trade, but also international economic issues in which India and China can cooperate. Given the way the two have worked together in UN climate talks and the WTO, the potential scope of the SED, undoubtedly, is considerable.

¹⁰² PTI, *China-India should collaborate not compete: Zhu Rongji*, Rediff, January 16, 2002, accessed May 31, 2014 <http://www.rediff.com/news/2002/jan/16zhu.htm>

¹⁰³ John Lancaster, *India, China Hoping to 'Reshape the World Order' Together*, Washington Post, April 12, 2005, accessed July 11, 2014 <http://www.washingtonpost.com/wp-dyn/articles/A43053-2005Apr11.html>

¹⁰⁴ Chen Xia, *Bigger opportunities for Chinese electronic companies in India*, China.org, March 31, 2010, accessed June 13, 2014, http://www.china.org.cn/world/China-India/2010-03/31/content_19721891.htm

Cooperation to ensure economic development is not something limited to bilateral trade, given India and China's ever expanding economic interests. In a well-recorded instance in 2005, accusations flew both ways as China and India locked horns over an auction by Kazakh oil company PetroKazakhstan that was eventually snapped up by China National Petroleum Corporation (CNPC). As the dust settled, both India and China realized that such a deal only helped push up oil prices for both of them. By the next year, the two countries put in place a framework to cooperate in the process to seek energy wherever possible, even agreeing to "exchange information about a possible bid target, before agreeing to co-operate formally."¹⁰⁵ Though with bigger companies and a far deeper pocket, China is in a far more advantageous position than India, the sort of acrimonious competition seen in Kazakhstan has not been repeated since. In their quest for energy the two seem to be developing a protocol of coexistence, that allows cooperation where possible and competition only when inevitable.

Sino-Indian collaboration has been evident over the greater part of the last decade in multilateral forums such as the World Trade Organization's Doha round and the U.N. climate talks. The two came together along with South Africa and Brazil to form the BASIC group in 2009 to coordinate stand of developing nations and provided a unifying point for negotiating with developed economies. The group has met multiple times since then. To streamline cooperation in this issue, India and China have signed agreements

¹⁰⁵ Richard McGregor, Jo Johnson, Carola Hoyos, *China and India forge alliance on oil*, Financial Times, January 12, 2006, accessed July 13, 2014
<http://www.ft.com/intl/cms/s/0/25b30866-83a4-11da-9017-000779e2340.html#axzz2SLQfEaH7>

facilitating greater sharing of information and common strategizing in climate talks¹⁰⁶ as well as in the WTO¹⁰⁷ as far back as 2001. China and India have also actively pursued other groupings, such as the Russia-India-China talks since the late 1990s, and the BRICS (Brazil, Russia, India, China, and since 2011 – South Africa) group, that has been meeting since 2006, including an annual summit attended by the heads of state. China has also suggest India deepen its commitment in the Shanghai Cooperation Organization (SCO), largely believed to be an Asian version of the NATO, where India currently has observer status. In Afghanistan, with the date of withdrawal of the NATO led International Security Assistance Force (ISAF) drawing closer, China has signaled that it was keen on initiating a sustained dialogue with India on security concerns in Afghanistan, where the latter has considerable expertise and the former has considerable economic exposure.¹⁰⁸ This is an extension of the decade old annual counterterrorism dialogue between India and China. Despite the long association and periodic joint antiterrorism drills, India and China have not been able to get far on this issue, largely due to centrality of Pakistan in India's terrorism concerns that China refuses to endorse without reservation. On the issue of anti-piracy operations, the two have met with success

¹⁰⁶ Gaurav Singh and John Duce, *China, India Sign Climate Change Cooperation Accord*, Bloomberg October 21, 2009 accessed July 13, 2014

<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aFyFHkF6C3Fs>

¹⁰⁷ People's Daily, *China, India Team up to Study WTO Affairs*, People's Daily, May 13, 2002 accessed July 13, 2014

http://english.peopledaily.com.cn/200205/13/eng20020513_95605.shtml

¹⁰⁸ Harsh V. Pant, *China Reaches Out to India on Afghanistan*, CSIS Issue Perspective Vol. 3, Issue 2, May 2013 accessed July 13, 2014

in recent years, working out a mechanism to coordinate their activities along with Japan and others in the Gulf of Aden.¹⁰⁹

Saez and Chang have suggested that the underlying message in China's slogan of peaceful coexistence is the emphasis on commercial diplomacy that aims to reduce US importance and role across the world, especially in Asia.¹¹⁰ China's proposed Asia Infrastructure Bank, and the establishment of the BRICS bank recently as an alternative to the IMF or the World Bank, has been viewed as continuation of such an objective. In South Asia, the most suitable player for China to attempt such an economic partnership is India. This has made China often refer to a new global world order where India and China can align together to take on western liberal world order. Garver mentions a 1994 conference where China eagerly pushed this idea even as India was more insistent on settling core issues before embarking on such collaboration.¹¹¹ Recently, even some Indian analysts have suggested that India should consider the advantages of a China-India alliance.¹¹² The Indian foreign policy machinery, more comfortable with the British legacy of the western order has not seriously taken up the offer so far. Moreover, a cost-benefit analysis of siding with China also raises the valuable question of whether China will have or want to have as much leverage over Pakistan's policies against India as the US traditionally has.

¹⁰⁹ PTI, *India, China, Japan coordinating in anti-piracy operations*, The Economic Times, Feb 1, 2012, accessed July 13, 2014
http://articles.economictimes.indiatimes.com/2012-02-01/news/31012850_1_anti-piracy-operations-aden-warships

¹¹⁰ Saez and Chang, *China and South Asia* pp 97 – accessed July 23, 2014

¹¹¹ Garver, *Protracted contest* pp 382-383 accessed July 22, 2014

¹¹² Prem Shankar Jha, *Will BRICS Rejig Indo-China Relations?*, Tehelka April 13, 2013 accessed July 31, 2014 <http://tehelka.com/will-brics-rejig-indo-china-relations/?singlepage=1#sthash.I7zNiSVq.dpuf>

Chapter 8: Black Swan events

Two developments remain black swan events for the near future, and capable of disturbing the balancing act by both China and India – developments in Tibet should the Dalai Lama pass away anytime soon, and the role of Pakistan in supporting terrorism in India after the withdrawal of international forces from Afghanistan in 2014.

As explained earlier in this paper, Tibet remains a raw nerve for China as even with its best efforts it has been unable to suppress the protesters completely. The death of the Dalai Lama is likely to bring about a power vacuum that China will be keen to exploit. All signals suggest that the Dalai Lama's is aware of such an eventuality. In 2011, he decided to give up his role as the supreme political authority of the Tibetan people that has been traditionally vested in Dalai Lamas. The announcement coincided with the election of the Tibetan Government in Exile (TGIE) – meaning that the prime minister would be the final executive power.¹¹³ Accordingly, Lobsang Sangay was elected, ensuring bifurcation of spiritual and political authority, with the latter now free to live on in a system of its own, independent of him. The move, understandably had China angry – a column in the state owned People's Daily newspaper reported on Sangay's election under the header "Terrorist poised to rule "Tibetan government in-exile"?" accused the Dalai Lama of playing with the future of Tibetan people.¹¹⁴

¹¹³ Edward Wong and Jim Yardley, *Dalai Lama Gives Up Political Role*, The New York Times, March 10, 2011, accessed May 23, 2014
<http://www.nytimes.com/2011/03/11/world/asia/11tibet.html>

¹¹⁴ Li Hongmei, *Terrorist poised to rule "Tibetan government in-exile"?* People's Daily, March 22, 2011 accessed May 23, 2014,
<http://english.peopledaily.com.cn/90002/96417/7326988.html>

Considering how difficult it has been for China to bring the Tibet Autonomous Region (TAR) completely under its control, and the role the Dalai Lama has played in it since he escaped to India in 1959, China hopes to accomplish much in consolidating its control after the Dalai Lama passes on. One way of doing this is likely to be presenting its own candidate for the next incarnation of the Dalai Lama from within the Chinese mainland. The Chinese government has already begun its preparation; in 2007 China's State Administration for Religious Affairs (SARA) issued a set of guidelines that mandated that all reincarnations of living Buddhas of Tibetan Buddhism need to get government approval or be considered "illegal or invalid."¹¹⁵ Throughout history several procedures have been followed for the selection of the Dalai Lama; the largely accepted process involves a search conducted by senior lamas.¹¹⁶ China has already played foil to a similar procedure followed to select the second highest monk of the sect.

After the Panchen Lama passed away in 1989, the Dalai Lama followed a procedure of search and in 1995 announced Gedhun Choekyi Nyima from Tibet as the reincarnation of the Panchen Lama. Authorities in Beijing opposed the decision immediately and whisked Nyima away to a secret location. While he continues to be the Dalai Lama's selection for the Panchen Lama, he has been not seen or heard in public since. Chinese authorities instead set up their own committee that announced their own candidate – Gyaincain Norbu to be the rightful reincarnation of the Panchen Lama. Norbu

¹¹⁵ Xinhua, *Reincarnation of living Buddha needs gov't approval*, China Daily, August 4, 2014, accessed Aug 23, 2014, http://www.chinadaily.com.cn/china/2007-08/04/content_5448242.htm

¹¹⁶ For a detailed account of the various ways in which a reincarnation of the Dalai Lama is identified, see Jeff M. Smith's *Cold Peace: China-India Rivalry in the Twenty-first Century*, pages 99-107

has since continued as the PRC approved Panchen Lama from his seat in Tibet; in 2010, the CCP elevated him to the National Committee of the Chinese People's Political Consultative Conference (CPPCC) which advises the administration on minority affairs. While the Chinese government is trying to make inroads in the heart and faith of Tibetans by controlling who their spiritual leaders can be, Tibetans themselves, seem to be seeing through the plan. In a 2011 interview for the Wall Street Journal Tibetans claimed that Norbu "is someone who has been kidnapped by the Chinese government. The government tells him where to go. His words are written by the Chinese government. It's sad to see him this way."¹¹⁷ Nonetheless, it is highly likely that China will attempt a similar strategy to select the next Dalai Lama. Which explains why the Dalai Lama has stated multiple times that under current circumstances, he will be born outside Tibet.¹¹⁸

Given that the TGIE is based out of India, as is the Dalai Lama's office, once it is time to select the next Dalai Lama, it is likely that Beijing will expect help from Delhi. This will be a difficult decision for India to take. Considering India has granted refuge to Tibetans for over half a century, it is difficult to foresee a complete turnaround kowtowing to Chinese needs, thereby setting the two countries on a path of friction. The fact that procedures such as these are slow and long drawn will add to the likelihood of tensions rising.

¹¹⁷ Gordon Fairclough, *A New Role for Beijing's Panchen Lama*, The Wall Street Journal, March 1, 2010, accessed May 27, 2014 <http://blogs.wsj.com/chinarealtime/2010/03/01/a-new-role-for-beijings-panchen-lama/>

¹¹⁸ The Office of His Holiness the 14th Dalai Lama, *The Dalai Lama - Questions & Answers*, accessed May 26, 2014 <http://www.dalailama.com/biography/questions--answers>

As far as India is concerned, a similar black swan event will be another terrorist attack on India planned and executed in Pakistan like the one in Mumbai in 2008. Cross border terrorism continues to be one of India's greatest priority issues, and as in 2008, it is likely that the country will rally international support behind itself to increase pressure on Pakistan in case of another attack. While this would include looking at the US for support on the issue, in a scenario post the withdrawal of international forces from Afghanistan, the US is likely to have lower leverage with Pakistan. China, on the other hand, has been upping the ante against Islamic militants in Xinjiang, who, it claims are being trained in North Waziristan in Pakistan¹¹⁹.

China has been approaching Pakistan with the issue for a long time, and its limited concerns have usually been accommodated by Pakistan. Recent reports, however suggest that with increasing terrorist attacks in PRC, there has been increasing impatience in the administration with Pakistan's inability to effectively clamp down.¹²⁰ Of particular worry to Beijing is the Turkistan Islamic Party (TIP) which is believed to not only train its cadres in Pakistan, but operate out of the Pakistan-Afghanistan border. India has been keenly observing these developments and trying to ensure that Sino-Indian anti-terror cooperation gains momentum. A joint anti-terror exercise was held in November 2013

¹¹⁹ Bill Roggio, *Turkistan Islamic Party releases video of children in training*, The Long War Journal, April 24, 2013, accessed May 29, 2014
http://www.longwarjournal.org/archives/2013/04/turkistan_islamic_pa_2.php#ixzz3AhWaoHy3

¹²⁰ Andrew Small, *The Xinjiangistan Connection*, Foreign Policy, July 30, 2014, accessed August 11, 2014,
http://www.foreignpolicy.com/articles/2014/07/30/the_xinjiangistan_connection_china_terrorism_xinjiang_pakistan

after a five year gap and involved over 300 soldiers from both sides.¹²¹ Considering China's closeness to Pakistan, it is likely that India will bring up this cooperation and want China to weigh in in case of another terrorist attack. As things stand now, this will put Beijing in a catch-22 situation. Harsh V Pant puts it thus:

“Islamabad's inability and/or failure to curb extremism makes it difficult for the Chinese to trust Pakistan completely. But it is equally the case that China, at least publicly, has continued to emphasize that its relationship with Pakistan is far more important than isolated incidents of violence¹²².”

For India, such a situation will come with its own sets of compulsions. The December 2001 parliament attack by terrorists operating out of Pakistan, for example, led to Operation Parakram – a ten month build-up of troops in the border with Pakistan where both India and Pakistan were thought to be preparing for war.¹²³ While war was eventually averted, whether or not India will react similarly in a similar situation will depend on a number of factors, both domestic and international. As it has during the wars with India in 1965 and 1971, Pakistan certainly will be expecting Chinese help. Depending on how the situation evolves, China will have to measure its response judiciously or risk an escalation with India.

¹²¹ Xinhua, *China, India end anti-terror joint training*, November 13, 2013, accessed July 11, 2014, http://news.xinhuanet.com/english/china/2013-11/13/c_132884914.htm

¹²² Pant, *China Reaches Out to India on Afghanistan*, accessed July 22, 2014

¹²³ Read, for example, Alex Stolar, *To the Brink: Indian Decision-Making and the 2001-2002 Standoff*, The Henry L. Stimson Center, February 2008, accessed June 23, 2014 http://www.stimson.org/images/uploads/research-pdfs/To_the_Brink.pdf

Chapter 9: Conclusion

After India's new government was sworn in in May 2014, premier Li Keqiang was the first foreign leader to call up prime minister Narendra Modi to congratulate him. As per information released by both governments, the half hour phone call was focused on offers of "economic engagement," promises of "robust partnership" and calls of "common development."¹²⁴ Thorny issues and unresolved questions were bracketed in half a sentence conveying the resolve of the two countries to "solve existing problems through dialogue." The bonhomie is befitting two growing powers that share the same neighborhood; more revealing is the emphasis on trade and economic engagement. In the world of statecraft and diplomacy, signals go a long way; in this case, India and China are signaling that the operative aspect of the relationship, at least for quite some time will be commerce.

That does not mean that the two countries won't periodically find themselves on opposing sides of an argument. The issues dividing the two countries are longstanding. In many cases they are inherited from history, and are therefore capable of raising strong emotions in the people, making it difficult for either country to sweep them under the carpet, or look for easy settlements. Adding to the problem for India is China's awareness that it has arrived in the global order. It is second only to the United States in economic strength and military power. Deng Xiaoping's dictum "observe calmly, secure our

¹²⁴ See Press Information Bureau, Government of India, *PM Modi speaks to Premier Li Keqiang of China*, Prime Minister's Office, May 29, 2014 <http://pib.nic.in/newsite/PrintRelease.aspx?relid=105268> and Ministry of Foreign Affairs, People's Republic of China, *Li Keqiang Holds Telephone Talks with Newly-appointed Prime Minister Narendra Modi of India*, May 29, 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1164018.shtml

position, hide our capacities and bide our time, be good at maintaining a low profile and never claim leadership,” is no longer the sole guiding principle of Chinese foreign policy. China understands that its rise in Asia will remain incomplete if it cannot contain India. A part of its energy will be spent in spreading its sphere of influence, trying to win friends, and attempting to keep India in secondary position. At the same time, China is acutely aware that its clout flows from its economy. An antagonized India will come in the way of burgeoning trade relations not only with India, but also in the neighborhood.

This paper has attempted to demonstrate that in the evolutionary arc of interstate relations, Sino-Indian relations have not reached a point where only one of the two options – cooperation and competition, will be chosen. It is likely that competition will often get the better of cooperation, driven by factors like strategic influence in the neighborhood of both countries, finding newer providers of energy as well as markets for their goods and services. Due to the existing mistrust, there will also be periodic flare-ups, but both countries will avoid clashes unless under situations they consider extremely provocative. But, due to compulsions explained in this paper, it is unlikely that such issues will see what Garver suggests – India kowtowing completely to its neighbor solely because China has more economic muscle or a bigger military; at the same time, Mohan Malik’s assertion that the two will increasingly clash is also unlikely to come true.

Ultimately, the presence of multiple bilateral platforms will continue to automatically insulate alternate channels of communication. Similarly, participation of both in multilateral forums like ASEAN, East Asia Summit, and even the WTO and United Nations climate change conferences augurs well for pursuing common objectives

even during periods of disagreement over certain aspects of the relationship. As Ashley Tellis suggests – India and China are unlikely to act in simple dyadic manner, but in a series of complex interactions where they will alternately “detering, defending and reassuring each other simultaneously.”¹²⁵

¹²⁵ Tellis, “*China and India in Asia*,” pp 172 accessed March 31, 2013

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