



NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

THE PROSPECTS FOR SINO-INDIA RELATIONS 2020

by

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June 2011

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REPORT DOCUMENTATION PAGE			<i>Form Approved OMB No. 0704-0188</i>	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE June 2011	3. REPORT TYPE AND DATES COVERED Master's Thesis	
4. TITLE AND SUBTITLE Prospects of Sino-India Relations 2020			5. FUNDING NUMBERS	
6. AUTHOR Kumar, Pranav				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING /MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government. IRB Protocol Number ____N/A_____.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited			12b. DISTRIBUTION CODE A	
13. ABSTRACT This thesis argues that territorial dispute, regional geopolitics, and economic competition, catalyzed by misperceptions, will ensure that Sino-India relations remain competitive in nature. However, the high costs of war, growing economic interaction, and the imperative for peaceful economic development will help keep the nature of competition to a pragmatic level through 2020. Worth noting is that nations engaged in pragmatic competition continue to factor in "the other" as a potential enemy for military planning purposes. To stabilize pragmatism in Sino-India relations this thesis recommends a three-pronged strategy for India: build trust; ensure credible deterrence; and, promote economic and regional cooperation. To be forthcoming without appearing weak must be India's mantra.				
14. SUBJECT TERMS China, India, International Relations, Analytic Eclecticism			15. NUMBER OF PAGES 129	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UU	

NSN 7540-01-280-5500

Standard Form 298 (Rev. 2-89)
Prescribed by ANSI Std. Z39-18

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PROSPECTS FOR SINO-INDIA RELATIONS 2020

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Submitted in partial fulfillment of the
Requirements for the degree of

**MASTER OF SCIENCE IN DEFENSE ANALYSIS
(IRREGULAR WARFARE)**

from the

**NAVAL POSTGRADUATE SCHOOL
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ABSTRACT

This thesis argues that territorial dispute, regional geopolitics, and economic competition, catalyzed by misperceptions, will ensure that Sino-India relations remain competitive in nature. However, the high costs of war, growing economic interaction, and the imperative for peaceful economic development will help keep the nature of competition to a pragmatic level through 2020. Worth noting is that nations engaged in pragmatic competition continue to factor in “the other” as a potential enemy for military planning purposes.

To stabilize pragmatism in Sino-India relations this thesis recommends a three-pronged strategy for India: build trust; ensure credible deterrence; and, promote economic and regional cooperation. To be forthcoming without appearing weak must be India’s mantra.

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LIST OF ACRONYMS AND ABBREVIATIONS

AD	-	Air Defense
ADB	-	Asian Development Bank
APEC	-	Asia-Pacific Economic Cooperation
ARF	-	ASEAN Regional Forum
ASAT	-	Anti Satellite
ASBM	-	Anti Ship Ballistic Missile
ASEAN	-	Association of Southeast Asian Nations
BIMSTEC	-	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BRIC	-	Brazil Russia India China
CAR	-	Central Asian Republics
CBMs	-	Confidence Building Measures
CNG	-	Compressed Natural Gas
CNP	-	Comprehensive National Power
C3I	-	Command Control Communications Information
EAS	-	East Asia Summit
EW	-	Electronic Warfare
FDI	-	Foreign Direct Investment
FTA	-	Free Trade Area
GA	-	Group Army
GDP	-	Gross Domestic Production
HLT	-	High Level Threat
ICBM	-	Intercontinental Ballistic Missile
IMF	-	International Monetary Fund
IOR	-	Indian Ocean Region
IR	-	International Relations
IRBM	-	Intermediate Range Ballistic Missile
IT	-	Information Technology
LAC	-	Line of Actual Control
LOC	-	Line of Control

LNG	-	Liquefied Natural Gas
MGC	-	Mekong Ganga Cooperation
MIRV	-	Multiple Independently Targetable Reentry Vehicles
MoU	-	Memorandum of Understanding
MR	-	Military Region
MRBM	-	Medium Range Ballistic Missiles
MTCR	-	Missile Technology Control Regime
NWS	-	Nuclear Weapon State
Pak	-	Pakistan
PLA	-	People's Liberation Army
PLAN	-	PLA Navy
POK	-	Pakistan Occupied Kashmir
PPP	-	Purchasing Power Parity
PRC	-	People's Republic of China
RCA	-	Revealed Comparative Advantage
SAARC	-	South Asian Association of Regional Cooperation
SIPRI	-	Stockholm International Peace Research Institute
SLBM	-	Submarine Launched Ballistic Missile
SLOC	-	Sea Lanes of Communication
SLORC	-	State Law and Order Restoration Council
SRBM	-	Short Range Ballistic Missiles
SSBN	-	Ballistic Missile Submarines
SSN	-	Nuclear Attack Submarines
TAR	-	Tibet Autonomous Region
TII	-	Trade Intensity Index
UNSC	-	United Nations Security Council
WTO	-	World Trade Organization

ACKNOWLEDGMENTS

At the outset, I would like to thank my thesis advisor, Dr. Anna Simons, for her constant guidance and encouragement that have been instrumental toward the completion of this thesis. Dr. Anna Simons' innate ability to analyze complex problems, find effective solutions, and frame simple yet persuasive arguments has been a key asset that enriched my educational experience. The fine line she walked between showing me the right course and letting me arrive at my own conclusions made her the perfect mentor.

Sincere thanks to Dr. Christopher Twomey, my second reader, for fine-tuning the thesis. His course on Chinese Foreign Policy and his suggestion to consider analytic eclecticism as an overarching framework within which to analyze Sino-India relations laid the foundation of the thesis, for which I am deeply obliged.

The thesis has been possible due to the excellent academic environment provided by the Defense Analysis Department under the stewardship of Dr. Gordon H. McCormick, for which I can only feel fortunate.

I also wish to thank Dr Frank R. Giordano for helping me with the game theory formulation; Dr Alice Miller for valuable insights to the Chinese military modernization; and, Dr. Doowan Lee for passing on analytical thinking tools. I organized my data and references as per the methods recommended by Dr. Kalev I. Sepp, which held me in good stead throughout.

I must also thank Janis Higginbotham for painstakingly formatting the thesis; and, a virtual thanks to BOSUN, the Naval Postgraduate School library e-catalogue and search engine, without which the thesis would have been a non-starter.

I owe this station in life to my mother, Mrs Sumedha Kumar. My wife, Gunjan, and our daughter, Amrisha, made the toil – fun!

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I. INTRODUCTION

*India and China find themselves on the cusp of history*¹

A. STATEMENT OF PURPOSE, SCOPE, AND RATIONALE

China is not an important civilization and a fast-growing power “out there,” it is India’s largest neighbor “right here”; in this, lies the significance of studying Sino-India relations. India and China emerged from the shadows of colonial rule around the same time, and marched on separate paths for their *tryst with destiny*. While India adopted a democratic form of government in 1947, in 1949 the Communists took the reins of China in their hand. The complex nature of Sino-India relations was evident within the first fifteen years of their bilateral relations: changing from promises of eternal friendship to a border war in 1962. The dual nature of Sino-India relations has been a recurrent phenomenon throughout modern history. Ranging from hardened stands on the border issue to recognition (by India) of Tibet as part of China; from competitive bidding for energy resources to increasing bilateral trade; from perceptions of encirclement to increased cooperation in multilateral fora, Sino-India relations are an intricate web of interests. The purpose of this thesis is to examine the prospects of Sino-India relations in 2020. The scope of the thesis will focus upon the core issues of the border dispute, regional geopolitics, and economic relations. The thesis acknowledges the important role played by the U.S. in Asia, and its profound influence on Sino-India relations; however, the triangular relationship between the U.S., China, and India is beyond the scope of the thesis.

Conceptually, realism and liberalism both offer different explanations, predictions, and prescriptions for the past, present, and future of Sino-India relations. Varying perceptions of China in India, and which international relations paradigm one favors help determine analysts’ outlook. Often people look at only one part of the puzzle,

¹ David M. Malone and Rohan Mukherjee, "India and China: Conflict and Cooperation," *Survival* 52, no. 1 (February 2010), 154.

and thus sacrifice clarity and coherence. The rise of two countries in the same geographic region has historically been a cause of conflict; India and China have themselves fallen prey to those tensions a number of times. Whether China and India will re-engage in hostilities due to hegemonic aspirations, or establish interdependence and live up to the Five Principles of Peaceful Co-existence, as enshrined in the *Panchsheel* will depend on whether both sides fully appreciate the forces buffeting them. The prospect of two nuclear armed states engaging in hostilities is too fearsome to contemplate on the one hand, while the potential for bringing greater levels of prosperity to one-third of mankind would seem overwhelmingly alluring on the other.

B. RESEARCH QUESTION

The research question for this thesis is, “What are the prospects for Sino India Relations in 2020?” This thesis will be explanatory in nature, and contribute to the momentous debate about the future of Sino-India relations.

C. TYPOLOGY OF INTERNATIONAL RELATIONS THEORIES

The prevalent literature on Sino-India relations is grounded in competing international relations (IR) theories, and hence a brief overview of relevant theories is in order; this is followed by an overview of the literature about Sino-India relations.

1. Realism

Kenneth Waltz’s ‘Theory of International Politics’ is one of the most influential IR theories.² Rooted in assumptions about anarchy and the struggle for survival, realists see the world as an arena of competition.³ Waltz prescribes a balance of power as the best way to manage this competition, and characterizes this as the dominant phenomenon

2 Ole Wæver, "Waltz's Theory of Theory," *International Relations* 23, no. 2 (2009), 202.

3 Kenneth N. Waltz, *Theory of International Politics* (New York: Random House, 1979).

in international relations. Waltz's theory has been further expanded by Stephen Walt, into something known as balance of threat.⁴ Under the realist umbrella there are two major variants: offensive and defensive realism.⁵

a. *Offensive Realism*

John Mearsheimer builds upon the context of anarchy and adds three assumptions to Waltz's theory: rationality, offensive capabilities, and uncertain intentions.⁶ Pursuit of hegemonic power, rather than balance of power, is the offensive realist's route to survival.⁷ Mearsheimer also adds nonstructural variables to the realist frame in the form of regional and global geopolitics.⁸ The offensive realists predict more war and competition, especially when a power maximizing state collides with the balancing actions of a security seeker. Critics point to offensive realists' pessimism and their inability to explain incidents of cooperation in international relations. Critics also contend that offensive realists fail to appreciate how uncertainty itself may be a reason for states to cooperate, and that cooperation is also a form of self-help.⁹

b. *Defensive Realism*

Defensive realists envision more possibilities of cooperation under certain sets of conditions. Robert Jervis argues that two security-seeking states may inadvertently end up hurting each other's security, thereby setting off a spiral leading to war. He explains Britain's dilemma with respect to the security of maritime routes to its colonies, and Germany's apprehensions over the rise of Russia before World War II in these terms. The dynamics at work between the U.S. and China during the Korean War also exemplify

4 Stephen M. Walt, "Alliances: Balancing and Bandwagoning," in *International Politics, Enduring Concepts and Contemporary Issues*, eds. Robert C. Art and Robert Jervis, Fourth ed. (New York: Harper Collins College Publishers, 1996), 108–115.

5 Waeber, *Waltz's Theory of Theory*, 201–222.

6 John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001).

7 Ibid.

8 Peter Toft, "John J. Mearsheimer: An Offensive Realist between Geopolitics and Power," *Journal of International Relations and Development* 8, no. 4 (2005), 381–408.

9 Charles L. Glaser, "Realists as Optimists: Cooperation as Self-Help," *International Security* 19, no. 3 (1995), 50–90.

how states can be drawn into conflict due to perceived threats to sovereignty and security.¹⁰ According to defensive realists, the security dilemma is intractable, but can be mitigated through signaling, balance and differentiation of offensive and defensive means.¹¹ Conversely, territorial disputes, interests other than security, misperceptions, and aggressive policies make the security dilemma insolvable.¹² The Cold War is an example of how certain conflicts may well be a product of irreconcilable differences and a security dilemma.¹³ Defensive Realists falter over the prospects of a *greedy* state intentionally misrepresenting its motives, and they also have a hard time managing irreducible uncertainty. Under such situations, they lean back on robust offensive realist solutions grounded in power and deterrence.¹⁴ The take-away from realism is that states that are not conscious of the security dilemma and the spiral effects it can generate may do nothing to mitigate it, and thereby be cursed into a hostile relationship.

2. Liberalism

Liberals see the world through a qualitatively different eyepiece, and grant actors more scope and reason to cooperate. In game theory terms, they insist that the world is far from *pareto* relations. The interstate relations in Europe after World War II, and the interdependence of the U.S. and the West European states are examples they cite of peace through democracy, institutional mechanisms, and economic interdependence.¹⁵ The liberals, however, fall short when it comes to explaining the likely outcome when

10 Jeffrey W. Taliaferro, "Security Seeking Under Anarchy: Defensive Realism Revisited," *International Security* 25, no. 3 (2000), 128–161.

11 Robert Jervis, "Cooperation Under the Security Dilemma," *World Politics* 30, no. 2 (January 1978), 167–214.

12 Ibid; Alan Collins, "State-Induced Security Dilemma: Maintaining the Tragedy," *Cooperation and Conflict* 39, no. 1 (2004), 27–44; Taliaferro, *Security Seeking Under Anarchy: Defensive Realism Revisited*, 128–161; Charles L. Glaser, "The Security Dilemma Revisited," *World Politics* 50, no. 1 (October 1997), 171–201.

13 Robert Jervis, "Realism, Neoliberalism, and Cooperation," *International Security* 24, no. 1 (1999), 42–63.

14 Glaser, *The Security Dilemma Revisited*, 171–201; Jervis, *Cooperation Under the Security Dilemma*, 167–214; Jervis, *Realism, Neoliberalism, and Cooperation*, 42–63.

15 Benjamin Miller, "Contrasting Explanations for Peace: Realism Vs. Liberalism in Europe and the Middle East," *Contemporary Security Policy* 31, no. 1 (April 2010), 134–164.

democracies face autocratic states, or when vital interests clash.¹⁶ Nor can they deny the need for states to assert comparable capabilities under such circumstances.

D. LITERATURE ON PROSPECTS OF SINO-INDIA RELATIONS

The three main positions articulated in the literature addressing the prospects of Sino-India relations include the hyper-realists, appeasers, and pragmatists.¹⁷ These positions correspond to perceptions about China as a clear and present danger, as a benign neighbor, and as a long-term competitor that can be managed through engagement.¹⁸ Conceptually, these frameworks draw inspiration from the IR theories of realism and liberalism, with the pragmatists following the middle path based on defensive realism.

1. Hyper-Realists

Hyper-realists argue that due to the border dispute, the prospects of improvement in Sino-India relations are unlikely.¹⁹ Beijing's lack of alacrity over the border issue is viewed as strategic ambiguity aimed at containing India's rise.²⁰ Hyper-realists argue that geopolitics dominates the Sino-India relationship.²¹ China's relationship with Pakistan, and forays in the Indian Ocean Region (IOR), are seen as encirclement strategies, prompting India's Look East policy.²² This competition is accentuated due to the

16 Miller, "Contrasting Explanations for Peace"; Jervis, *Realism, Neoliberalism, and Cooperation*, 42–63.

17 Mohan J. Malik, *Eyeing the Dragon: India's China Debate* Asia Pacific Center for Security Studies [2003]).

18 Steven Hoffmann, "Perception and China Policy in India," in *The India-China Relationship: What the U.S. Needs to Know*, eds. Francine R. Frankel and Harry Harding (Irrington: Columbia University Press, 2004), 33–74; Amitabh Mattoo and Kanti Bajpai, eds., *The Peacock and the Dragon: India China Relations in the 21st Century* (New Delhi: Har-Anand Publications Pvt Ltd, 2000), 491.

19 Sumit Ganguly, "India and China: Border Issues, Domestic Integration, and International Security," in *The India-China Relationship: What the U.S. Needs to Know*, eds. Francine R. Frankel and Harry Harding (Irrington: Columbia University Press, 2004), 103–133.

20 Ibid.

21 David Scott, "The Great Power 'Great Game' between India and China: 'the Logic of Geography'," *Geopolitics* 13, no. 1 (2008), 1–26.

22 John W. Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (Seattle: University of Washington Press, 2001), 447.

increasing energy demands in both countries. However, there are empirical incongruities in this literature that lie in hyper-realists' inability to explain occasions of cooperation in Sino-Indian relations. The hardliner prescriptions also run the danger of pushing India and China down the path of an arms race and increasing the chances of conflict.

2. Liberals

Liberals predict that the imperative for economic development will propel India and China towards peace. In 2009, China became India's largest trading partner, with trade touching approximately \$40 billion; experts point out that there is the potential for further increase.²³ The liberals feel that India and China's economies have advantages in different sectors, thus they are complementary.²⁴ This theory sees greater convergence between India and China on issues relating to global economic governance, and views the border conflict as a legacy of the past.²⁵ If the hyper-realists are pessimists, we could say the liberals are guilty of wishful thinking. While citing growing trade, they overlook imbalances and the lack of interdependence in that trade. Their analysis ignores, for instance, that despite China's extensive trade with Japan and Taiwan both have difficulties in resolving their political differences with China.

3. Pragmatists

Over the past few years there has been a realization among analysts in India that the prospects of Sino-India relations are not a case of conflict OR cooperation, but conflict AND cooperation. They acknowledge the primacy of the border issue, but highlight the efforts to resolve the dispute; they foresee the competition for resources, but also place hope on growing trade; they do not wish away China's maneuvers in the IOR, but also acknowledge the security dilemma.²⁶ The pragmatists appreciate that neither

²³ Zhang Guihong, "China's Peaceful Rise and Sino-Indian Relations," *China Report* 41, no. 2 (2005), 159–171.

²⁴ Mark W. Frazier, "Quiet Competition and the Future of Sino-Indian Relations," in *The India-China Relationship: What the U.S. Needs to Know* (Irrington: Columbia University Press, 2004), 294–318.

²⁵ Bill Emmott, *Rivals* (Orlando: Penguin Books, 2009), 315.

²⁶ John W. Garver, "The Security Dilemma in Sino-Indian Relations," *Indian Review* 1, no. 4 (October 2002), 1–38.

country stands to gain from a regional conflict. The pragmatic framework, despite its strengths, is a consequence of analysts adopting the path of least resistance when faced with a plethora of views. Their prescriptions lean toward appeasement and do not address, for instance, China's growing and opaque military budget.²⁷

In summary, the literature on Sino-India relations is colored by these IR paradigms; each research tradition provides a piece that helps make sense of the bilateral relations, but fails to provide a comprehensive framework. The empirically incongruent and overly pessimistic/optimistic views propagated by realists/liberals, and the ambiguity embraced by the pragmatists are major weaknesses. This thesis overcomes them by developing a coherent framework that acknowledges the countervailing pressures of competition and cooperation, and addresses the core issues of the border dispute, geopolitics, and economic relations.

E. THEORETICAL FRAMEWORK

The complex web of power, security, perceptions, and interdependence is not unique to Sino-India relations. In China's relationship with Taiwan we see strong evidence of power and competition, reinforced by the constructed ideas of Chinese sovereignty. However, one also cannot ignore the security dilemma on both sides, at the same time there is growing economic interaction with its positive fallout.²⁸ Similarly, China's relationship with Japan reflects a mix of realist, liberalist, and constructivist elements. The deterrence value of the U.S.-Japan alliance and ambiguities about the role of Japan during a future Taiwan crisis reflect shades of both offensive and defensive realism. While Sino-centric images of Asia and memories of humiliation at the hands of the Japanese add to the competition, their growing bilateral trade and interactions in the Association of Southeast Asian Nations (ASEAN) and the ASEAN Regional Forum (ARF) have assumed significant momentum. Peter Katzenstein, for instance, recognizes

27 Harsh V. Pant, "Indian Foreign Policy and China," *Strategic Analysis* 30, no. 4 (October-December, 2006), 760–780; Elinor Sloan, *China's Strategic Behaviour* (Canada: Canadian Defence and Foreign Affairs Institute [2010]).

28 From class notes of the course on Chinese Foreign Policy, at the Naval Postgraduate School, Monterey. The course is conducted by Dr. Christopher Twomey.

the complexity of causal mechanisms in international relations, and suggests that analytic eclecticism helps in transgressing the rigid boundaries of pure paradigms, and leads to an integrated, problem-oriented approach.²⁹ Borrowing from this perspective, this thesis focuses on the border dispute, geopolitics, and economic interactions by way of realism, constructivism, and liberalism.

The prospect of relations between any two countries can be understood as purely competitive, pragmatic, or purely cooperative. Competitive relations are marked by use or display of force, asymmetric warfare, and containment policies. Cooperative relations imply the absence or unimportance of differences, and relations are marked by a high level of societal exchange, mature institutions, open borders, and complex interdependence. If competition and cooperation identify the left and right extremes of the spectrum, pragmatism lies at the center. Pragmatic competition is marked by negotiations short of reconciliation, and substantial engagement by government and non-government organizations. However, nations engaged in pragmatic competition continue to factor in the ‘*other*’ as a potential enemy for military planning purposes. Incidents of violence cannot be ruled out, but are few and far between.

29 Peter J. Katzenstein and Nobua Okowara, "Japan, Asian-Pacific Security, and the Case for Analytic Eclecticism," *International Security* 26, no. 3 (2001), 153–185.

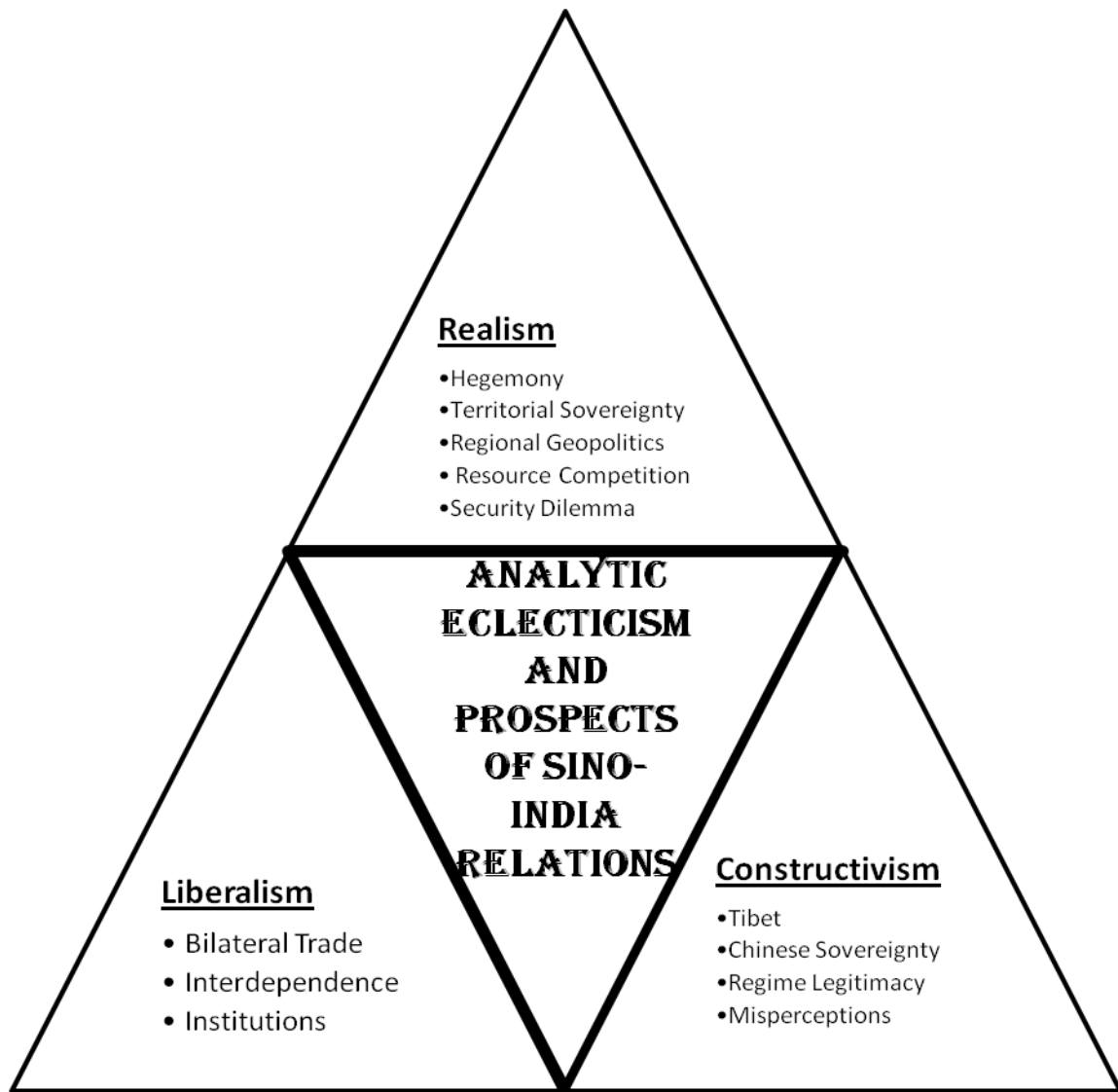


Figure 1. Analytic Eclecticism and Sino-India Relations

The key argument of this thesis is that the border dispute, regional geopolitics, and economic competition, catalyzed by misperceptions, ensure that Sino-India relations will be competitive in nature. However, rising bilateral trade, and the imperative for peaceful economic development will keep the level and nature of competition at a pragmatic level through 2020. This thesis assumes that both India and China are *rational actors* motivated by self-interest, and acknowledges antecedent conditions to include

geography, different political systems, and conflicting claims related to inter-state borders. The three sub-arguments to be examined relate to the border dispute, geopolitics, and economic relations.

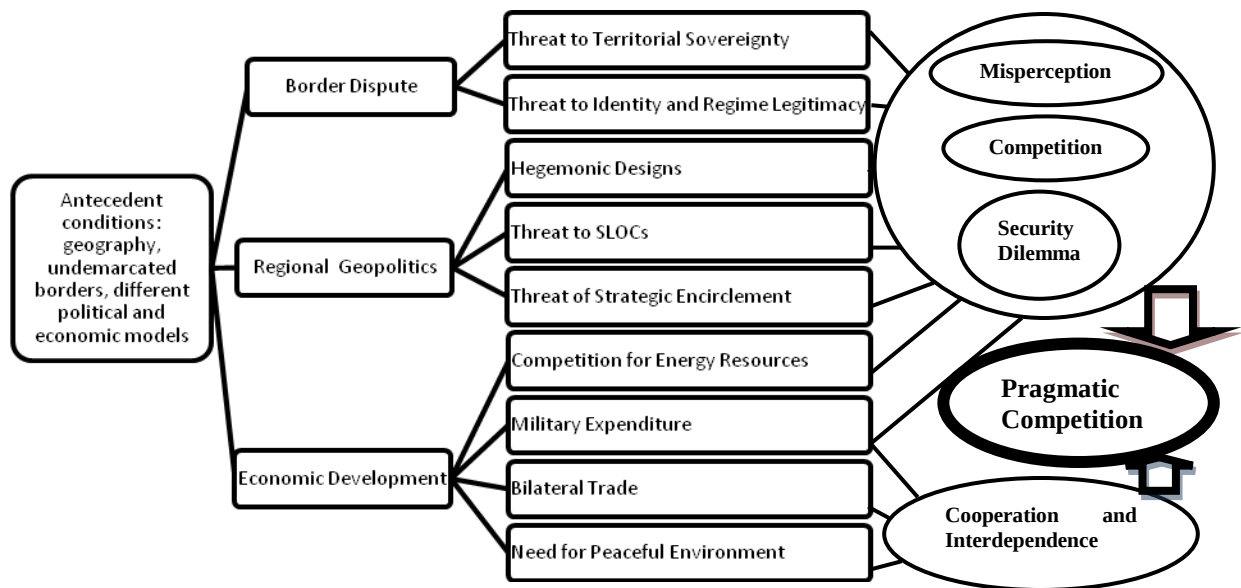


Figure 2. Key Argument of the Thesis

F. CHAPTER OUTLINE

This thesis is based upon the single case study of Sino-India relations extending over the past six decades. Chapter II presents a historical narrative of the Sino-India border dispute, and analyzes it from a theoretical perspective. The border conflict between China and India continues to be the most contentious issue between the two countries, causing their relationship to be competitive.³⁰ The intricate connection of this dispute with the Tibetan issue suggests that it menaces China's construction of identity and regime legitimacy, thus adding to the security dilemma. Since 1988, both countries have consciously tried to build confidence with each other, through Confidence Building Measures (CBMs). However, the Sino-India border remains the only major territorial

³⁰ P. Stobdan, "Is China Desperate to Teach India another Lesson?" *Strategic Analysis* 34, no. 1 (2010), 14–17.

dispute, other than South China Sea disputes, that China has not resolved. China's growing assertiveness in its territorial claims, especially on Arunachal Pradesh, and its relentless development of infrastructure in Tibet will shape the prospects of Sino-India relations by 2020.

Chapter III argues that the significance of geopolitics for Sino-India relations is evident in China's attempts to flex its muscles and exert its influence in India's immediate neighborhood. Consequently, the perceptions of strategic encirclement drive the regional competition and security dilemma between the two countries.³¹ This chapter identifies three distinct aspects of geopolitics in Sino-India relations: firstly, the attempt by China to constrain India; secondly, the fact that India and China occupy the same territorial and maritime arena, and therefore even when motivated by rational self-interest, the two countries rub up against each other; and thirdly, China's imperative to secure its Sea Lanes of Communications (SLOCs) drives it to create assets in the IOR that are detrimental to India's long-term interests. This chapter surmises that by 2020, China's nexus with Pakistan, its forays into the IOR, and India's Look East Policy will shape the geopolitical context for their relationship.

Chapter IV reflects that India and China's economic development, best indicated by their burgeoning Gross Domestic Product (GDP), already has a profound influence on their mutual relationship. The foremost way in which economic development affects Sino-India relations is to have established the need to ensure a peaceful environment as both countries strive to transition from developing to developed countries. The growth in bilateral trade between India and China belies all realist-constructivist prophecies rooted in power and perceptions; however, significant questions remain with respect to trade imbalances, and security concerns. Moreover, economic development has also correspondingly increased the energy requirements of both nations, thus competition for energy resources is likely to add to the rivalry in their relationship.³²

31 Gurpreet S. Khurana, "China's 'String of Pearls in the Indian Ocean and its Security Implications,'" *Strategic Analysis* 32, no. 1 (January 2008), 3; Anindya Batabyal, "Balancing China in Asia, A Realist Assessment of India's Look East Strategy," *China Report* 42, no. 2 (2006), 181.

32 Jonathan Holslag, "Fuelling Competition? China and India's Need for Natural Resources and the Options for Cooperation," *BICCS Asia Paper* 3, no. 3 (January 2008), 3.

Chapter V presents a prognosis for Sino-India relations in 2020. The dilemma over China's future role and intentions implies that India will need to draft adequate safeguards in terms of internal and soft balancing to deny any misconceptions about an easy victory in war. This final chapter explores how India's strategic choices may add to the security dilemma, hence the need for greater engagement to address mutual apprehensions.

II. SINO-INDIA TERRITORIAL DISPUTE

A. INTRODUCTION

India's first Prime Minister, Pandit Jawaharlal Nehru, envisioned eternal friendship with China as the foundation for Asian prosperity; these expectations were enshrined in the *five principles of peaceful coexistence*. However, the optimism surrounding Sino-India relations was eclipsed by the China's 1950 occupation of Tibet and shattered by the 1962 Sino-India War. The territorial dispute between India and China remains the major sore point between the two countries; not only does it threaten India's territorial sovereignty, but casts a shadow on cooperation in other fields, and unnerves planners wondering about future intentions.

The territorial dispute between India and China is a legacy of the colonial era when Britain was involved in the great game with Russia in Central Asia, and sought to influence Tibet. The present day dispute is centered around the 40,000 km² of territory controlled by China in the Western Sector of the Himalayas, called Aksai Chin; and, the 92,000 km² of territory controlled by India on the Eastern flank, i.e., the Indian state of Arunachal Pradesh.

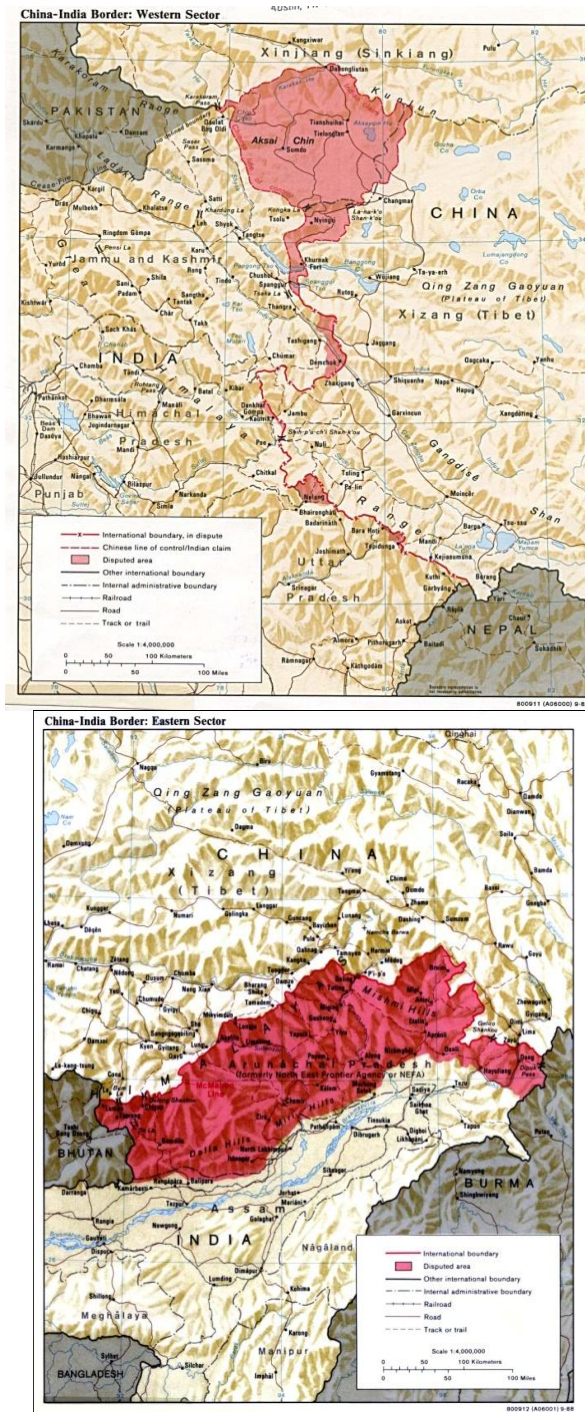


Figure 3. Sino-India Border Dispute: Western and Eastern Sectors³³

³³ China-India Border, http://www.lib.utexas.edu/maps/middle_east_and_asia/china_india_border_88.jpg.

This chapter narrates a historical account of the Sino-India territorial dispute, and then presents a theory-driven analysis of the conflict. The key argument is that the territorial dispute threatens the sovereignty of both nations, and by virtue of its intricate relationship with the Tibet issue also threatens the Chinese construct of honor, identity, and regime legitimacy. Developments since 1988 reflect that both sides are sensitive to the high costs and low benefits of an armed conflict and have thus exercised restraint. However, in the wake of lingering underlying differences, a mutually satisfactory resolution of the border conflict is not in sight. Hegemonic aspirations in the region and perceived threats to its sovereignty have prompted China to nurture the border conflict as a strategic lever against India, thus accentuating the security dilemma. Therefore, unless something significant changes, the border dispute will continue to cause competition and rivalry in Sino-India relations, albeit at a pragmatic level.

B. HISTORY OF SINO-INDIA BORDER DISPUTE

1. Colonial Legacy and the Sino–India War of 1962

Aksai Chin was left under British control under the 1904 Anglo–Tibetan treaty, whereas the McMahon line agreed to by British and Tibetan officers at Shimla in October 1914 placed the border to the East. The 1904 treaty was rejected by the Qing Dynasty in China, and despite attendance and tacit acceptance of the McMahon Line by the resident Chinese representative, Beijing did not sign the 1914 treaty.³⁴

On assuming power, the People’s Republic of China (PRC) renounced all prior foreign agreements as unequal treaties imposed upon it during the “century of humiliation” and demanded renegotiation of all borders.³⁵ The Chinese annexation of Tibet in 1950 brought the reality of an expansionist power closer to the consciousness of Indian leaders, but, with strong convictions over Indian-Chinese friendship, Nehru acted pragmatically and did not support Tibet’s independence. However, repudiation of the

³⁴ David Scott, "Sino-Indian Security Predicaments for the Twenty-First Century," *Asian Security* 4, no. 3 (2008), 250.

³⁵ Neville Maxwell, *India's China War*, First American Edition ed. (New York: Pantheon Books, 1970), 63.

McMahon line by the Chinese brought to the fore the differences in perceptions of the Sino-India border, with direct repercussions for India's own territorial integrity. The granting of asylum to the Dalai Lama and his followers in 1959 made China equally apprehensive about India's long-term intentions. The discovery of a Chinese road having been built in Aksai Chin as a communication link between Xinjiang and Tibet renewed Indian fears and sparked a flurry of activities. The diplomatic failure to resolve the border dispute, and growing misperceptions, prompted India to pursue an ill-fated *Forward Policy* aimed at establishing poorly tasked and poorly equipped military outposts along India's version of the border. Moves and counter-moves finally led to the Sino-India War in October 1962. Militarily, the Chinese victory was complete and India's defeat absolute.³⁶ The war was a watershed for India, deeply affecting its psyche.³⁷ With the death of Nehru in 1964, the dreams of '*Hindi-Chini Bhai Bhai*' (Indians and Chinese are brothers) were laid to rest.³⁸ In 1967, there was another bout of artillery fire and a border skirmish at Chola in the Eastern Sector, highlighting the sensitivities surrounding the border dispute and the danger of inadvertent escalation.³⁹

2. Sikkim and Arunachal Pradesh

In 1975, Sikkim became a part of India, sparking protests by the Chinese who viewed this as an affront to their territorial integrity. Notably, in 1976, the Chinese entered into nuclear cooperation with Pakistan.⁴⁰ A ray of hope emerged when Deng Xiaoping announced the four modernizations and declared his intent for peaceful

36 Maxwell, *India's China War*, 418–420.

37 Malone and Mukherjee, *India and China: Conflict and Cooperation*, 141.

38 Surjit Mansingh, "Rising China and Emergent India in the 21st Century: Friends Or Rivals?" *The Korean Journal of Defence Analysis* XIX, no. 4 (2007), 123.

39 My battalion, 7/11 Gorkha Rifles took part in the battle at Chola. One of *our Jawaans*, Rifleman Debi Prasad Limbu chopped the heads of five Chinese soldiers with his *Khukhri* before succumbing to his injuries, and was posthumously honored with *Veer Chakra*, a gallantry award.

40 Malone and Mukherjee, *India and China: Conflict and Cooperation*, 142.

development. This was followed by a visit by then-Indian Foreign Minister Atal Bihari Vajpayee in 1979. However, China's *Pedagogical War* against Vietnam overshadowed any prospects of improving relations.⁴¹

In 1986, India granted statehood to Arunachal Pradesh, sparking a fresh round of hostilities. In order to assert its claim over the entire Eastern sector, China mobilized large number of troops in Tibet opposite *Sumdurong Chu Valley*, which lies at the tri-junction of India, China, and Bhutan.⁴² India responded with a military exercise named *Chequerboard*, bringing the two sides into eyeball-to-eyeball contact on a mass scale. The confrontation was de-escalated short of an armed conflict, but reinforced volatility on the borders.⁴³ The impasse was broken by then-Indian Prime Minister Rajeev Gandhi's visit to China in 1988. This visit, the first after nearly a quarter century, reduced tensions and paved the way for future negotiations. More importantly, India accepted that the settlement of the border dispute no longer needed to be a condition for the improvement of bilateral relations.⁴⁴ India's acknowledgement that some elements among the Tibetan refugees in India were involved in anti-China activities was a major concession, and a reminder of China's sensitivities with respect to Tibet and its intricate relationship to the Sino-India territorial dispute.

3. End of the Cold War

Events in Tiananmen Square in 1989 partially slowed the progress in the normalization of bilateral relations, which was resumed with the signing of two important agreements: the 1993 agreement for peace and tranquility along the Line of Actual Control (LAC), and the 1996 agreement for CBMs related to military affairs. These agreements provided for regular flag meetings, significant troop reductions, notification regarding military exercises involving more than one division, the prohibition of combat

41 Ganguly, *India and China: Border Issues, Domestic Integration, and International Security*, 121.

42 Mansingh, *Rising China and Emergent India in the 21st Century: Friends Or Rivals?* 122–124; Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 105.

43 Waheguru Pal Singh Sidhu and Jing-dong Yuan, "Resolving the Sino-Indian Border Dispute: Building Confidence through Cooperative Monitoring," *Asian Survey* 41, no. 2 (2001), 353.

44 Ganguly, *India and China: Border Issues, Domestic Integration, and International Security*, 122.

aircraft within 10 km of the LAC, and self-restraint in situations of face-to-face confrontation.⁴⁵ A central question still eluded the negotiators as they agreed upon these CBMs: the precise location of the LAC!⁴⁶ However, the two sides agreed to seek a *fair, reasonable, and mutually acceptable* settlement of the border dispute.

Some of the gains made over the last decade were lost in the aftermath of India's nuclear tests in 1998, and the mention by the Indian Defense Minister that China was India's greatest threat only days before the tests occurred. The situation deteriorated further due to leaks by Washington of a private letter written by Prime Minister Vajpayee to President Clinton, citing the unresolved border dispute and the atmosphere of distrust with China as primary factors for India's nuclear tests.⁴⁷ China's neutrality during the 1999 Kargil War between India and Pakistan, helped overcome the hiccups of the previous year.⁴⁸

4. Glimmer of Hope 'OR' Déjà Vu

In 2003, Prime Minister Vajpayee visited China, a trip that was reciprocated by Premier Wen Jia Bao's visit to India in 2005. These two interactions marked significant improvement in Sino-India relations. While India reasserted that it recognized the Tibet Autonomous Region (TAR) as part of the PRC, China subsequently accepted Sikkim as part of India.⁴⁹ These negotiations opened the way to establishment of cross-border trade at Nathu La in Sikkim, reviving hopes of resolving the border dispute.⁵⁰ However, these hopes were short-lived!

On the eve of President Hu Jintao's state visit to India in November 2006, China reasserted its claims to the entire state of Arunachal Pradesh, describing it as "Southern

45 Sidhu and Yuan, *Resolving the Sino-Indian Border Dispute: Building Confidence through Cooperative Monitoring*, 361.

46 Ganguly, *India and China: Border Issues, Domestic Integration, and International Security*, 124.

47 Mansingh, *Rising China and Emergent India in the 21st Century: Friends Or Rivals?* 128.

48 Malone and Mukherjee, *India and China: Conflict and Cooperation*, 142.

49 Mansingh, *Rising China and Emergent India in the 21st Century: Friends Or Rivals?* 130.

50 Kuei-hsing Hsu, *The Impact of Opening Up Sikkim's Nathu-La on China-India Eastern Border Trade* (Taiwan: National Chengchi University [2005]).

Tibet.” The controversy was reignited in 2007 when China denied a visa to an Indian Civil Services Officer of the Arunachal Pradesh cadre. New Delhi responded by cancelling the entire visit.⁵¹ In 2006, China had also opened the Lhasa railway line, drawing attention to the enormous pace of infrastructure development in Tibet. The difference this made by enabling a faster and larger military buildup in Tibet had serious implications for India's security. The symbolism inherent in a small contingent of the People's Liberation Army (PLA) being part of the inaugural run was not lost on observers.

Amidst rhetoric about the ‘China threat’ India augmented its own road and airfield infrastructure in the North East, including forward deployment of Sukhoi 30s.⁵² China protested the visits by the Indian Prime Minister and President to Arunachal Pradesh in 2008, and also prevented the Asian Development Bank (ADB) from funding a hydro-project in the state. The sharp increases in patrol violations in all sectors of the disputed border between 2007 and 2009, and the force projections opposite the Chumbi Valley near Bhutan, were a grim reminder of the fact that China has resolved most of its international border disputes *other than* with India and Bhutan. The reports of infringements made analysts in India ask ominously, “*is China desperate to teach India another lesson?*”⁵³

The 2009 visit by the Dalai Lama to Tawang in Arunachal Pradesh, home of the second most revered Tibetan monastery in the world, heightened tensions between the two countries again. The previous year, the Indian government had taken great pains to ensure that Tibetan protesters did not cause any embarrassment to Beijing during the passage of the Olympic torch through New Delhi. However, the Dalai Lama's visit revived some of China's deep-seated fears with respect to Tibetan refugees in India.⁵⁴

51 Mansingh, *Rising China and Emergent India in the 21st Century: Friends Or Rivals?* 133.

52 Jabin T. Jacob, "The Qinghai-Tibet Railway and Nathu-La Challenge and Opportunity for India," *China Report* 43, no. 1 (2007), 84–85.

53 Stobdan, *Is China Desperate to Teach India another Lesson?* 14.

54 Malone and Mukherjee, *India and China: Conflict and Cooperation*, 146.

5. East-West Swap and Tawang

China, in 1960 and again in the 1980s, guardedly suggested the possibility of resolving the border dispute through an *East-West Swap*. However, it never presented these as concrete proposals. No doubt, one reason China did not make official concessions was to allow greater maneuverability and deniability during negotiations; the denial came in 1985. India, for its part, has been equally intransigent on the issue. Nehru and subsequent leaders have rejected the swap offer in the past, and there is a parliamentary resolution that disallows any swap of what is regarded as India's territory. The general sense of the Indian establishment is best summarized in an analogy from a legal expert on the border issue: "*If a thief breaks into your house and steals your coat and your wallet, you don't say to him that he can have the coat if he returns the wallet. You expect him to return all that he has stolen from you.*"⁵⁵ What has made matters worse is that even the informal offers from China have come with a caveat: Tawang, the North Western district of Arunachal Pradesh, the birthplace of the sixth Dalai Lama, and the seat of a major monastery was to be excluded, something that was not acceptable to the Indians.⁵⁶ Because of its sensitivity to the Tibetan connection with Tawang, China remains unrelenting about this. Faced with an unyielding India, China has renewed its official claims over the entire Arunachal Pradesh for a stronger bargaining position. Finally, from an Indian perspective China's withdrawal of the swap offer, and fresh claims to the Eastern Sector have been seen as indicators of China's malign intent all along!

C. ANALYSIS OF SINO-INDIA TERRITORIAL DISPUTE

Examining the history of the Sino-India territorial dispute through a lens that takes into account power, security, identity, and perceptions, it becomes easier to understand why offensive and defensive realists point to China's hegemonic aspirations and threats to India's territorial sovereignty as the driving factors of the border dispute between India and China. However, it is also easy to see why constructivists might

55 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 103.

56 Neville Maxwell, "Forty Years of Folly," *Critical Asian Studies* 35, no. 1 (2003), 48.

suggest that the PRC is sensitive about its experiences given its prior century of humiliation, and therefore views India's claims to the borders drawn by the British as irredentist, and an affront to China's honor and identity. Both views also help explain why the PRC would fear that its internal cohesion and regime legitimacy can be undermined by secessionism in Tibet, assisted by India. The spiraling effect of these realist and constructivist forces is illustrated in the succeeding paragraph.

The annexation of Tibet in 1950 and construction of a road in Aksai Chin played directly into the fears of security planners in India, prompting the *Forward Policy*. The deployment by the Indian Army, though purely defensive, then threatened China's sense of security; misperceptions, the lack of effective deterrence measures, the expectation of cheap victory, and a window of opportunity finally led to the 1962 war. The refuge India provides to the Dalai Lama and thousands of Tibetans continues to cause much angst and anxiety in Beijing, and India's support to a Tibetan para-military force feeds into Beijing's deepest apprehensions that India will, at a future date, support a Tibetan rebellion and undermine Chinese sovereignty in complicity with the U.S.⁵⁷ Similar dynamics can be seen at work after India granted statehood to Arunachal Pradesh. However, that crisis was diffused short of an armed conflict. Significantly, this thaw was not due to the conflict being resolved, but to the mutual recognition of the prohibitive costs of war, China's focus on peaceful economic development, Indian diplomacy, and India's readiness to address China's fears over Tibet. While the CBMs of 1993 and 1996, recognition of Sikkim as part of India by China, India's affirmation of its stand on Tibet, and revival of border trade in 2006 have been costly signals aimed at resolving the dispute, there is a growing pragmatism in Sino-India bilateral relations and a tacit realization that engaging in armed hostilities would be imprudent. Of course, it remains to be seen whether this stance marks a permanent change in China's orientation towards its territorial dispute with India, or whether China is playing for time so that it can maximize its Comprehensive National Power (CNP) under peaceful conditions, and then seek a resolution under a balance of power that favors it.

⁵⁷ Garver, *The Security Dilemma in Sino-Indian Relations*, 6.

China has traditionally ascribed high value to territorial disputes, and is disposed to employ overwhelming force. Nevertheless, in order to support development, the PRC has resolved most of its territorial disputes; curiously, except with India!⁵⁸ The frantic pace of infrastructure development in Tibet and claims on Arunachal Pradesh can be viewed as indicators that China is purposely engaging in strategic ambiguity. Certainly, misgivings over China's intentions have prompted force restructuring and infrastructure development at a heightened pace in India, in turn, a reminder of Jervis's assertion that the security dilemma is intractable, and may only ever be able to be mitigated.

However, the relationship between India and China cannot be fully explained in terms of Jervis's formulation of the security dilemma, which presumes that both states are status quo powers and the dilemma is an unintended result of their mutual quest for security. On the contrary, the Sino-India territorial dispute has the features of a state-induced security dilemma⁵⁹, wherein China is consciously maintaining an India-constraining balance of power by keeping the border dispute alive and by supporting Pakistan.⁶⁰ The reasons it does so appear to be to maintain its hegemony in Asia and prevent India from actively supporting the Tibetan cause. Meanwhile, the Sino-Pakistan (Pak) nexus has moved the dispute to a regional level, with India as a contender for China's great power status in Asia. Consequently, the Sino-Pak relationship, China's growing forays into the IOR, and India's Look East Policy are the subject of the next chapter.

58 This aspect was expounded upon by Dr Christopher Twomey on 23 August 2010, in the course on Chinese Foreign Policy NS 3667 at Naval Postgraduate School, Monterey, California.

59 Collins, *State-Induced Security Dilemma: Maintaining the Tragedy*, 36.

60 Garver, *The Security Dilemma in Sino-Indian Relations*, 7.

A diagrammatic representation of the same argument is as follows:

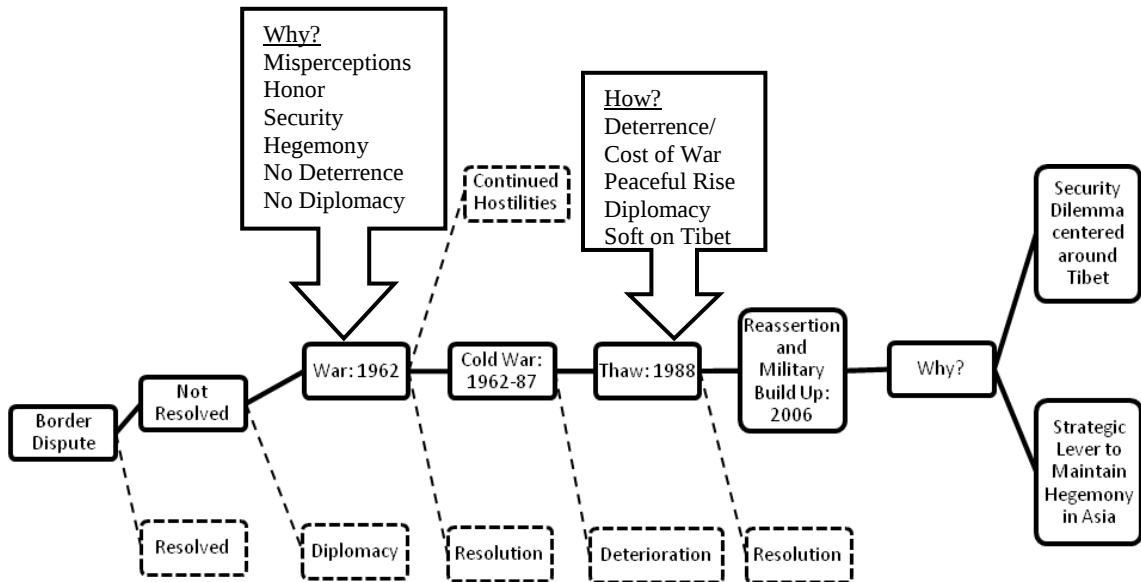


Figure 4. Process Tracing Sino-India Territorial Dispute

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III. GEOPOLITICS AND SINO-INDIA RELATIONS

A. INTRODUCTION

“The conflict provoked by Chinese aggression raises wider issues than the simple demarcation of a remote border.”⁶¹ These prophetic words from the first Prime Minister of India indicate that the dynamics of Sino-India relations are more complex than those implied by a simple dyad. In his analysis, Nehru claimed that the conflict was a test of which system would prevail in Asia: communist revolutionary China, or democratic non-aligned India. In saying this, he was echoing the views of the then-Indian Home Minister, Sardar Vallabhai Patel. In a letter dated November 7, 1950, Patel cautioned Nehru with respect to the ominous fallout from “the disappearance of Tibet, and the expansion of China almost up to our gates.”⁶² Patel also raised the possibility of a link-up between China and Pakistan, which could put India in a perpetually weak position. The 1962 War made Patel’s realpolitik view representative of mainstream Indian thinking on China. Patel’s views, and those expressed by Nehru in 1963, reveal three distinct issues: the logic of geography as dictated by the Himalayas and IOR; the struggle for power, security, status, and influence; and, the role of constructed images of oneself and of the other.

Nearly half a century has passed since the armed conflict between India and China, but the spatial and ideational context of two disparate giants aspiring to Great Power status within the same strategic space has only become more acute. This chapter postulates that the geopolitical competition has been, and will continue to be, an enduring feature of Sino-India relations in 2020.

Geopolitics affects Sino-India relations in three distinct ways: efforts to ensure the impregnability of the mountain ranges; the development of infrastructure to project power over the mountains; and, maneuvers around these geographic barriers. The search

61 J. Nehru, "Changing India," *Foreign Affairs* 41, no. 3 (April 1963), 460.

62 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 29.

for avenues to go around the mountain ranges, and constrain India within the South Asian frame, has led China to nurture strong ties with Pakistan, court the military junta of Myanmar, and increase its presence in the IOR. China's *String of Pearls* strategy is considered by analysts to lead to India's strategic encirclement.⁶³ India, for its part, has recently started looking beyond its immediate neighborhood; diplomatic concepts such as the 'Look East Policy' have an implicit component of soft balancing against China.⁶⁴ Yet, the strategies of India and China are influenced by factors other than their mutual rivalry, such as energy security and economics. Many hope that mutual recognition of these factors and sensitivity toward each other's core issues will keep the competition at a pragmatic level. However, through its relations with Pakistan, China has also found a cost effective method to balance India without overt action, and is thus likely to continue to patronize Pakistan. This is not the kind of costly signal that will reassure India about China's benign intent or eradicate the security dilemma.

This chapter begins with a brief discussion about the geographic context within which India and China interact. Sino-Pak relations, China's overtures in the IOR, and India's Look East Policy form part of the empirics presented in support of the argument that the "gestalt dominant in Sino-India relations is an image of competition and rivalry."⁶⁵

B. GEOGRAPHY AND INFLUENCE

The territory stretching from the jungles of northern Myanmar, westward to the Karakoram Range, and northward to the edge of the Tibetan plateau can be seen as a single geopolitical system referred to as the Himalayan-Tibetan massif: the Tibetan plateau extends approximately 800 miles north to south, with heights ranging up to 5,000 meters, and the Himalayan system extends approximately 300 miles north to south, with many peaks over 6,000 meters.⁶⁶ The ruggedness of this terrain makes movement of men

63 Khurana, *China's 'String of Pearls in the Indian Ocean and its Security Implications*, 1–39.

64 Frazier, *Quiet Competition and the Future of Sino-Indian Relations*, 314, 316.

65 John W. Garver, "The Gestalt of Sino-India Relations," in *The Rise of China in Asia*, ed. Carolyn Pumphrey (Carlisle: Strategic Studies Institute, 2002), 264.

66 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 24.

and materiel extremely difficult, thus preventing Indian and Chinese civilizations from intermingling or projecting military power in these remote areas effectively. Ancient history presents very few incidents of rulers of either India or China attempting to sweep across this massif. The Mongol armies of the thirteenth century decided to go around and not through Tibet, and, in the seventeenth century, the Dogra rulers of Kashmir sent armies into western Tibet, but not beyond it. These facts stand testimony to the ability of the Tibet-Himalayan massif to keep the two states separate. Not until 1962 did the Chinese and Indian armies fight each other over these desolate heights, thus altering the geopolitics of the region significantly.

The absence of military conflict does not imply that these two ancient civilizations did not exercise substantial influence beyond their boundaries. The overlap between perceived spheres of influence and the narratives built around notions of national greatness add an element of prestige to the Sino-India equation. For instance, an exhibition hosted by Indian leaders in 1947 identified Burma, Thailand, Malaya, Cambodia, Vietnam, Sumatra, Java, and Sri Lanka as regions that received strong influences from India in the domains of religion, language, art, and architecture. Similar ‘soft power’ influences were also traced in Nepal, Bhutan, and Central Asia; in Tibet, Buddhism formed the theme for strong affinity. In contrast, China exercised its influence through a tributary system that demanded deference to the Chinese emperor. The traditional system included wide portions of Central, South, and Southeast Asia. John Garver, in his detailed account of Sino-India relations, graphically displays the overlap in the perceived Indian and Chinese spheres of influence.⁶⁷ He claims that this theme plays out today as nationalists in both countries yearn to reestablish their long lost place of eminence.

Take Afro-Asian solidarity. The curtain rises in the 1950s on two newly independent countries keen to play a collaborative role. However, soon after the first Afro-Asian Conference in 1955 at Bandung, Indonesia, fissures in the Sino-India relationship began to surface. For Nehru, the primary goal of the conference was to

67 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 14–15, 24.

integrate China into the Asian community and establish strong Sino-India friendship as the fulcrum for a rising Asia.⁶⁸ However, Zhou Enlai expressed resentment of Nehru's overbearing actions, which he saw as an assertion of India's hegemonic mindset.⁶⁹ Mao favored a revolutionary and anti-Western approach in contrast to Nehru's notions of non-alignment, and later called India a puppet of imperialism. The strong views of these leaders are relevant since each considered external affairs to be a source of domestic legitimacy, and a lever for strengthening their leadership. Given that these events happened after India and China had signed the *Panchsheel Agreement* in 1954, and before the exodus of Dalai Lama in 1959, it indicates that the rivalry between the two states extended beyond just the boundary issue. From these events forward, India and China found themselves on opposite sides of the geopolitical and ideological divide. It was also as early as the Bandung conference that China is reported to have reached a strategic understanding with Pakistan based on their convergent interests vis-à-vis India; however, it was during the 1960s that this bond blossomed.⁷⁰

C. 'SINO-PAKISTAN ENTENTE CORDIALE'⁷¹

Beijing's cooperative relations with Pakistan are the most durable element of Chinese foreign policy, one that has been described as 'multidimensional and tested by adversity.'⁷² An alliance between China and Pakistan threatens India on two fronts. It advantages China both in terms of its ambitions in Asia, and serves as an insurance policy against any Indian adventurism in Tibet. A strong and stable Pakistan aligned with China serves its interests by maintaining a favorable balance of power in Asia; in this lies the strategic significance of the Sino-Pak relationship.⁷³ In addition, the feud between India

68 Jonathan Holslag, *China and India, Prospects for Peace* (New York: Columbia University Press, 2010), 35.

69 Waheguru Pal Singh Sidhu and Jing-dong Yuan, *China and India: Cooperation Or Conflict* (Colorado: Lynne Rienner Publishers, Inc., 2003), 12.

70 Malone and Mukherjee, *India and China: Conflict and Cooperation*, 139.

71 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 187.

72 John W. Garver, "China's Kashmir Policies," *India Review* 3, no. 1 (January 2004), 2.

73 Willem Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia* (The Hague: Netherlands Institute of International Relations, Clingendael [2008]).

and Pakistan causes the international community to hyphenate India with Pakistan, leaving China on a higher plane.⁷⁴ Beyond the India factor, there are other aspects to the legitimate relationship between the two sovereign countries: Pakistan is an important destination for Chinese goods, and their bilateral trade is expected to touch \$18 billion by 2015; China watches with concern the U.S. presence in the region, and presents itself as a more reliable partner to Pakistan; Pakistan is seen by China as a key to the Muslim world and to stability in Xinjiang; and, China also looks to Pakistan as an access route to the IOR.⁷⁵

Nevertheless, despite these other reasons for close relations, the foundation of this otherwise odd alliance between a communist and an Islamic state remains India. From the Chinese perspective, an India less hassled by Pakistan might be more assertive against China. Moreover, “to sacrifice Pakistan would be tantamount to conceding South Asia as India’s sphere of influence.”⁷⁶ From an Indian perspective, the Sino-Pak relationship is sinister because it emboldens Pakistan to maintain its policy of proxy war and nuclear saber rattling against India. The contours of the Sino-Pak nexus are detrimental to India’s long term security, and raise questions about China’s sincerity about improving Sino-India relations.⁷⁷ Tellingly, China seems to manage this contradiction through its unwillingness to get directly involved in an Indo-Pak armed conflict and by taking a neutral approach on Kashmir, thus addressing two of India’s core concerns.⁷⁸ To avoid the difficult choice during a future Indo-Pak war of either entering the war on Pakistan’s side or letting Pakistan be decisively beaten, China has sought to maintain Pakistan’s conventional and nuclear strength. In some ways, this policy has been a Chinese

74 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 188.

75 Scott, *The Great Power 'Great Game' between India and China: 'The Logic of Geography'*, 6; Sidhu and Yuan, *China and India: Cooperation Or Conflict*, 66; Amardeep Athwal, *China-India Relations: Contemporary Dynamics*, First ed. (New York: Routledge, 2008), 67.

76 Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 85, 88.

77 Garver, *The Security Dilemma in Sino-Indian Relations*, 5, 7.

78 Garver, *China's Kashmir Policies*, 19.

masterstroke of constraining India through proxy, without imminent risk to itself, at the same time it strives for improved ties and trade with India.⁷⁹

1. 1962–1977: The Tale of Two Wars

The first indication of the budding relationship between China and Pakistan was the settlement of their conflicting border claims in March 1963, within three months of the Sino-India conflict. The 2,700 square kilometers of territory that Pakistan ceded to China is part of the state of Jammu and Kashmir, which lies at the heart of Indo-Pak discord (although China has expressed its readiness to renegotiate the settlement once the discord is resolved).⁸⁰ India's defeat in the 1962 War, Pakistan's strategic partnership with China from 1963, China's nuclear test in 1964, Nehru's death in 1964, and Pakistan's perceived military superiority thanks to Patton tanks from the U.S. were the main calculations that prompted Pakistan's aggression against India in 1965. China cited India's hegemonic aspirations in South Asia as cause for the aggression, and threatened to activate a second front against India.⁸¹ Intelligence reports suggested that China mobilized adequate troops for a limited offensive, and, given the ebb in Sino-India relations at the time, the threats appeared credible. Some analysts claim that cautionary warnings from the U.S. prevented China from following through on its threat. Nonetheless, by China's own account its threats were instrumental in persuading India to accept the ceasefire, despite it having had the upper hand in the conflict.⁸² The USSR played a significant role in brokering the actual terms of the ceasefire. The 1965 Indo-Pak War was significant in three ways: first, it strengthened Sino-Pak ties. Second, India had to learn to survive with a threat of war on two fronts. And third, the conflict highlights how the triangular relationship was tied to larger geopolitics of the Cold War era.

⁷⁹ Garver, *China's Kashmir Policies*, 17.

⁸⁰ Ganguly, *India and China: Border Issues, Domestic Integration, and International Security*, 117–119.

⁸¹ Van Kemenade, *Détente between China and India; The Delicate Balance of Geopolitics in Asia*, 93–94.

⁸² Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 203.

What had been China's neutral policy on Kashmir during the 1950s also soured. During and after the 1965 War, China blamed India for imperialism in Kashmir. It asserted the right of self-determination for the Kashmiris, lauded Pakistan's efforts to support the aspirations of the Kashmiri people, and referred to the UN resolution for a plebiscite.⁸³ In 1969, Pakistan and China started construction of a land link from Xinjiang to Gilgit in Pakistan Occupied Kashmir (POK). At a height of 4,877 meters, the 1,300 kilometer-long Karakoram Highway was the highest paved road in the world, an ominous reminder to India of the threat it faced.⁸⁴

China's military assistance to Pakistan in the years after the 1965 War included the arming of two infantry divisions, 500 T-59 tanks, 120 MIG-19 and 300 F-6 fighters, and extensive aid to its military industrial base. This was especially important because American aid to Pakistan dried up as a reprimand for its use of U.S.-supplied weaponry in acting aggressively against India.⁸⁵ According to the Stockholm International Peace Research Institute (SIPRI) database, Chinese exports accounted for nearly 50% of all arms transfers to Pakistan during the period 1965 to 1971, a trend that continued into the 1970s and 1980s.⁸⁶ China's increased military supplies to Pakistan in response to U.S. sanctions have been a recurrent feature: in the 1990s China supplied Pakistan with 115 F-7M fighter aircraft; 250 T-69, 268 T-85 and 113 T-90 tanks; 1000 portable SAMs; 5 fire control radars; 15,600 Red Arrow ATGMs; and, when the U.S. suspended the sale of 71 F-16s after Pakistan's nuclear tests in 1998, China announced the joint development of JF-17 Thunder fighter planes.⁸⁷

Yet interestingly, China's stance during the 1971 Indo-Pak War was markedly different from its response during 1965. In November 1971, when Pakistani Prime

83 Garver, *Protracted Contest*, 227; B. R. Deepak, "Sino-Pak 'Entente Cordiale' and India: A Look into the Past and Future," *China Report* 42, no. 2 (2006), 132.

84 Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 95.

85 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 205; Deepak, *Sino-Pak 'Entente Cordiale' and India: A Look into the Past and Future*, 136.

86 SIPRI, "TIV of Arms Exports to Pakistan, 1965–1971," http://armstrade.sipri.org/armstrade/html/export_values.php

87 SIPRI, "Transfer of Major Conventional Weapons by China to Pakistan from 1990 to 1999," http://armstrade.sipri.org/armstrade/page/trade_register.php

Minister Z.A. Bhutto visited China, it was clear that China was unwilling to get directly involved, instead suggesting to Pakistan that it negotiate a settlement with the Awami League. However, China continued to provide extensive diplomatic and material support to Pakistan, and condemned India for interference in Pakistan's internal affairs.⁸⁸ The reasons China changed its stance were manifold: Indian military strength had been revamped as evident from the 1965 Indo-Pak War and 1967 skirmish with the Chinese; the timing of the war was such that the passes between India and China were closed due to snow; the Indo-Soviet Friendship Treaty had just been concluded, thus altering China's calculations about the regional balance of power; China was not confident of American support despite the U.S. 7th Fleet posturing in the Bay of Bengal to support Pakistan; China itself was in the midst of Mao's Cultural Revolution; the Bengali struggle held shades of a people's war, thus China could not denounce it completely - moreover, China had probably seen the writing on the wall and did not want to burn bridges with the leaders of an emerging nation; finally, China was anxiously awaiting its permanent membership to the United Nations Security Council (UNSC) and could not afford to appear to be irresponsible.⁸⁹ In many senses, then, China's disincentives toward military confrontation with India in 1971 can be attributed to realist balance of power calculations and its assessment of the domestic and international environments, and not to a change of heart. However, India's role in the liberation of Bangladesh also refreshed China's fears with respect to Tibetan refugees, and reinforced China's faith in the utility of a strong Pakistan for restraining India. China's military and economic assistance to Pakistan thus continued with renewed vigor.

The 1971 Indo-Pak War had the U.S., China, and USSR posturing precariously to guard their geopolitical interests; however, along with Pakistan, India was the only one of these nations without nuclear weapons. Between 1965 and 1973, the PRC conducted 14 nuclear tests, primarily to address its security concerns with respect to the U.S. and the Soviet Union. In January 1972, Pakistan made a top secret decision to acquire nuclear

⁸⁸ Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 98.

⁸⁹ Deepak, *Sino-Pak 'Entente Cordiale' and India: A Look into the Past and Future*, 133–135.

weapons; and, in 1974 India conducted its 'peaceful nuclear test.'⁹⁰ Although India decided not to pursue a nuclear weapons program, the significance of the event was not lost on either China or Pakistan. Pakistan had approached China for assistance in developing a nuclear weapon as early as 1972, but active Chinese collusion in development of Pakistan's nuclear weapons can be traced to 1976. China's proliferation of nuclear and missile technology to Pakistan has since been a major irritant in Sino-India relations.

2. 1978–1998: The Bombs

Deng Xiaoping stressed the need to demilitarize China's foreign relations, and expressed interest in a peaceful environment in which China could achieve economic development; improvement of Sino-India relations was a part of this strategy. Since then, China has deftly managed the contradiction between reaching out to India and providing continued assistance to Pakistan through a three pronged strategy: CBMs and increased trade with India; a neutral stance on Kashmir; and, nuclear and conventional military aid to Pakistan.

In 1980, Deng announced that the Kashmir conflict was left over from history and stressed the need to resolve it peacefully in the spirit of the Simla Agreement. The Simla Agreement, which was concluded at the end of the 1971 Indo-Pak War, recognized the bilateral nature of the Kashmir conflict and the sanctity of the Line of Control (LOC). Support for the Simla Agreement marked a departure from China's earlier stand on Kashmir that blamed the conflict on Indian expansionism.⁹¹ The refusal to either get directly involved in an Indo-Pak conflict or internationalize the Kashmir issue has since been Beijing's official policy towards Indo-Pak relations. China maintained this stance even when war clouds thickened over India and Pakistan in 1990, as Pakistan lent support to Sikh and Kashmiri militants.⁹²

90 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 321, 323–327.

91 Sidhu and Yuan, *China and India: Cooperation Or Conflict*, 22; Garver, *China's Kashmir Policies*, 4.

92 Ibid., 231.

For New Delhi, the litmus test of how sincere China has been about improved relations is the role that China has played in developing Pakistan's nuclear arsenal. "Pakistan is the only case with persuasive evidence that China deliberately assisted a foreign country to develop nuclear weapons."⁹³ Since 1976, China has provided Pakistan with highly enriched uranium, ring magnets, specialized training, and nuclear scientists to assist the program.⁹⁴ In 1983, China is reported to have provided Pakistan with the blueprint for the atomic bomb based upon China's own nuclear weapons test in 1966 at Lop Nor.⁹⁵ China's assistance to Pakistan's nuclear weapons program continued through the 1980s. In 1992, China signed the NPT, although as John Garver notes, "*after* China helped Pakistan develop nuclear weapons, *then* it joined the established nonproliferation regime."⁹⁶ While China has observed its legal obligations toward the treaty, it has continued its indirect support to Pakistan's nuclear program, exemplified by the supply of 5,000 ring magnets to the A.Q. Khan Research Laboratory at Kahuta in 1995.⁹⁷ In 1992, China also agreed to abide by the Missile Technology Control Regime (MTCR), and insisted that its supply of nuclear-capable M-11 missiles to Pakistan was within the MTCR's provisions. Chinese support then helped Pakistan to move toward domestic serial production of solid propellant ballistic missiles. China tried to equate this transfer to U.S. technology transfer to Taiwan, since the transfer of M-11s to Pakistan followed the U.S. decision to provide F-16s to Taiwan.⁹⁸ Chinese assistance to Pakistan's nuclear weapons and missile program was the reason for the U.S. sanctions against China during the 1990s.

The threat posed by China, and its assistance to Pakistan's nuclear weapons program were among rationales offered by the Indian Prime Minister Vajpayee in his letter addressed to the American president explaining India's nuclear tests in 1998.

93 Sidhu and Yuan, *China and India: Cooperation Or Conflict?* 7.

94 Deepak, *Sino-Pak 'Entente Cordiale' and India: A Look into the Past and Future*, 137.

95 Sidhu and Yuan, *China and India: Cooperation Or Conflict*, 54.

96 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 332.

97 Deepak, *Sino-Pak 'Entente Cordiale' and India: A Look into the Past and Future*, 137.

98 Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 101, 107–108.

Pakistan's nuclear tests within a few days substantiated his claims. China's initial response to India's nuclear tests was measured. However, the leaking of Vajpayee's letter in Washington invited widespread indignation from Chinese government officials and others in the public sphere. In June 1998, the Chinese ambassador to the UN addressed the UNSC on the Kashmir issue, and expressed China's opposition to regional hegemony.⁹⁹ This was a subtle reminder to New Delhi that Beijing's neutral stance on Kashmir was not an irreversible proposition.

3. 1999–2009: Kargil and Beyond

The role played by status and prestige, in both India's and Pakistan's decisions to develop nuclear weapons, is open to debate. However, the perilous effects of both countries' nuclear tests were on display during the Kargil conflict in 1999, and the military stand-off during 2002. In 1999, the Pakistani military establishment knew it had a nuclear deterrent to counter India's conventional superiority, and expected to be able to draw international attention to the Kashmir conflict as a method of pressuring India.¹⁰⁰ Similar recklessness and nuclear saber rattling could be said to have characterized the face-off during 2002 when the Indian Army mobilized in response to a terrorist attack on the Indian Parliament by Pakistan-based groups. India's resolute action in the face of Pakistan's defiance, a reprimand by the U.S., and international condemnation in both instances unsettled Pakistan's calculations. On both occasions, Nawaz Sharif in 1999, and Pervez Musharraf in 2002, visited China for support. However, China maintained a neutral stance, calling upon both nations to exercise restraint.¹⁰¹ China's reference to the Simla Agreement, refusal to internationalize the Kashmir conflict, and condemnation of terrorism is noteworthy. China's stance was also motivated by its own concerns with Islamic fundamentalism originating from Pakistan, and the threat of a nuclear exchange that could vitiate the environment within which China seeks to achieve its

⁹⁹ Garver, *China's Kashmir Policies*, 6.

¹⁰⁰ Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 103.

¹⁰¹ Deepak, *Sino-Pak 'Entente Cordiale' and India: A Look into the Past and Future*, 143, 146.

development.¹⁰² However, assertions about China's *all-weather* friendship with Pakistan, and the material support that goes with it, continued unabated.

From an Indian perspective, China's aversion to direct involvement in an Indo-Pak War and its neutrality on Kashmir are welcome gestures. However, the nature of China's military aid to Pakistan remains key to gauging its intent. A vulnerability that came to light during the 1999 and 2002 conflicts was Pakistan's dependence on the Karachi harbor and the ease with which the Indian Navy could blockade it. China's assistance in the construction of the Gwadar port addresses this key vulnerability, and its location at the mouth of the Persian Gulf adds to its geostrategic significance (See Figure 5). This project reminds us that China will continue to maintain an enduring strategic relationship with Pakistan as a low cost/ high pay off venture, albeit without overtly encouraging revisionist policies.¹⁰³

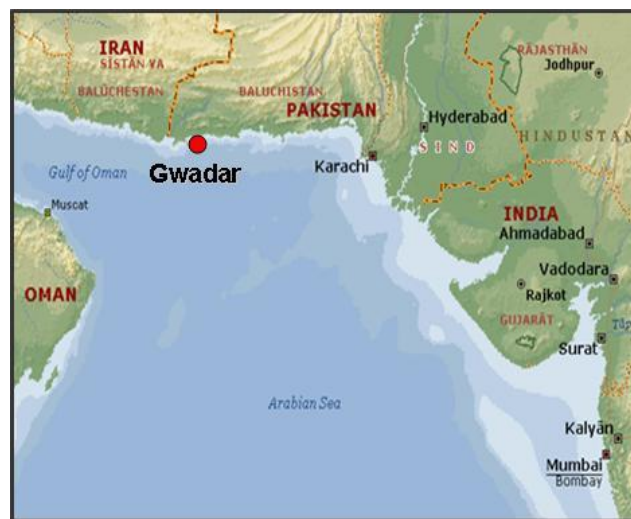


Figure 5. The Geostrategic Location of the Gwadar Port¹⁰⁴

102 Garver, *China's Kashmir Policies*, 14–17.

103 Ashley Tellis, "China and India in Asia," in *The India China Relationship: What the US Needs to Know*, eds. Francine R. Frankel and Harry Harding (Washington D.C.: Woodrow Wilson Center Press, 2004), 139.

104 "Gwadar Port," Pakistan Government, <http://www.gwadarport.gov.pk/picturegalleryimage.aspx>.

4. Gwadar Port

The Gwadar port was conceived in March 2001, fast tracked after the U.S. invasion of Afghanistan, and operationalized in 2007, ahead of schedule. The project, costing approximately \$1.16 billion, has been primarily funded by China; China has contributed an additional \$200 million for the construction of the 653 kilometer-long Marakan Coastal Highway, linking Gwadar to Karachi. The port will also be connected to the Karakoram Highway through a labyrinth of roads and rail network. Twelve berths and terminals with the capacity to handle ships in the 200,000-ton category, along with a large special economic zone, make Gwadar one of the largest and most strategically located deep-sea ports in the world.¹⁰⁵

Gwadar port is strategically significant for China for numerous reasons. First, the project is conceived as a way to diminish India's ability to blockade Pakistan during war. Second, the port will assist China's ability to supply Pakistan. Third, the port will help Pakistan emerge as a corridor for trade and transport from the Central Asian Republics (CAR) to the outside world. Fourth, the port will help protect China's maritime trade transiting the Persian Gulf. Fifth, it will provide an energy shunt route to address China's vulnerabilities in the IOR. Sixth, it will help facilitate the economic development of China's western regions. Finally, the PLA Navy (PLAN) will also have a new point of access to the IOR, and might be able to utilize Gwadar during a military contingency. It is important to note that the port has been deepened from 11 to 14 meters, and some reports suggest as deep as 19 meters. Analysts point out that a port as deep as 19 meters is only useful for carriers and nuclear submarines.¹⁰⁶ Presently this is only speculation, but within the realm of possibility.

Gwadar port is an example of China's multifaceted relations with Pakistan. While balancing against India is a significant part of the calculus, China has its own reasons for seeking to ensure stability in Pakistan; it has its own anxieties, particularly with respect to

¹⁰⁵ Athwal, *China-India Relations: Contemporary Dynamics*, 48.

¹⁰⁶ Ibid., 47–49.

U.S. hegemony in the region. The Gwadar port is one component of what is popularly known as China's *String of Pearls* and points toward China's ambitions in the IOR.¹⁰⁷

D. CHINA AND THE IOR

The Indian Ocean links the Pacific and the Atlantic Oceans. Strategic bottlenecks are found in the form of the Suez Canal (and the Gulf of Aden), the Straits of Hormuz, the Cape of Good Hope, and the Straits of Malacca. Chinese interests in the Indian Ocean can be explained in terms of China's desire to exert influence commensurate to its rising might, the security dilemma arising from its dependence on SLOCs transiting the Indian Ocean, the threat perceived from a persistent U.S. presence, and India's strategic location. China's *Malacca dilemma* originates from the fact that nearly 30% of its sea trade and 77% of its oil imports flow through the Indian Ocean, making China sensitive about the security of its SLOCs through the Straits of Malacca. The 1993 incident, when a Chinese freighter, Yin He, was intercepted by the U.S. navy in the international waters of the Persian Gulf under a claim that it was transporting chemical weapons to Iran, is said to have been a catalyst for Beijing's decision to build long-range naval capabilities to safeguard its expanding vital interests.¹⁰⁸

In addition to the realist arguments for China's naval ambitions, constructivist arguments point to China's century of humiliation as, in some measure, a result of its enemies' naval supremacy.¹⁰⁹ Similarly, economic development and trade are not seen as mere vehicles for increasing national wealth, but the only way for the PRC to maintain its legitimacy.¹¹⁰ China realizes that the real challenges to its sovereignty arise from

107 Khurana, *China's 'String of Pearls in the Indian Ocean and its Security Implications*, 9, 11–12.

108 Ibid., 2

109 Athwal, *China-India Relations: Contemporary Dynamics*, 34.

110 Vidhan Pathak, "China and Francophone Western Indian Ocean Region: Implications for Indian Interests," *Journal of Defence Studies* 3, no. 4 (October 2009), 81.

Taiwan and Tibet. However, it recognizes its dependence on SLOCs through the Indian Ocean to be an Achilles' heel that can be exploited by the US, India, or by both in concert.¹¹¹

India visualizes the Indian Ocean as its legitimate sphere of influence, and views growing Chinese forays in the region as strategic encirclement. Conversely, China is wary of Indian assertions, and Zhao Nanqi of the PRC General Staff argues that “we can no longer accept the Indian Ocean as only an ocean of the Indians.”¹¹² Garver characterizes this interaction as an intractable security dilemma, and explains that Chinese actions are inspired by security and economic motives. However, he also concedes that China is emerging as the anti-status quo power in the IOR.¹¹³ History and perceptions make it difficult for either side to be certain of the other's intent, thus each assesses threats based on tangible capabilities. India has little choice, then, except to judge China's intentions in the IOR according to the evolution of its naval doctrine, development of energy shunt routes, and its quest to establish nodes of influence.

1. PLAN Doctrine, Modernization, and Diplomacy

In 1985, PLAN's strategic focus shifted from traditional coastal defense to ‘active offshore defense’ and increasingly toward Mahanian concepts of power projection. As early as 1988, China was moving toward the vision of a Blue Water navy; in 1997 Jiang Zemin exhorted the Navy to build the nation's maritime Great Wall based on coastal defense and its two chains of islands; and, in 2006, Hu Jintao referred to China as a great maritime power. Beijing drew up a three-phase development plan to transform the PLAN into a world class sea power by 2040. By 2020, China is expected to complete the second phase and acquire the capabilities, even if not the intent, to deploy naval forces in the Indian Ocean.¹¹⁴

111 James R. Holmes and Toshi Yoshihara, "China's Naval Ambitions in the Indian Ocean," *Journal of Strategic Studies* 31, no. 3 (June 2008), 370–371.

112 Scott, *The Great Power 'Great Game' between India and China: 'the Logic of Geography'*, 6.

113 Garver, *The Security Dilemma in Sino-Indian Relations*, 33.

114 Athwal, *China-India Relations: Contemporary Dynamics*, 34–37; Khurana, *China's 'String of Pearls in the Indian Ocean and its Security Implications'*, 3.

Stealthy underwater assets capable of stand-alone extended missions are the mainstay of China's sea denial and deterrence strategy. In the period 1995 to 2006, China added 36 submarines, including *Shang-class* Type 093 Nuclear Attack Submarines (SSNs), *Jin-class* Type 094 Ballistic Missile Submarines (SSBNs), and the formidable *Kilo-class* boats. Since 1990, China has inducted nine different destroyer/ frigate designs to buttress its surface combatant fleet, to include 051B-*Luhai*, 051C-*Luzhou*, 052B-*Luyang*, and 052C-*Lanzhou* class ships. China is also incorporating integrated Air Defense (AD) systems similar to the U.S. Aegis phased radar and C-802 anti-ship cruise missiles. Also noteworthy is the acquisition of Russian *Sovermennyy-class* destroyers designed during the 1970s to counter U.S. carrier groups.¹¹⁵ The rest of China's surface fleet, consisting of 20 destroyers and 43 frigates, is also being consistently upgraded. PLAN is debating the uses of an aircraft carrier; China acquired the *Melbourne* from Australia in 1985, the Soviet *Varyag* in 1998 and *Kiev* in 2000, and the *Minsk* from South Korea in 2000 for training and R&D purposes. As per reports, China has ordered the domestic construction of at least two carriers that are expected to be operational by 2020.¹¹⁶ Su-30s and Chinese J-10 multirole fighter aircrafts, supplemented by Il-78 aerial tankers, are likely to comprise the backbone of China's maritime airpower. It is pertinent to mention that China's naval plans are primarily focused upon a Taiwan contingency, and the perceived threat from the U.S. and Japan in the Pacific. However, naval assets are extremely fungible, and with an increase in energy demand, the IOR is steadily being incorporated into China's security sphere.

China's increasing interest in the IOR is evident from the increase in its naval diplomacy in the region. In 1985, PLAN undertook the first naval visit in the Indian Ocean, and, significantly, the first port of call was Karachi, followed by Colombo and Chittagong. A similar expedition in 1993 included Mumbai, probably to persuade India of China's benign intentions. In the period 1995–2000, China displayed its reach up to and beyond each of the major choke points in the IOR: in 1995 Chinese submarines

115 Andrew S. Erickson, "The Growth of China's Navy: Implications for Indian Ocean Security," *Strategic Analysis* 32, no. 4 (July 2008), 659–662.

116 Athwal, *China-India Relations: Contemporary Dynamics*, 41.

crossed the Cape of Good Hope, in 1997 a destroyer and frigate called on Malaysia at the entrance of the Malacca Straits, and in 2000 a *Sovermenny*-class destroyer and a replenishment tanker sailed from Finland to China through the Suez Canal. Naval diplomacy such as this, high profile visits, joint naval exercises, and arms exports to Indian Ocean littoral states are now a constant feature of Chinese policy.¹¹⁷ In 2006, Beijing hosted the China-Africa summit, extending its reach to the ‘Francophone Western IOR’.¹¹⁸ Even with this outreach, China is likely to be hampered by a mismatch between its naval aspirations and capabilities. This is less due to the size and capability of its fleet, and more due to the challenge of sustaining these forces across such a vast region. For example, without carrier battle groups and overseas bases, the PLA cannot project airpower beyond the South China Sea and the Malacca Straits.¹¹⁹ China is also mindful of India’s inherent advantages in the IOR: Beijing has referred to India as an unsinkable aircraft carrier dominating the region, and the Andaman and Nicobar Islands as a metal chain.¹²⁰

2. Energy Shunt Routes and Nodes of Influence

To overcome these challenges and relieve some of its dependence on the Malacca Straits, China intends to build energy shunt routes. This helps explain development of the Gwadar port with plans to link it to the Karakoram Highway. The problems are the terrain, weather, and the uncertain security situation. In this respect, Myanmar offers a better alternative in the form of oil and gas pipelines following the Irrawaddy corridor and linking Sittwe/ Kyaukphu with Kunming in China’s Yunan province. Estimated to cost approximately \$3 billion, this route would reduce sea travel by 1820 nautical miles and could provide for 10% of the oil that currently flows to China through the Malacca Straits. For related reasons, China proposed to Thailand a canal across the Kra Isthmus; this plan faces questions about its economic viability, but if undertaken would potentially

117 Khurana, *China's 'String of Pearls in the Indian Ocean and its Security Implications*, 23–31.

118 Pathak, *China and Francophone Western Indian Ocean Region: Implications for Indian Interests*, 86.

119 Erickson, *The Growth of China's Navy: Implications for Indian Ocean Security*, 662.

120 Ibid., 657.

account for another 20% of oil that currently reaches China via the Malacca Straits. Of course, these land bridges do not entirely mitigate China's strategic vulnerability, since the proposed routes aim to bypass the Malacca Straits, but not the Indian Ocean!¹²¹

China's desire to project forces in the Indian Ocean and ensure the security of its SLOCs has allegedly driven it to pursue the *String of Pearls* strategy. This term is not a Chinese formulation, but a moniker popularized by a 2004 U.S. Department of Defense-funded report that claimed China is developing a comprehensive network of naval bases to include Kra Isthmus in Thailand, Sittwe in Myanmar, Chittagong in Bangladesh, Hambantota in Sri Lanka, Marao in the Maldives, and Gwadar in Pakistan (See Figure 6).¹²² Interestingly, the notion of a *String of Pearls* swiftly gained an aura of legitimacy in India with accompanying fears about India's strategic encirclement. Each 'pearl' is viewed as a manifestation of Chinese geopolitical influence and its ambition to establish its military presence in the IOR.¹²³

121 Khurana, *China's 'String of Pearls in the Indian Ocean and its Security Implications*, 9–11.

122 Holmes and Yoshihara, *China's Naval Ambitions in the Indian Ocean*, 377.

123 Pathak, *China and Francophone Western Indian Ocean Region: Implications for Indian Interests*, 85.

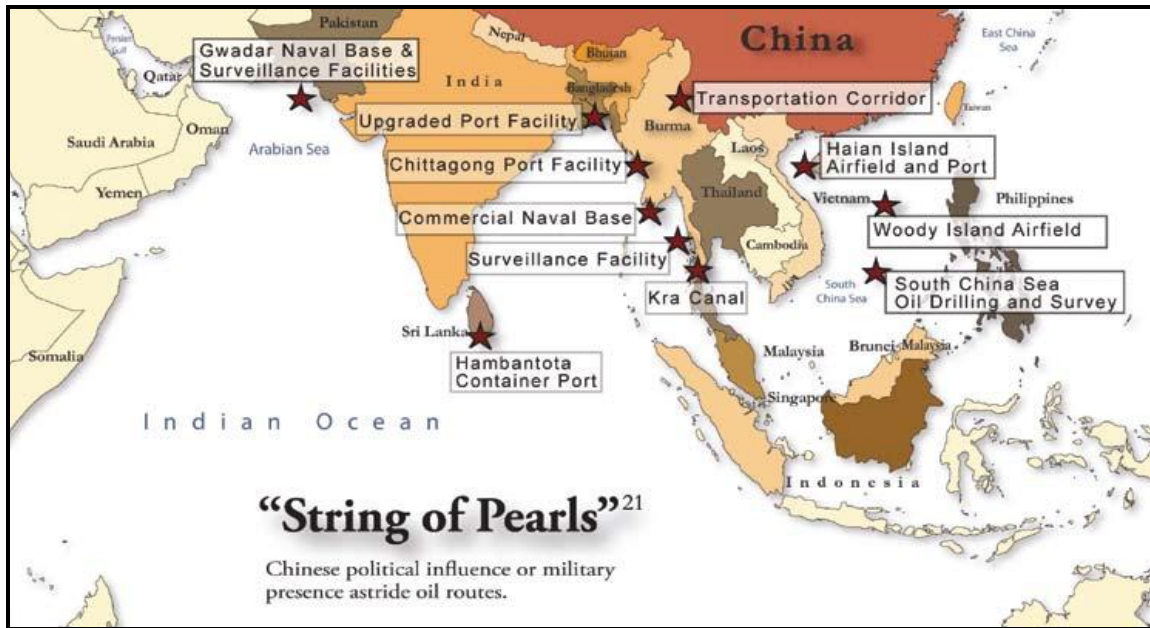


Figure 6. String of Pearls¹²⁴

Daniel Kostecka, an analyst with the U.S. Department of Navy, has recently commented that despite rampant speculation there is little evidence to prove the hypothesis that Beijing's investments in these locations are designed to serve its military-strategic ends, and Michael Swaine at the Carnegie Endowment for International Peace goes so far as to call the theory a fraud, and highlights the lack of evidence of Chinese military involvement.¹²⁵ Sri Lanka, Bangladesh, and the Maldives have repeatedly emphasized the commercial motive of these ventures, and have willingly allowed themselves to be courted by India for similar projects: refurbishment of an oil-tank farm at Trincomalee, development of Chittagong as a transshipment hub for India's North East, and defense cooperation with the Maldives.¹²⁶ Yet, as the 2006 encounter between a Chinese *Song*-class submarine and the USS *Kitty Hawk* makes clear, there is immense

124 U.S. Naval Institute, 2009, http://blog.usni.org/wp-content/uploads/2009/01/joe2008_page_32_image_0001.jpg.

125 Daniel J. Kostecka, "Places and Bases," *Naval War College Review* 64, no. 1 (Winter 2011), 60; Michael Swaine, "China's Military Muscle," Carnegie Endowment for International Peace, <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=42332>.

126 Daniel J. Kostecka, "Hambantota, Chittagong, and the Maldives - Unlikely Pearls for the Chinese Navy," *China Brief, the Jamestown Foundation* X, no. 23 (November 2010), 9–10.

potential for a stand-off in international waters between naval powers competing to maintain their perceived strategic spaces. From an Indian perspective, it is hard not to view China's increased naval presence, energy investments, transit corridors, and ports as precursors of a latent threat that needs to be monitored.¹²⁷ Assertions, such that as by Rear Admiral Yin Zhou in 2009 that Beijing must revisit its self-imposed proscription on foreign bases, heighten Indian anxiety.¹²⁸

3. Sino-India Relations and Myanmar

One alleged *pearl* is particularly worrisome due to the ominous prospect of replicating the Sino-Pak nexus: Myanmar, a country that lies at the strategic crossroads between South West China, North East India, the Indian Ocean, and South East Asia. Ties between Mao's China and Myanmar were damaged by the support China extended to Myanmar's communist insurgent groups in the 1960s; and, in 1968, China was involved in an undeclared war against Myanmar, which went unnoticed by the international community thanks to the Tet Offensive. It was only in 1988/89 that Myanmar and China emerged as 'partners in adversity' after they faced criticism and sanctions in the wake of their respective crackdowns against democratic protests.¹²⁹ While India opted to politically isolate Myanmar, the PRC took the opportunity to establish a foothold in Myanmar. Myanmar offers a threefold advantage to China: one, port access to China's landlocked and impoverished Yunnan Province; two, a transit corridor through Myanmar to mitigate China's Malacca dilemma; and three, military bases in Myanmar that can enhance China's strategic reach in the IOR.¹³⁰ The latter is

127 Khurana, *China's 'String of Pearls in the Indian Ocean and its Security Implications*, 18–19.

128 Kostecka, *Places and Bases*, 59.

129 Renaud Egretreau, "India and China Vying for Influence in Burma - A New Assessment," *India Review* 7, no. 1 (January–March 2008), 172, 173.

130 Hong Zhao, "China and India: Competing for Good Relations with Myanmar," *The Journal of East Asian Affairs* 22, no. 1 (2008), 175–177.

allegedly tied to China's long-term two *oceans objective* and is considered indicative of China's expansionism.¹³¹ Myanmar is also reported to have large gas reserves, a factor that is addressed in the next chapter.

Since 1988, the PRC has made extensive investments in Myanmar. By 2005, this included \$100 million in aid, \$1 billion in sellers' credit, and \$2 billion invested in various projects, thus laying a foundation for strong bilateral relations.¹³² The main infrastructure project undertaken by China has been improvement of the Irrawaddy corridor linking Kunming to Kyaukpyu, a deep-water port being developed with Chinese assistance. In April 2007, Beijing approved the construction of an oil pipeline linking Sittwe to Kunming, in addition to the gas pipeline already underway.¹³³ In 1988, Myanmar undertook an ambitious military modernization program with Chinese assistance; by 1992, military exports from China amounted to \$1.4 billion including a squadron of F-7 fighter aircraft, and six *Hainan* class patrol boats.¹³⁴

In 1992, the Kyodo News Agency in Japan reported on a permanent PLA presence in Myanmar, which suggested a strategic dimension to the relationship. Additional reports alleged that a listening post was established in the Coco islands, barely 11 miles from India's Andaman and Nicobar Islands, along with a naval base at Hainggyi Island.¹³⁵ Over time these reports, often from anonymous sources, were widely accepted as established facts, and proof of China's efforts to gain access to Myanmar's military facilities. It only took a short leap to then assert that these were in fact Chinese naval bases. The 1994 capture of three Myanmarese fishing trawlers in the Indian Ocean with 55 Chinese personnel onboard, as well as radio and depth sounding apparatus but no fishing equipment further fuelled suspicion. So did the 1997 treaty between Myanmar

131 Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 174; Andrew Selth, *Burma's Coco Islands: Rumours and Realities in the Indian Ocean* (Hong Kong: Southeast Asia Research Centre [2008]).

132 Zhao, *China and India: Competing for Good Relations with Myanmar*, 186.

133 Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 180–181; Khurana, *China's 'String of Pearls in the Indian Ocean and its Security Implications*, 10.

134 Andrew Selth, *Chinese Military Bases in Burma: The Explosion of a Myth* (Brisbane, Australia: Griffith Asia Institute [2007]).

135 Khurana, *China's 'String of Pearls in the Indian Ocean and its Security Implications*, 13.

and China, granting the latter a 30-year permit to fish in Myanmar's waters.¹³⁶ The fact that the State Law and Order Restoration Council (SLORC) and PRC were two of the most opaque regimes in the world did not help allay suspicions.

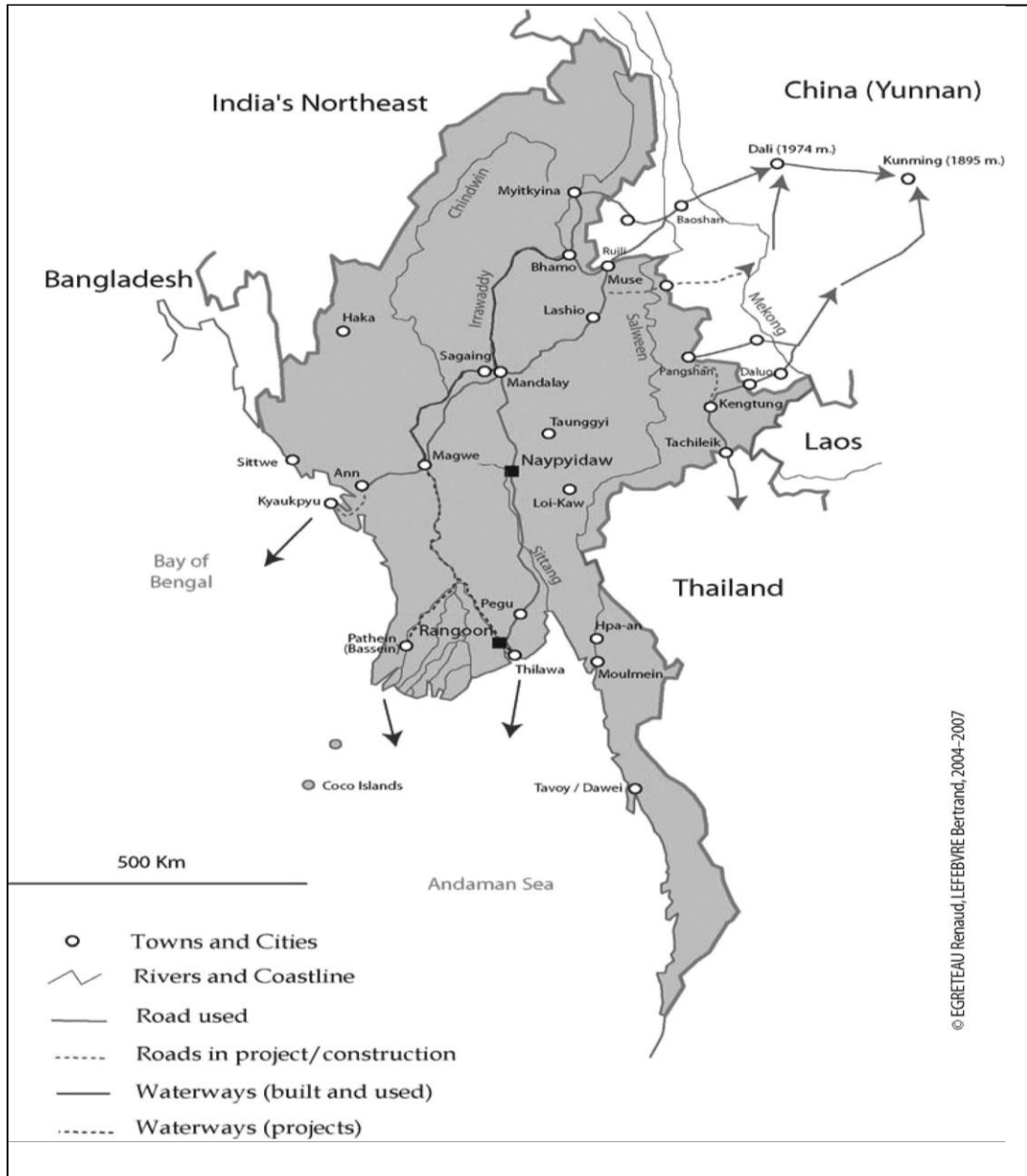


Figure 7. The 'Chinese Corridor' Through Myanmar¹³⁷

¹³⁶ Selth, *Chinese Military Bases in Burma: The Explosion of a Myth*, 1, 13, 16.

¹³⁷ Egreteau, *India and China Vying for Influence in Burma - A New Assessment*, 49.

Amidst reports of increased Chinese involvement in Myanmar, India started to fear the effects of a Chinese client state on its Eastern flank; when viewed in conjunction with China's partnership with Pakistan, the prospects for India's national security appeared alarming. This perceived threat prompted the Indian government to take a *realist U-turn* with respect to relations with Myanmar. The Indian approach, though it suffers from vacillations due to internal differences regarding Myanmar's domestic politics, is somewhat similar to that of the Chinese. India aspires to connect its landlocked and insurgency-ridden North East to the Myanmar port of Sittwe through the Kaladan Project, which includes the construction of a new harbor at Sittwe. In 2002, India proposed to extend this multi-nodal transport project to Thailand.¹³⁸ In 2004, New Delhi proposed a railway link to Hanoi, thus further reinforcing Myanmar's position as the land bridge linking India to South East Asia. In addition to these ambitious infrastructure projects, India is also involved in establishing an IT park, two e-learning centers, and an e-government project in Myanmar.¹³⁹ The commencement of border trade at Moreh and Pangsau, construction of the Indo-Myanmar Friendship Road, and plans to upgrade the Stillwell road are other important initiatives. The first Indo-Myanmar joint naval exercise was conducted in 2003, heralding defense cooperation, albeit on a modest scale.¹⁴⁰

Sino-Myanmar relations exemplify how the perception of a threat is enough to create the threat itself. Myanmar has a Coco Islands naval facility that almost certainly plays an intelligence function as well, and Haingyi has been Myanmar's regional naval command center since 1992. It is possible that Chinese assistance may have been utilized to upgrade these locations. However, even after years of speculation, analysts have found no concrete evidence of a permanent Chinese military presence in Myanmar.¹⁴¹ In 2005,

138 Zhao, *China and India: Competing for Good Relations with Myanmar*, 183; Egretreau, *India and China Vying for Influence in Burma - A New Assessment*, 52; Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 183.

139 Zhao, *China and India: Competing for Good Relations with Myanmar*, 184, 189.

140 Egretreau, *India and China Vying for Influence in Burma - A New Assessment*, 44, 48.

141 Selth, *Chinese Military Bases in Burma: The Explosion of a Myth*, 7–11.

India acknowledged that there was no Chinese base at Coco Islands, or anywhere else in Myanmar, and in 2008 Myanmar passed a referendum prohibiting foreign troops from being based on its soil.¹⁴²

Indeed, one might go so far as to say that xenophobia prevents Myanmar from being a hapless pawn in the hands of the Chinese. If anything, the junta has been deftly hedging between India and China to its own advantage.¹⁴³

142 Selth, *Burma's Coco Islands: Rumours and Realities in the Indian Ocean*, 12.

143 Zhao, *China and India: Competing for Good Relations with Myanmar*, 187.

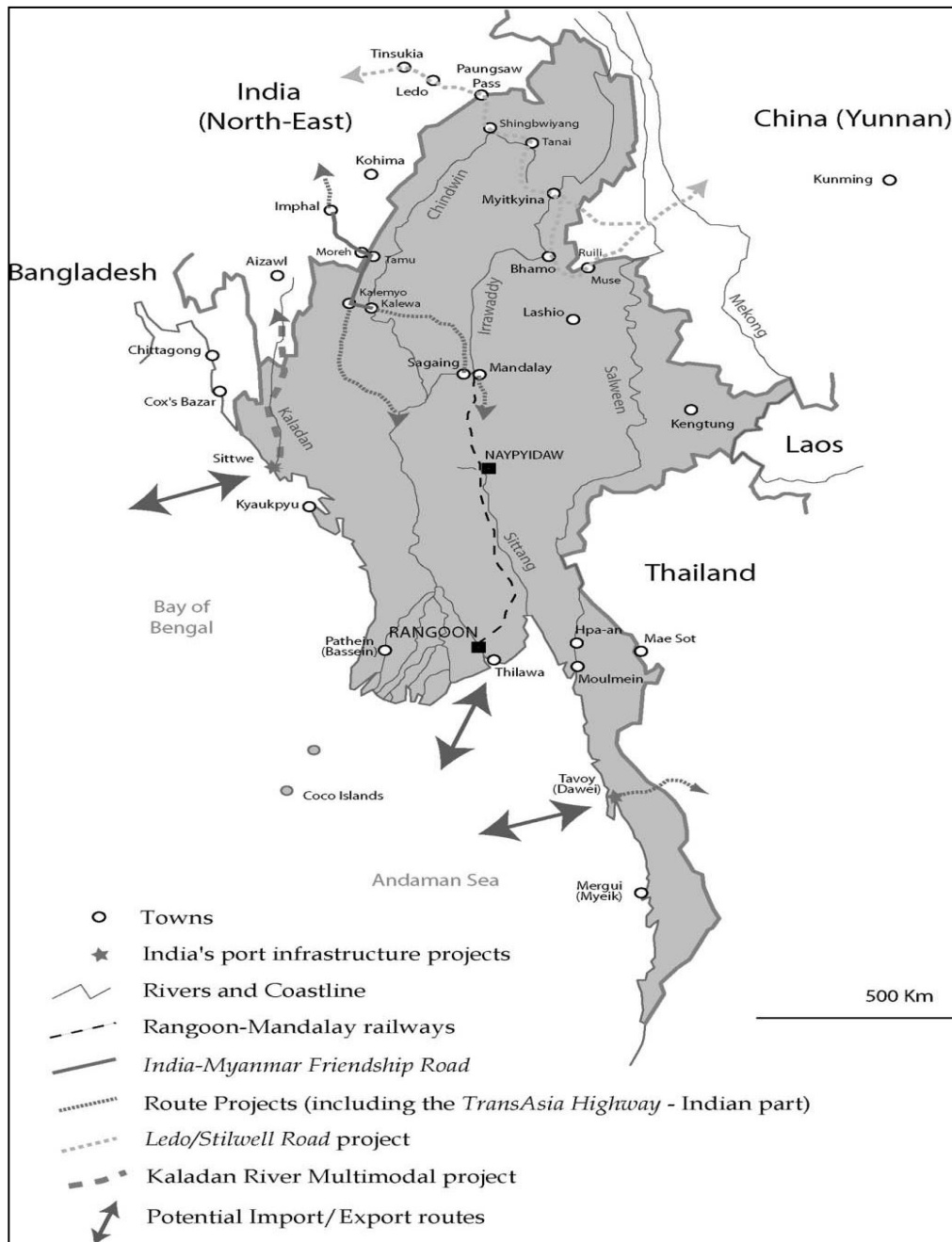


Figure 8. The “Indian Corridor” Through Myanmar¹⁴⁴

¹⁴⁴ Egretau, *India and China Vying for Influence in Burma - A New Assessment*, 51.

This assessment of Myanmar may be applicable to other places in the region as the quiet rivalry between India and China continues to ferment. In the IOR, Chinese actions appear to be motivated by economics and its own security concerns; the possibility of encircling India “is the plus of Beijing’s strategy, but not its core dimension.”¹⁴⁵ It is also instructive that over the past two decades there have been no hostile encounters between India and China in Myanmar, while both continue to invest in different plans, and to differing extents. The smaller countries in the region can be expected to continue to hedge, rather than to overtly balance or bandwagon with either India or China.

From an Indian standpoint, even if no material evidence exists about any single *pearl*, cumulatively Chinese actions are suggestive of its long-term strategic ambitions.¹⁴⁶ At the same time, the idea of the *String of Pearls* and suspicions about Myanmar in particular also caution against cognitive traps when assessing the threat posed by China. The propensity to amplify China’s capabilities, ascribing sinister intentions and overestimating one’s own status as an adversary, can lead to otherwise preventable trouble. The quest for a fine balance between guarding one’s own interests and not fuelling the rivalry will be a constant feature as India and China head toward 2020.

E. INDIA LOOKS EAST

In 1991, India faced a number of strategic and economic challenges that threatened its survival. The end of the Cold War presented an opportunity whereby India and the states of South East Asia were no longer enmeshed on the opposite sides of a bipolar international structure. Sensing the altered geopolitics, then-Indian Prime Minister Narsimha Rao launched a multipronged ‘Look East Policy’ to achieve greater economic and political alignment with the dynamic Asia Pacific region.¹⁴⁷ This policy was operationalized through institutional linkages with ASEAN, and the strengthening of

145 Egretau, *India and China Vying for Influence in Burma - A New Assessment*, 58.

146 Khurana, *China's 'String of Pearls in the Indian Ocean and its Security Implications*, 21–22.

147 G. V. C. Naidu, "Whither the Look East Policy: India and Southeast Asia," *Strategic Analysis* 28, no. 2 (2004), 331–336.

bilateral ties with individual countries. It is important to highlight the economy, and the yearning to develop India's North East, as prime motivators for this policy initiative. ASEAN countries were equally motivated by the opportunities presented by India's economic liberalization. Because the end of the Cold War had changed the balance of power in the region decidedly in China's favor, the ASEAN countries welcomed India as a possible counter-balance to China's growing assertiveness.¹⁴⁸ Balance of power calculations were thus inherent in India's admission to ASEAN in 1992 as a sectoral dialogue partner in the fields of trade, investment, tourism, and science and technology.¹⁴⁹ Despite official denials by both India and ASEAN, soft balancing against China has been a significant tenet of the burgeoning relationship between India and ASEAN.

1. Regional and Sub Regional Organizations

In 1995, India was elevated to the status of a full dialogue partner of ASEAN, and admitted as a member of the ARF the following year. It is significant that after 50 years of independence, ARF was the first multilateral security organization India chose to join.¹⁵⁰ India's growing interaction with ASEAN came at a time when regional states were increasingly wary of Chinese intentions in view of the Mischief Reef incident of 1995, the Taiwan crisis of 1996, and the dispute over the Spratly islands; hence, some analysts attribute ASEAN's muted response to India's nuclear tests in 1998 to their willingness to accommodate the sole Asian power capable of balancing China in the future.¹⁵¹

Trade between India and ASEAN countries has increased from a meager \$3.5 billion in 1991, to more than \$39 billion in 2008.¹⁵² While the \$160 billion trade between China and ASEAN countries is much stronger, India has leverage in the field of information technology (IT). Also, the fact it has no territorial disputes and no adverse

148 Athwal, *China-India Relations: Contemporary Dynamics*, 72.

149 Iskander Rehman, "Keeping the Dragon at Bay: India's Counter-Containment of China in Asia," *Asian Security* 5, no. 2 (2009), 139.

150 Batabyal, *Balancing China in Asia, A Realist Assessment of India's Look East Strategy*, 190–193.

151 Rehman, *Keeping the Dragon at Bay: India's Counter-Containment of China in Asia*, 130.

152 Athwal, *China-India Relations: Contemporary Dynamics*, 74.

historical baggage with the ASEAN countries grants it certain advantages over China.¹⁵³ At the turn of the century, India was ready to enter Phase 2 of its Look East Policy with the India-ASEAN Business Summit in 2002, and the declaration to establish a Free Trade Area (FTA) by 2016; coming two years after a similar declaration by China, the race to establish FTAs has been viewed by some analysts as another example of Sino-India rivalry.¹⁵⁴

The inclusion of India in the East Asia Summit (EAS) in 2005, despite China's objections, marked a significant step toward strengthening India's ties with ASEAN. China deftly applied its influence to create two blocs within EAS: the core group limited to the ASEAN (+3), and a second group including all peripheral members.¹⁵⁵ China also used Pakistan's good offices to gain observer status in the South Asian Association for Regional Cooperation (SAARC), much to India's chagrin; India, in turn, facilitated the granting of similar status to the U.S. and Japan, thus negating the effect of China's enterprise.¹⁵⁶ The inclusion of India, Australia, and New Zealand in the EAS is said to have breathed new life into the East Asian security architecture, but from China's perspective would have to be considered an unwelcome intrusion.

In addition to engaging with the ASEAN countries, India has also pursued cooperation through sub-regional organizations, challenging China's position as the epicenter of such initiatives. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) was launched in 1997 under India's aegis, as a bridge to bring together select countries from SAARC and ASEAN, thus highlighting natural congruence between the two.¹⁵⁷ In 2000, India launched the Mekong Ganga Cooperation (MGC) focused upon tourism, culture, and education; conspicuous by its absence was China, a major Mekong state. Indian proposals to build a road to Thailand

153 Tellis, *China and India in Asia*, 165.

154 Holslag, *China and India, Prospects for Peace*, 84–85.

155 G. V. C. Naidu, "India and the East Asian Summit," *Strategic Analysis* 29, no. 4 (2005), 711.

156 Scott, *The Great Power 'Great Game' between India and China: 'the Logic of Geography,'* 11.

157 Zhao, *China and India: Competing for Good Relations with Myanmar*, 124.

and rail link to Hanoi are widely viewed as counters to similar proposals by China.¹⁵⁸ However, India's relative economic and institutional weakness means that it is far from able to translate economic engagement into strategic influence.

2. Bilateral Relations

Singapore has emerged as India's most important bilateral partner in the region, and has been instrumental in elevating India's status within ASEAN.¹⁵⁹ Singapore is the third largest foreign investor in India, and, with the signing of the Comprehensive Economic Cooperation Agreement in 2005, both countries have eliminated most customs duties on bilateral trade.¹⁶⁰ Singapore and India have been actively involved in defense cooperation since 1994, which was further solidified with the signing of the 2003 Defense Cooperation Agreement. While Singapore utilizes Indian military training facilities at Deolali, Babina, Chandipur, and Kochy, India has been allowed access and logistics rights at the Changi Naval Base at the tip of the Malacca Straits.¹⁶¹ Singapore is an example of a regional state willing to engage India and avoid overdependence on China, with the encouragement of the U.S.¹⁶²

In January 2000, then-Indian Defense Minister George Fernandes described Vietnam as India's most trusted friend and ally. Shared concerns over Chinese hegemony, memories of past aggression, and fears of future intentions provide a strong foundation for a relationship marked by growing defense and economic ties. The establishment of a strategic partnership in 2003 is likely to overcome India's current political caution about supplying Prithvi and Brahmos missiles to Vietnam under the provisions of the MTCR.¹⁶³ These supplies will boost Vietnam's military potential in the

158 David Brewster, "India's Strategic Partnership with Vietnam: The Search for a Diamond on the South China Sea?" *Asian Security* 5, no. 1 (2009), 31.

159 Naidu, *Whither the Look East Policy: India and Southeast Asia*, 338.

160 Zhao, *China and India: Competing for Good Relations with Myanmar*, 123, 127.

161 Brewster, *India's Strategic Partnership with Vietnam: The Search for a Diamond on the South China Sea?* 36.

162 Anindya Batabyal, "Balancing China in Asia: A Realist Assessment of India's Look East Strategy," *China Report* 42, no. 2 (2006), 194.

163 Rehman, *Keeping the Dragon at Bay: India's Counter-Containment of China in Asia*, 133.

South China Sea. However, Vietnam's hesitation, or even unwillingness, to allow Indian Navy berthing rights at the Cam Ranh Bay deep port "reflects the centuries old pendulum between obeisance and outright hostility" toward China.¹⁶⁴ China has responded in its characteristic fashion: Chinese investment in Vietnam has increased from \$7.2 million in 1995 to \$85.6 million in 2004, totaling \$200 million during this period.¹⁶⁵ Vietnam is an example of how countries in the region may seek maximum maneuverability by hedging, not aligning, and by thereby avoiding domination by any single major power.¹⁶⁶

As India entered the second phase of its Look East Policy, the very notion of the East was being redefined as India began to reach out to Japan. The deterioration of relations between Japan and the PRC signaled that Tokyo might be ready to set aside its aversion to India's nuclear tests, paving the way to high-level visits and military ties. The 'arc of democracy' comprised of India, Japan, and Australia, has been viewed by China as evidence of India's involvement in a containment strategy engineered by the U.S.¹⁶⁷

3. Naval Diplomacy

The Indian Maritime Doctrine 2004 identifies South East Asia as part of India's extended neighborhood and an area of legitimate interest.¹⁶⁸ India has thus employed naval diplomacy to foster cooperative frameworks with the littoral states of South East Asia in an effort to establish a regular naval presence in the region without overtly confronting the Chinese. Joint exercises with Indonesia, Vietnam, and Singapore in the South China Sea signal India's ability to impinge on China's traditional maritime space. MALABAR 2007 with the U.S., Japan, and Australia in the Bay of Bengal; TRILATEX 2007 with the U.S. and Japan off the western coast of Japan and the East China Sea; SIMBEX 2009 with Singapore in the South China Sea; observer status in the RIMPAC

164 Brewster, *India's Strategic Partnership with Vietnam: The Search for a Diamond on the South China Sea?* 29–31.

165 Zhao, *China and India: Competing for Good Relations with Myanmar*, 131.

166 Batabyal, *Balancing China in Asia, A Realist Assessment of India's Look East Strategy*, 191.

167 Rehman, *Keeping the Dragon at Bay: India's Counter-Containment of China in Asia*, 135.

168 Indian Navy, *The Indian Maritime Doctrine* (New Delhi: Ministry of Defence [2004]).

exercises off Hawaii; and, participation in exercises with the U.S. Navy between Okinawa and Guam mark a discernible trend¹⁶⁹: India appears to be joining the chorus that the South China Sea is not a Chinese lake!¹⁷⁰

In the final analysis, while India's Look East Policy is primarily motivated by economics, soft balancing against China is also taking place. The South East Asian countries are key players in this interaction, and are likely to continue the current practice of hedging against both India and China; in fact, it is India and China that will compete for ASEAN's favors, ranging from tangible trade benefits to intangible influence.¹⁷¹ India has shown a newfound readiness to engage in multifaceted relationships marked by defense diplomacy, and is likely to further shed its aversion to regional multilateralism.¹⁷²

Neo-liberals like Robert Keohane claim that repeated interaction between states in multilateral institutions propels them toward greater cooperation and contributes to complex interdependence.¹⁷³ Some of the positive benefits of such interaction are evident in China's relations with ASEAN: China is more willing to put off a final resolution of the Spratly islands dispute, and views multilateralism as a better way to expand its influence in the face of America's overwhelming force.¹⁷⁴ Similarly, the interaction between India and China in multilateral forums can potentially lead to enhanced mutual understanding and consensus building. However, China's opposition to India's inclusion in the EAS is an indicator that the positive effects of institutionalization are not guaranteed in a competitive environment. Up to this point, China has been able to avoid taking a lone position on India's bid to join the Asia-Pacific Economic Cooperation

169 Scott, *Sino-Indian Security Predicaments for the Twenty-First Century*, 259, 260; Scott, *The Great Power 'Great Game' between India and China: 'the Logic of Geography'*, 11; David Scott, "India's 'Extended Neighborhood' Concept: Power Projection for a Rising Power," *India Review* 8, no. 2 (2009), 123.

170 STRATFOR, "India Challenges China in South China Sea," *Asia Times Online*, April 26, 2000, <http://www.atimes.com/ind-pak/BD27Df01.html>

171 Athwal, *China-India Relations: Contemporary Dynamics*, 162–164; Zhao, *China and India: Competing for Good Relations with Myanmar*, 137–139.

172 Naidu, *Whither the Look East Policy: India and Southeast Asia*, 344.

173 Robert O. Keohane and Joseph S. Nye, "Complex Interdependence and the Role of Force," in *International Politics, Enduring Concepts and Contemporary Issues*, eds. Robert C. Art and Robert Jervis, Fourth ed. (New York: Harper Collins College Publishers, 1996), 242, 243.

174 Athwal, *China-India Relations: Contemporary Dynamics*, 165.

(APEC) and the UNSC, thanks to America's ambivalence; however, with time, if U.S. objections abate China's stance stand will be more obvious, and reveal its actual strategic orientation towards India.¹⁷⁵

Significantly, the growing dialogue between India and the U.S. can either undermine the process of Sino-India normalization or accelerate it by encouraging the Chinese leadership to try to wean New Delhi away from Washington's influence.¹⁷⁶ The willingness on the part of the Chinese to make some concessions can be sensed through the signing of the India-China Strategic and Cooperative Partnership for Peace and Prosperity in 2005 and the Strategic Vision for the 21st Century in 2008.¹⁷⁷ Theoretically, India can itself emerge as a swing state by showing some of the same adroitness displayed by smaller countries in the region. However, in the face of persistent core differences, China is likely to continue to be considered a potential threat. India and the U.S., by virtue of their shared values and security concerns, can be expected to further strengthen their bilateral relations. In such a scenario, whether partnership with the U.S. adds stability (through a balance of power) or instability (by stoking a security dilemma) remains to be seen, and is something New Delhi will have to appraise constantly.

F. CONCLUSION

This chapter has analyzed Sino-India relations from a geopolitical point of view. By concentrating on each country's sphere of influence, through the lenses of Sino-Pak relations, China's forays in the IOR, and India's Look East policy, one gets the sense that a quiet rivalry for power, security, wealth, and status is underway.

Analyzing the trend in Sino-Pak relations yields a mixed report card: a neutral stance on Kashmir and unwillingness to get directly involved in an Indo-Pak conflict are welcome signs, but continued conventional and nuclear assistance to Pakistan's military to constrain India will cast a shadow on future prospects for good Sino-India relations.

¹⁷⁵ Rehman, *Keeping the Dragon at Bay: India's Counter-Containment of China in Asia*, 116, 121, 138.

¹⁷⁶ Ibid., 139.

¹⁷⁷ Scott, *Sino-Indian Security Predicaments for the Twenty-First Century*, 263–265.

For the sake of its own economic prosperity and stability in Xinjiang, one might hope that China would encourage stability in Pakistan. One of the greatest challenges in coming years for Indian policy makers will be to estimate China's future intentions with respect to India, and the contours of Sino-Pak relations will be the most important indicator for gauging that.

China's overtures in the IOR are primarily motivated by its security concerns with respect to its SLOCs, and the desire to fuel economic growth in Xinjiang and Yunan. The military value of a *String of Pearls* approach cannot be determined from the available evidence, so any analysis is presumptuous. However, China's desire to be recognized as a global power implies that its drive towards a Blue Water Navy will intensify in the future, and will look menacing to India.

India's Look East Policy is inspired by economics, but the implicit aspect of soft balancing against China is hard to miss. U.S. hegemony will be a critical factor in maintaining the delicate balance of power in the region, especially since traditional boundaries between South, South East, and East Asia are being blurred through regional institutions. China's attitude toward India's quest to join APEC, and the UNSC will be critical for their bilateral relationship.

It is significant that despite the obvious competition between India and China there have been no hostile encounters between them, even when they are vying for influence or economic advantage in the same region or country. This positive observation must be attributed to the pragmatic approach taken by both countries, and the critical role played by the smaller states in the region. On the one hand, they stand to benefit from the dotting gaze of both India and China; on the other hand, they are well positioned to continue to hedge against domination by either.

From the perspective of IR theories, the analysis in this chapter has to be considered biased since geopolitics best fits with the frameworks offered by offensive realism and balance of power constraints. But, the security dilemma espoused by defensive realists, and the role of national and regional interests, are also relevant. So is the liberal explanation with respect to the role of institutions, which is partially validated

by the manner in which China is getting socialized within ASEAN (+3). Of course, a positive impact on Sino-India relations still awaits future judgment. The paramount concern in this chapter has been to investigate the politico-strategic rivalry between India and China, which cannot be considered without taking into account frenzied trade and investment, thereby highlighting the connection between geopolitics and geo-economics.

IV. RISING CHINA AND EMERGING INDIA

A. “IT’S THE ECONOMY, AND NO ONE’S STUPID”¹⁷⁸

The GDP of China and India in 1947 was \$239 billion and \$222 billion respectively.¹⁷⁹ It was not until 1978 for China and 1991 for India that the two countries were ready to break the proverbial shackles of the past and set forth on a journey of economic liberalization. Beginning with Deng’s proclamation of the *Four Modernizations*, China steadily established itself as the world’s assembly factory. In contrast, India became the first developing country whose export take-off was based on services rather than manufacturing. China’s economic liberalization was paradoxically orchestrated by the Communist Party, whereas a vibrant private sector took the lead in India. A look at the growth in GDP for both countries, and projections for the future tell us an impressive tale in respect to China. India’s achievements, though dwarfed in comparison to China’s progress, are significant in their own right. China and India are the second and fourth largest economies of the world as per their purchasing power parity (PPP), and, as per current estimates, the two countries are expected to grow at 10% and 8% respectively in the short to medium term.

¹⁷⁸ Joe T. Karackattu, *India China Relations: It's the Economy and No One's Stupid* (New Delhi: IDSA, 2010), 1.

¹⁷⁹ Jonathan Holslag, *China and India, Prospects for Peace* (New York: Columbia University Press, 2010), 10.

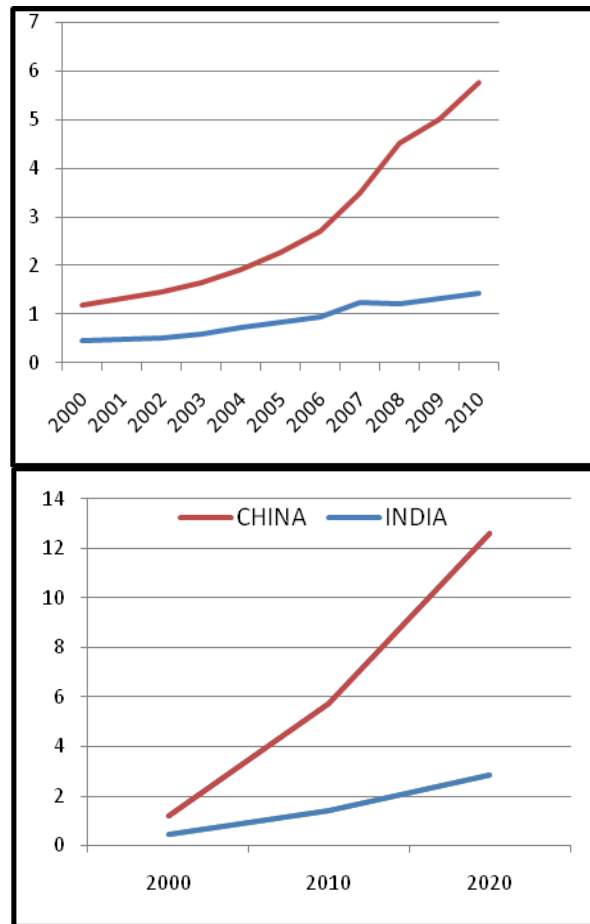


Figure 9. Observed and Projected GDP Growth of China and India in U.S. Dollars (Trillions)¹⁸⁰

We can trace some of this success back to Rajiv Gandhi's visit to Beijing in 1988 in the wake of the military standoff in Arunachal Pradesh. One of the major achievements of that trip was the commitment of the two countries to uncouple the boundary issue from economic ties: during the visit, three agreements were signed to further economic cooperation, which laid the bedrock for future interactions.¹⁸¹ These measures served as a valuable CBM. In 1992, the two countries opened consulates in Mumbai and Shanghai.

¹⁸⁰ World Bank, "World Development Indicators," The World Bank, <http://data.worldbank.org/indicator/> Dominic Wilson and Anna Stupnytska, *The N-11: More than an Acronym* (New York: Goldman Sachs, [2007]).

¹⁸¹ David M. Malone and Rohan Mukherjee, "India and China: Conflict and Cooperation," *Survival* 52, no. 1 (February 2010), 143.

Bilateral trade, from a modest \$123 million in 1987 steadily increased to \$1 billion in 1995.¹⁸² It can be argued that economic interactions between China and India became significant only at the turn of the current century, but within a decade have assumed a dynamic of their own with the potential to radically change Sino-India relations. This chapter strives to explore the nature of economic progress in China and India, their bilateral economic interactions, and the impact these are likely to have on the prospects of Sino-India relations by 2020.

The two major schools of IR theory predict diametrically opposite effects of economic progress on Sino-India relations. Realists assume that the high politics of military security dominate the low politics of economic affairs. Armed with Robert Gilpin's assumption that a state's interest in relative gains will lead to aggressive economic behavior, analysts suggest that two rising powers that share a troubled past, rapidly growing economies, and global ambitions cannot peacefully co-exist at such close quarters.¹⁸³ These analysts view the prospects of Sino-India relations in terms of energy competition, trade wars, and the military security dilemma. In contrast, liberals dating back to Montesquieu, assert that the natural effect of commerce is to bring about peace.¹⁸⁴ Analysts who subscribe to this latter school generate three hypotheses: one, economic interdependence will raise the opportunity costs of conflict and promote peace; two, private actors will develop stakes in a mutually beneficial relationship and domestic influence will shift from military conservatives to business elites; and three, the imperative to maintain their reputation as responsible partners in the global economic system will move both members of the dyad towards negotiated settlement.¹⁸⁵ Indeed, as Jonathan Holslag contends, negative images of the past may erode when relations have been sustained for a long period. This reinforces the constructivist argument that through mutually beneficial relations, societies will reconstruct their identities through one

182Mansingh, *Rising China and Emergent India in the 21st Century: Friends Or Rivals?* 127.

183Robert Gilpin, *War and Change in World Politics*, 1981), 127, 133–4, 170–2; Malone and Mukherjee, *India and China: Conflict and Cooperation*, 145.

184 Holslag, *China and India, Prospects for Peace*, 4.

185Christopher J. Rusko and Karthika Sasikumar, "India and China: From Trade to Peace?" *Asian Perspective* 31, no. 4 (2007), 108–109.

another's lenses.¹⁸⁶ However, empirical evidence with respect to Sino-India economic interactions does not neatly fit them into either of these IR paradigms. Hence, one can only use analytic eclecticism to transcend the boundaries between what current IR theories offer. Because Sino-India economic interactions have only gained significance over the last decade, any analysis is tentative. Bearing that in mind, this chapter aims to assess discernible trends and how they may play out in the future.

The argument presented in this chapter is that economics is likely to add pragmatism to Sino-India relations in four ways. Firstly, the economic focus in both countries will impel them to maintain a peaceful environment in which to achieve their development goals, and this orientation will be beneficial to their relationship. Secondly, economic progress is likely to provide both militaries with additional resources for modernization. The anticipated costs of war will have a sobering impact on Sino-India relations; however, the pace of China's military modernization will reinforce the relevance of deterrence in the minds of Indian policy makers. Thirdly, China's and India's economic development will increase their dependence on imported energy resources. The quest to gain preferential access to oil and gas is likely to lead to competition between the two, but both countries will also continue to explore avenues that can transform their mutual vulnerability into an area of cooperation. Lastly, the burgeoning trade between China and India will create a constituency for peace. Even so, bilateral trade by itself may not be sufficient to establish complex interdependence; the impetus for that will have to come from the process of political rapprochement.

This chapter is divided into three parts. The first part reviews China's proclamations of its peaceful rise and military modernization. Although a detailed comparison between the Chinese and Indian militaries is beyond the scope of this thesis, issues relating to China's defense budget, doctrines, and capabilities are addressed. Next, the chapter analyzes China's and India's quests to gain energy resources and the effect of this pursuit on their relationship. Finally, the chapter assesses Sino-India economic

¹⁸⁶Holslag, *China and India, Prospects for Peace*, 6, 118.

interactions with an emphasis on institutional mechanisms and bilateral trade, leaving to the Conclusion questions regarding the prospects for complex interdependence.

B. CHINA'S PEACEFUL RISE AND MILITARY MODERNIZATION

1. Peaceful Rise

The ascendance of Deng Xiaoping onto the national stage and the downfall of the *Gang of Four* replaced the bellicosity of Mao's revolution with declarations of peace and development. In 1978, Deng announced the *Four Modernizations* and further departed from the legacy of the Great Leap Forward and Cultural Revolution. In 1988, while receiving Rajiv Gandhi in Beijing, Deng categorically emphasized the economic focus of his policies: "we have wasted about 20 years when we could have been building our country."¹⁸⁷ Based on the principle of '*Tao Guang Yang Hui*' (Hide Brightness, Nourish Obscurity), China declared that it would no longer support insurgencies in India's northeastern states.¹⁸⁸

Since the middle of the 1990s, and in the aftermath of the Taiwan Straits crisis, China began to justify its rapid economic and military development in terms of a new security concept: "the core of the new security concept should be mutual trust, mutual benefit, equality, and cooperation."¹⁸⁹ Repeated references were made to the United Nations charter, world peace, and security. Analysts infer that this orientation was inspired by two long-term motivations: one, the need to focus on critical economic, political, and social challenges at home; and two, the need to diffuse concerns and distrust amongst regional players. In 2003, this orientation was christened the *peaceful rise*, and in 2004, Wen Jiabao stressed the need to take advantage of world peace to promote China's economic growth. When a few critics started questioning the linkage

187 Holslag, *China and India, Prospects for Peace*, 45.

188 Malone and Mukherjee, *India and China: Conflict and Cooperation*, 142.

189 Aki Mori, "Rich Country, Strong Armed Forces? The Sources of China's Comprehensive National Power," *Centre for Asia Pacific Newsletter N38*, December 2007, 30–32, http://www.rchss.sinica.edu.tw/capas/publication/newsletter/N38/38_01_02.pdf.

between *peaceful* and *rise*, China's leaders adopted *peaceful development* as its new mantra. The PRC appears to have made a conscious decision to avoid military entanglements as it instead focuses on maximizing its CNP.¹⁹⁰

Despite rising GDPs and high growth rates, both China and India still have significant poverty, very low per capita income, and pockets of domestic unrest. The leaders in both countries recognize that rising inequalities may result in social tensions: the legitimacy of the Chinese Communist Party hinges on the success of its economic model, and even the Indian Prime Minister acknowledges that Indian Maoists are India's greatest internal security challenge. Thus, the quest for economic progress is not just a reflection of each country's aspiration to great power status, but has an important domestic political rationale. Moreover, the economic strategies of both China and India rely on exports and Foreign Direct Investments (FDI), and neither is keen to disturb the investment climate for their economic suitors.¹⁹¹ This emphasis on economics is likely to have a continued favorable impact on their bilateral relationship.

Those who think in terms of *strategic culture* argue that China considers territorial disputes to be of high value; they argue China is more likely to use force, as opposed to accommodation, to guard its interests¹⁹²: "The [ancient Chinese] texts reflect essentially a *parabellum* conceptualization of the security *problematique*. Consistent with this paradigm most of the texts show a preference for violent strategies over accommodation."¹⁹³ However, belying this view, China has, since the 1980s, resolved most of its border disputes, making important concessions. In an article examining whether China is a status quo or a revisionist power, A.I. Johnston, himself a proponent

190 Guihong, *China's Peaceful Rise and Sino-Indian Relations*, 159–162.

191 Rusko and Sasikumar, *India and China: From Trade to Peace?* 106, 117–121.

192 Alastair I. Johnston, "China's Militarised Inter State Dispute Behaviour 1949–92: A First Cut at the Data," *The China Quarterly* 153 (March 1998), 29.

193 Alastair I. Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton, New Jersey: Princeton University Press, 1995), 143.

of *strategic culture* theory, concludes that China is integrating more with global governance structures, is emerging as a beneficiary of the system, and does not show an indication of challenging the current world order.¹⁹⁴

However, three objections come to mind: China may be doing this to prevent balancing behavior among neighboring states in collusion with the U.S.; two, China has not resolved its border dispute with India, or abstained from constraining India by arming Pakistan; and three, this might be a transitory strategy that enables China to maximize its CNP. In other words, it is unclear whether this heralds a permanent evolution.

Various estimates predict that China's CNP will be comparable to that of the U.S. by the middle of the century. No one can be sure what shape China's foreign policy will take then.¹⁹⁵ However, in the meantime, China is likely to seek a peaceful environment guided by self-interest. This will benefit both China and India, and create the temporal space in which they might be able to resolve differences, build positive relations through CBMs, and continue to evaluate each other's intentions. A key instrument for evaluating China's future intentions, at least from India's point of view, is via an analysis of its military modernization.

2. China's Military Modernization

Military modernization was the last among the four modernizations announced by Deng Xiaoping. However, the implicit connection between economic progress and military modernization, and their combined contribution toward China's CNP was evident. David Shambaugh identifies the threat of Taiwan's independence, U.S. hegemony in Asia, China's desire to be a global power, growing energy demands, and the regional security environment as the contextual drivers of China's military modernization. Within the regional context, China appears more anxious with respect to its relations with Japan and a contingency arising in the Korean peninsula than with

194 Alastair I. Johnston, "Is China a Status Quo Power?" *International Security* 27, no. 4 (2003), 55–56.

195 Guihong, *China's Peaceful Rise and Sino-Indian Relations*, 35.

planning for an eventuality against India.¹⁹⁶ However, the Chengdu and Lanzhou Military Regions (MR) take India into account as a potential adversary.¹⁹⁷

According to Jonathan Holslag, the overall balance of power between China and India differs across various dimensions of military capability, but on the whole they are both vulnerable to potential acts of hostility (See Table 1). He affirms that multiple levels of deterrence lead to the reduced probability of an armed conflict.¹⁹⁸

<u>Manpower/ Weapon systems</u>	<u>China</u>	<u>India</u>
Manpower	2.1 Million	1.3 Million
Tanks/ APCs/LAVs/Artillery/	30,010	16,336
Combat aircraft	2554	599
Surface Combatants	75	48
Submarines	60	16
Nuclear Warheads	410	70-110

Table 1. Manpower and Weapon Systems of China and India¹⁹⁹

Clearly, the GDP growth in China and India has direct relevance to their defense expenditures. The defense burden of the Chinese military, described as a percentage of GDP and total government expenditure, has remained modest at below 2% and 10% respectively. However, the current rate of GDP growth implies that, in absolute terms, the Chinese military will have adequate monetary resources for its planned modernization.²⁰⁰ SIPRI data confirms that Chinese military expenditures have grown at an unmatched rate during the 21st century (See Figure 10). Moreover, agencies such as the International

196 David Shambaugh, "China's Military Modernization: Making Steady and Surprising Progress," in *Strategic Asia 2005-2006: Military Modernization in an Era of Uncertainty*, eds. Ashley J. Tellis and Michael Wills (National Bureau of Asian Research, 2006), 68–77.

197 Dennis J. Blasko, *The Chinese Army Today*, First ed. (New York: Routledge, 2006), 32, 33, 72, 73.

198 Jonathan Holslag, "The Persistent Military Security Dilemma between China and India," *The Journal of Strategic Studies* 32, no. 6 (December 2009), 837.

199 Andrew David and Marc Miller, "Strategic Asia by Numbers," in *Strategic Asia 2008-2009: Challenges and Choices*, ed. Ashley Tellis (Seattle: National Bureau of Asian Research, 2008), 470–472.

200 Shambaugh, *China's Military Modernization: Making Steady and Surprising Progress*, 96.

Institute of Strategic Studies estimate that China's actual defense spending is between two to three times the official figures.²⁰¹ India has been spending approximately 2.5% of its GDP on defense, and the rise in India's GDP has implied a similar loosening of purse strings for military modernization.

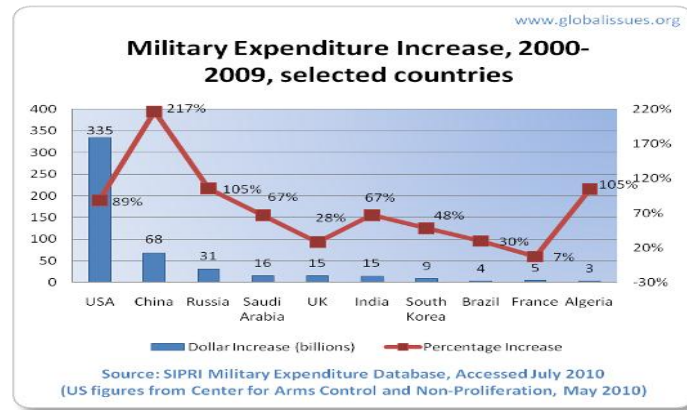


Figure 10. Military Expenditure Increase 2000–2009²⁰²

Assuming China and India continue to spend 2% and 2.5% of their projected GDPs on defense, and that these funds will be translated into vital military assets, the difference in their respective capabilities will start widening in the time frame of 2020 (See Figure 11). The lack of transparency with respect to China's military expenditure or its future intentions will further add to India's apprehensiveness.

²⁰¹ Shambaugh, *China's Military Modernization: Making Steady and Surprising Progress*, 79.

²⁰² Global Issues, "World Military Spending," Global Issues, <http://www.globalissues.org/article/75/world-military-spending>.

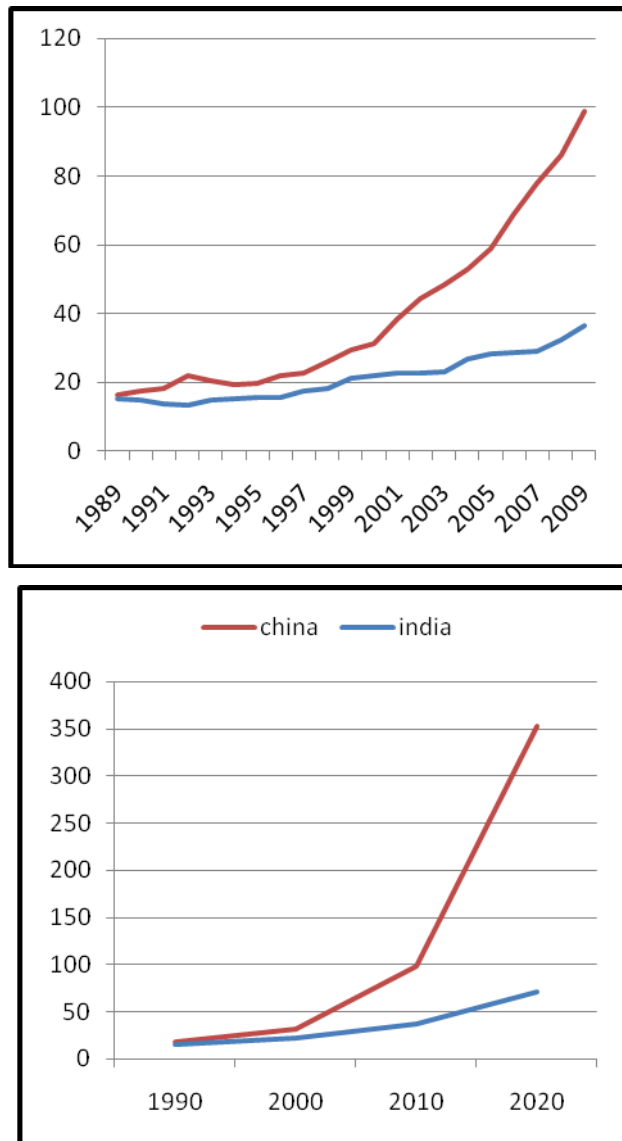


Figure 11. Observed and Predicted Defense Expenditures (in \$ billions) of China and India²⁰³

The PLA doctrine has evolved through five stages: People's War (1935-1979), People's War Under Modern Conditions (1979-1985), Limited War (1985-1991), Limited War Under High Technology Conditions (1991-2004), and Limited War Under High Technology and Information Conditions (since 2005).²⁰⁴ The revision in 1985 was

²⁰³SIPRI, "SIPRI Military Expenditure Database," SIPRI, <http://milexdata.sipri.org/>.

²⁰⁴ Shambaugh, *China's Military Modernization: Making Steady and Surprising Progress*, 84.

based on Deng's assessment that China no longer faced a threat of a superpower invasion, but did not rule out regional confrontations. The last two evolutions have been motivated by China's study of the two Iraq Wars and the Revolution in Military Affairs, especially with regard to a Taiwan contingency against the U.S. Currently, the Chinese military emphasizes Precision Guided Missiles, automating Command, Control, Communications, and Information (C3I) systems, Electronic Warfare (EW) capabilities, integrated joint operations, and the need to enhance logistics support and maintenance.²⁰⁵ Despite the inflow of money, the fact that China has a nascent defense industrial complex and lacks access to western armaments technology is likely to impede its military modernization.

China's 2006 White Paper on Defense lays out a three step development strategy for military modernization and sets 2020 as a milestone in several fields.²⁰⁶ Modernization to support the latest doctrine has not occurred across the board, but has centered on developing pockets of excellence within the Air Force, Navy, and China's 2nd Artillery. Within the ground forces, the emphasis has been on rapid response units capable of deploying anywhere in China within 24 hours. Four Group Armies (GA) have reportedly been trained for such contingencies, with the 13th GA (Chengdu MR) specifically trained for high altitude warfare.²⁰⁷ China's conventional missile forces include approximately 1500 Short/ Medium Range Ballistic Missiles (SRBMs/ MRBMs) deployed on its Eastern seaboard; worth noting is that a portion of these missiles could be easily redeployed against India.²⁰⁸

The PLA cannot transform itself into a modern military capable of challenging U.S. hegemony in Asia over the next decade; moreover, it has exhibited little evidence of attempting to acquire disproportionate power projection capabilities that would imply an

205Kumar Singh Bhartendu, "Whither China's Military Modernization," *Strategic Analysis* 32, no. 4 (July 2008), 678; Dennis Woodward, "The People's Liberation Army: A Threat to India?" *Contemporary South Asia* 12, no. 2 (June 2003), 231.

206Govt. *White Papers: China's National Defence in 2006* (Beijing: Information Office of the State Council of the PRC, [2006]), <http://www.china.org.cn>.

207 Holslag, *The Persistent Military Security Dilemma between China and India*, 819.

208 Taylor M. Fravel and Evan S. Medeiros, "China's Search for Assured Retaliation: The Evolution of Chinese Nuclear Strategy and Force Structure," *International Security* 35, no. 2 (Fall 2010), 82.

aggressive intent. However, the PLA's regional reach will steadily improve and alter the balance of power in Asia.²⁰⁹ The frantic pace of infrastructure development in Tibet is, for instance, a cause of concern for India since it has shrunk the preparatory period for responding to a High Level Threat (HLT) from six months to a matter of a few weeks.²¹⁰ Indian moves to revamp airfields in Assam and Arunachal Pradesh, forward deployment of Su-30 squadrons, and the decision to upgrade strategic roads in India's North-East suggest that although an arms race between China and India is neither prudent nor expected, India will be hard pressed to ensure it has a sufficient credible conventional and nuclear deterrence capability to prevent any miscalculations of cheap victory or opportunism. This counter-balancing might partially feed the security dilemma. However, the advantages that accrue to a mountain defense and nuclear deterrence imply that India can wisely choose to maintain the offense-defense balance recommended by Robert Jervis as a means to mitigate the security dilemma.²¹¹

209 Shambaugh, *China's Military Modernization: Making Steady and Surprising Progress*, 66, 95.

210 Holslag, *The Persistent Military Security Dilemma between China and India*, 821.

211 Robert C. Art and Robert Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*, 4th ed. (New York, USA: Harper Collins College Publishers, 1996), 198–199.

<u>Service/ Capability</u>	<u>China</u>	<u>India</u>
Ground Forces	<u>Airborne</u> - 1 Corps. - 2 Naval Infantry Brigades. <u>Helicopters</u> - 30 Attack and 10 Assault.	<u>Airborne</u> - 5 Battalions <u>Helicopters</u> - 20 Attack and 12 Assault.
Air Force	<u>Advanced Fighters</u> - 115 Su-27 (J-11). - 75 Su-30 MKK. - 60 J-10. <u>Air Transport</u> - 18 IL-76 MD. - 30 IL-76 TD. <u>Air Refueling</u> - 10 HY-6. - 8 IL-78 on order.	<u>Advanced Fighters</u> - 100 MiG 27 ML. - 50 Su-30 MKI. - 35 Mirage 2000. - 50 Mig 29B. <u>Air Transport</u> - 25 IL-76 Candid. <u>Air Refueling</u> - 6 IL-78 Midas.
Navy	- 60 Submarines (7 Nuclear). - 1 Aircraft Carrier <i>Varyag</i> (Not commissioned). - 75 Small Landing Ships. - 160 Landing Crafts.	- 16 Submarines. - 1 Aircraft Carrier. - 1 Large Landing Ship. - 10 Small Landing Ships. - 6 Landing Crafts.
Missiles	- 35 IRBM. - 1500 MRBM/ SRBM.	- 12 IRBM. - 30 SRBM.
Satellites	- 43 (13 Military).	- 16 (1 Military).

Table 2. Relative Power Projection Capabilities of China and India²¹²

China's anti-satellite (ASAT) missile test in 2007, its anti-ship ballistic missile (ASBM) test in 2010, and the maiden flight of a J-20 fifth generation stealth fighter aircraft in 2011 represent signaling by the PLA, presumably designed to convince the

212 Dennis C. Blair, "Military Power Projection in Asia," in *Strategic Asia 2008-2009: Challenges and Choices*, ed. Ashley Tellis (Seattle: National Bureau of Asian Research, 2008), 417.

U.S. to respect China's intentions regarding Taiwan.²¹³ The effectiveness of some of these weapon systems is questionable, and most of these prototypes will take considerable time before they become operational. However, the PLA's desire to leapfrog the technological divide is unmistakable. China's aspiration to match, or at least deter, U.S. forces during a future Taiwan crisis, sets such a high technological benchmark for the PLA that this might automatically grant it an edge against India. Thus, while striving for a semblance of parity in numbers, India should probably review the qualitative effectiveness of its deterrence capabilities frequently.

In contrast to its ever-evolving conventional doctrines, China's nuclear doctrine has been relatively consistent. China's leaders have viewed nuclear weapons as tools for deterring nuclear aggression and resisting nuclear coercion, and not as weapons to accomplish military objectives.²¹⁴ The tenets of minimum credible deterrence, no first use, and civilian control imply that there is a striking similarity between both China's and India's stated nuclear doctrines.²¹⁵ As Manpreet Sethi comments, the defensive orientation of China's and India's nuclear doctrines enhance stability, and consequently the relationship should be less prone to deterrence breakdown.²¹⁶

Nonetheless, in 2010, China is reported to have deployed a credible second-strike capability for assured retaliation against all its nuclear adversaries, and the current emphasis continues to be to improve the reliability, survivability, and penetrability of its nuclear arsenal through mobility, concealment, and a moderate increase in warheads. Toward this end, China has started deploying road mobile and solid fuelled DF-31 and DF-31A Inter Continental Ballistic Missiles (ICBMs), and is reportedly building five Jin-class SSBNs, which would be armed with approximately 10 JL-2 Submarine Launched

213 Shirley Kan, *China's Anti Satellite Weapon Test* (Washington D.C.: Congressional Research Service, [2007]); Ronald O' Rourke, *China Naval Modernization: Implications for US Navy Capabilities - Background and Issues for Congress* (Washington D.C.: Congressional Research Service, [2011]); Taiming Cheung, *The J-20 Fighter Aircraft and the State of China's Defense Science, Technology, and Innovation Potential* Study of Innovation and Technology in China, [2011]).

214 Fravel and Medeiros, *China's Search for Assured Retaliation: The Evolution of Chinese Nuclear Strategy and Force Structure*, 51.

215 Manpreet Sethi, *Nuclear Deterrence in Second Tier Nuclear Weapons States: A Case Study of India* (New Delhi: CSH [2009]).

216 Ibid.

Ballistic Missiles (SLBMs).²¹⁷ Future trends suggest that the 2nd Artillery is keen to develop multiple independently targeted reentry vehicles (MIRVs) and ASATs to defeat missile defense programs initiated by the U.S.²¹⁸ Strategic modernization of China's nuclear forces at a time when most of China's centers of gravity remain beyond the range of Indian missiles will pin the stability of nuclear deterrence on China's intentions and avowed nuclear doctrine.

Some experts conjecture that with continued economic and scientific advancement and changes in threat perceptions, China may graduate from minimum to limited deterrence, capable of intra-war deterrence and controlled escalation. Similarly, skeptics question China's no-first-use pledge and fear that China may claim threats to its sovereignty to justify pre-emption as a strategically defensive act.²¹⁹ In view of the foregoing, most Indian analysts recommend that a credible second strike capability against China will help assure stable Sino-India relations. India's successful test in 2007 of the *Agni III* Intermediate Range Ballistic Missile (IRBM) which is capable of reaching most parts of China must be viewed in this context. Delhi has stated that the missile will only be armed with conventional payloads; however, the relevance of the 2007 test is not lost on anyone. Another potentially complicating factor is that China does not recognize India as a Nuclear Weapon State (NWS), hence leaving no scope, at present, for nuclear CBMs.²²⁰

Still, China and India appear mindful of the need to build mutual trust between their militaries. Military CBMs which had taken somewhat of a back seat since 1996 have been reinvigorated in recent times. In 2005, during Wen Jiabao's visit to India, 'Protocols on CBMs along the LAC' were signed, elucidating provisions to preserve peace and tranquility along the border. The protocols also institutionalized military

217 Fravel and Medeiros, *China's Search for Assured Retaliation: The Evolution of Chinese Nuclear Strategy and Force Structure*, 75, 76, 82, 86.

218 Ibid., 84.

219 Ibid., 79.

220 Sethi, *Nuclear Deterrence in Second Tier Nuclear Weapons States: A Case Study of India*, 31.

exchanges in almost all sectors along the disputed border.²²¹ In 2006, during Indian Defense Minister Pranab Mukherjee's visit to China, the first ever Memorandum of Understanding (MoU) on Defense was signed, and the Minister also visited the Lanzhou MR. The MoU paved the way for joint military exercises between China and India in Kunming in 2007, and Belgaum in 2008. China and India have also been holding an Annual Defense Dialogue attended by senior functionaries from both sides since 2008.²²² While the actual value of most of these CBMs remains modest, they signify the realization in both camps that the perils of misperceptions can be severe.

Snapshots of China's and India's military capabilities suggest a stable relationship buttressed by multiple levels of deterrence and CBMs. "China's aspirations and plans for its military modernization program are commensurate to its location, size, wealth, national interests, and global role."²²³ China's relative military superiority and its drive to modernize imply that the current state of deterrence between China and India will be a case of constantly shifting goal posts. India will probably do well to keep reminding itself that it is not the prime target of China's military modernization, while still relying on the defensive advantages that accrue to it geographically. However, a prudent Indian strategy for 2020 must also incorporate potent conventional and nuclear deterrence.

221 Rup N. Das, "India-China Defence Cooperation and Military Engagement," *Journal of Defence Studies* 4, no. 4 (October 2010), 115, 116.

222 Ibid., 117, 118.

223 Shambaugh, *China's Military Modernization: Making Steady and Surprising Progress*, 66.

C. QUEST FOR ENERGY RESOURCES

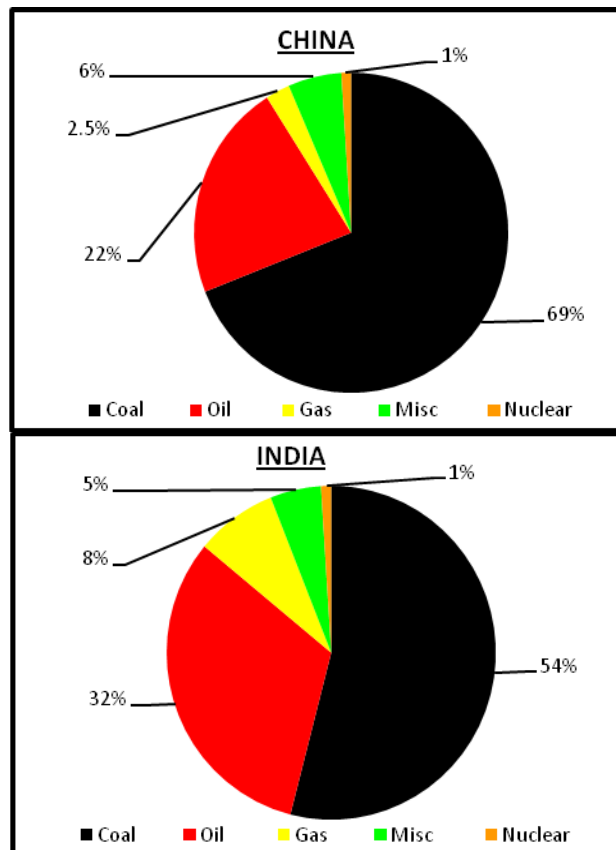


Figure 12. Energy Basket of China and India in 2005²²⁴

China's ambition to increase its CNP is largely dependent on the continuation of its economic miracle, which in turn is dependent on ready access to energy resources. The relevance of energy security is also not lost on India. Future estimates suggest that China's and India's oil requirements will nearly double, and gas requirements are likely to quadruple by 2025. In the absence of adequate domestic sources of oil, China's and India's dependence on imports is likely to significantly increase from current rates of 40% and 75%, respectively.²²⁵ This makes both countries increasingly sensitive to

²²⁴ Ligia Noronha and Sun Yongxiang, "The India-China Energy Dialogues of 2006 and 2007: A Report," *China Report* 44, no. 1 (2008), 48, 49.

²²⁵ Shebonti Ray Dadwal, "China's Search for Energy Security: Emerging Dilemmas," *Strategic Analysis* 31, no. 6 (November 2007), 891; Noronha and Yongxiang, *The India-China Energy Dialogues of 2006 and 2007: A Report*, 48.

international oil markets. China's apprehensiveness over its energy supply routes, and how this is a driver for its naval modernization and overtures in the IOR, has already been elaborated in the previous chapter. In this section I analyze the quest by China and India to gain direct access to energy resources.

China and India have predominantly relied on the international oil markets for their energy requirements. At the margins, both countries have expressed the desire to have more control over energy supplies as well as an equity stake in the commodity market; this is what has been described by Jonathan Holslag as "control over the well strategy."²²⁶ According to Holslag, the possibility of importing oil from their own fields will prove far more attractive to both China and India than being subject to the vagaries of international markets, and, as he points out, state oil companies are already in the vanguard of this effort for both countries. The dominant opinion of analysts is that China and India are predestined for hostile competition over energy resources. However, the observed behavior of both is perhaps best captured by the phrase, "partners here – rivals there!"²²⁷

In the period 2004 to 2006, China outbid India at various auctions including those in Angola, Nigeria, Ecuador, and Kazakhstan. China's *modus operandi* was simple: it paid a higher price and did not shy away from combining several politico-strategic levers in a bid to lock in future supplies. As Amardeep Athwal explains, this competition unexpectedly fostered a new sense of interdependence once China and India realized that they were being played against each other by the sellers. Even when China found it easy to outbid India, it often fell short in competition with western oil companies. Moreover, control over the oil market by the western oil companies was so extensive that Asian countries had to pay up to \$2-3 more per barrel of oil (known as the Asian oil premium).²²⁸ In 2006, China and India signed five MoUs on energy cooperation with

226 Holslag, *China and India, Prospects for Peace*, 96.

227 Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 216.

228 Athwal, *China-India Relations: Contemporary Dynamics*, 106.

arrangements for joint bidding, confounding analysts by turning their much-vaunted rivalry into a nascent partnership. The MoUs also outlined proposals for joint exploration, pipelines, and backhaul cargoes.²²⁹

Sudan was the first country where China and India joined hands to invest \$700 million in the Greater Nile Oil Project. An investment of \$573 million to gain a 37% stake in the Petro Canada-owned al-Furat oilfield in Syria, and \$800 million to gain a 50% stake in Omimed de Colombia were some other successful joint bids made by China and India.²³⁰ GAIL (India) Ltd and China Gas Holdings signed a joint venture for Compressed Natural Gas (CNG) projects, city gas distribution, pipelines, and Liquefied Natural Gas (LNG) in China, India, and third party countries.²³¹ The negotiations for cooperation in developing the Yadavaran oil field in Iran, and the ambitious proposals to build interdependence via a gas pipeline from Russia to India through China, and another pipeline from Iran to China through India, may at this stage seem farfetched, and subject to geopolitics beyond Sino-India bilateral relations.²³² Whether this signals nothing but cooperation also depends on one's perspective. As P. R. Kumaraswamy points out, China has cooperated with India only in projects that were susceptible to international criticism, or when it required added clout to compete with western oil giants. When otherwise unconstrained by external factors, China has leveraged its strengths to outmaneuver India, as has been the case with Bangladesh and Myanmar.²³³

China and India have expressed a shared interest in developing renewable energy resources, and promoting energy conservation. China aims to increase the share of its non-conventional energy sources to 20% of its energy basket.²³⁴ In 2003, China and India signed three MoUs for cooperation in the fields of science and technology. The most important amongst these was the MoU for cooperation in the field of renewable energy,

229 Athwal, *China-India Relations: Contemporary Dynamics*, 106.

230 P. R. Kumaraswamy, "India's Energy Cooperation with China: The Slippery Side," *China Report* 43, no. 3 (2007), 350–351.

231 Dadwal, *China's Search for Energy Security: Emerging Dilemmas*, 906.

232 Holslag, *China and India, Prospects for Peace*, 60.

233 Kumaraswamy, *India's Energy Cooperation with China: The Slippery Side*, 351–352.

234 Holslag, *China and India, Prospects for Peace*, 75.

followed by a number of Track 1 and 2 initiatives for greater collaboration. In the present context, coal is a major source of energy for both countries, and both are keen to develop clean coal technologies to address energy and environmental concerns.²³⁵ The support given to such initiatives at the highest level is indicative of, cooperation not just in the field of technology but, burgeoning economic rapprochement.

D. SINO-INDIA ECONOMIC INTERACTION

As with some of the dimensions of energy development, the process of economic rapprochement between the two countries is likely to help create an emerging elite consensus, institutional mechanisms, impetus for (and from) private economic actors, increased bilateral trade, and trade complementarities. However, as will also become clear in this section, India's increasing trade deficit, less than ideal division of labor, and apprehensions over Chinese investments in sensitive sectors could still pose impediments to real interdependence. Bilateral trade is not a silver bullet for Sino-India relations. Nevertheless, trade does give China and India an opportunity to revel in absolute gains, and frame their relationship based on a fresh narrative.

1. Elite Consensus and Institutional Mechanisms

Prime Minister A. B. Vajpayee's visit to China in 2003 raised the expectations of greater economic interactions between the two countries, and Wen Jiabao's visit to India in 2005 resulted in the conclusion of a strategic partnership with India, and further deepened economic ties. During this latter visit, two key agreements were signed that laid out political guiding principles for solving the border issue, and five-year planning on China-India all round trade and economic cooperation.²³⁶ In 2006, 130 entrepreneurs took part in a China-India CEO forum designed to bring the business communities together.²³⁷ Wen Jiabao's visit in 2005 also paved the way for recognition of Sikkim as part of India by China, and for the consequent opening of border trade at Nathu La in 2006 in a bid to

²³⁵ Noronha and Yongxiang, *The India-China Energy Dialogues of 2006 and 2007: A Report*, 50, 51.

²³⁶ Kuei-hsing Hsu, *The Impact of Opening Up Sikkim's Nathu-La on China-India Eastern Border Trade* (Taiwan: National Chengchi University [2005]).

²³⁷ Holslag, *China and India, Prospects for Peace*, 57.

revive the ancient Silk Route.²³⁸ While it can be conceded that the real value of border trade has been insignificant, the event was laden with symbolism. In 2005, Jairam Ramesh coined the word *Chindia* to express the intriguing possibilities of historic, cultural, and economic symbiosis between the two countries.²³⁹ Prime Minister Dr. Manmohan Singh, the architect of India's economic liberalization, studied the benefits of international trade for China for his PhD thesis at the University of Cambridge. It can be no surprise, then, that the current Indian leadership appears positive for staying the course in terms of stronger economic interactions with China.²⁴⁰ Indeed, it can even be argued that economic cooperation has been pushed forward by political elites of both countries in a bid to normalize bilateral relations: trade in fact does seem to follow the flag!

Sino-India economic relations have subsequently been institutionalized within the government at three levels: the India-China Joint Group on Economic Relations, Trade, Science and Technology at the Ministerial level; the Joint Study Group at the Secretary level; and, a Joint Working Group supported by a Joint Business Council at the Joint Secretary level.²⁴¹ The establishment of the Business Council has ensured that private interests and corporate initiatives deepen convergences. Several provincial governments, such as those of West Bengal and Assam in India and Yunnan in China, are also seeking economic partnerships at the sub-state level, and press their respective central governments for greater cooperation. These developments have resulted in a number of structural-functional pressures to continue economic cooperation for mutual gain.²⁴²

2. Bilateral Trade

Bilateral trade between China and India was discontinued following the 1962 War. The trade was resumed in 1977 at a paltry \$2.45 million; in 1987 trade was still

238 Hsu, *The Impact of Opening Up Sikkim's Nathu-La on China-India Eastern Border Trade*, 15, 18.

239 Jairam Ramesh, *Making Sense of Chindia. Reflections on India and China* (New Delhi: India Research Press, 2005).

240 Athwal, *China-India Relations: Contemporary Dynamics*, 86.

241 Ibid., 87.

242 Holslag, *China and India, Prospects for Peace*, 58; Athwal, *China-India Relations: Contemporary Dynamics*, 128.

modest at \$123.5 million; and, only in 1995, reached \$1 billion for the first time.²⁴³ The bilateral trade between China and India was so insignificant that John W. Garver's authoritative book on Sino-India relations in the 20th century, *Protracted Contest*, scarcely mentions this facet.²⁴⁴ However, over the past decade, Sino-India bilateral trade became so important it is recognized as the most reliable and beneficial instrument of political rapprochement. For instance, after the brief hiatus in Sino-India relations following India's nuclear tests, trade was the first bilateral relationship to bounce back to its normal pace. From approximately \$2 billion in 2001, trade surpassed \$40 billion in 2009, with China replacing the U.S. as India's largest trading partner.²⁴⁵ By 2010, trade had crossed the \$60 billion mark, prompting both sides to revise the target for 2015 to \$100 billion. Analysts like Jonathan Holslag have measured indicators such as bilateral agreements, dialogues, ministerial visits, and visas to demonstrate that the rise in bilateral trade is resulting in greater interdependence, while others, like Amardeep Athwal, are optimistic that this trend has the potential to transform relations from a framework of rivalry to cooperation.²⁴⁶

One positive indicator of Sino-India trade is that various entrepreneurs have started to invest in each other's country through private or joint ventures. Indian companies in IT training (NIIT and APTECH), software solutions (Infosys, Wipro, and TCS), pharmaceuticals (Ranbaxy, and Dr. Reddy's), and banking (SBI, and ICICI) have set up shop in China, and Chinese companies such as Huawei and Haier have entered India's markets.²⁴⁷ The Tatas have developed a special port and steel plant in Orissa to meet Chinese demands, and the Reliance group used its political influence to accelerate

243T. N. Srinivasan, "Economic Reforms and Global Integration," in *The India-China Relationship: What the United States Needs to Know*, eds. Francine R. Frankel and Harry Harding (New York: Columbia University Press, 2004), 254; Mansingh, *Rising China and Emergent India in the 21st Century: Friends Or Rivals?* 127; Holslag, *China and India, Prospects for Peace*, 48.

244 Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, 447.

245 Malone and Mukherjee, *India and China: Conflict and Cooperation*, 144.

246Holslag, *China and India, Prospects for Peace*, 62; Athwal, *China-India Relations: Contemporary Dynamics*, 86, 87.

247 D. V. Sekhar, "Science and Technology Cooperation between India and China," *International Studies* 42, no. 3 (2005), 317, 318.

the granting of visas to Chinese executives hired for a gas pipeline project.²⁴⁸ Strides like these would not have been possible without political initiatives; however, in recent years business players have started to, in turn, influence the tone and tenor of political interactions.

Various economists have analyzed China's and India's comparative advantages in trade and the prospect they hold for further economic cooperation. The *Complementarity Index*, measured on a scale of zero to one, has increased from 0.38 in 1996 to 0.6 in 2007; this is indicative of India's strength in raw and semi-processed commodities, and China's specialization in low to mid-level manufactured goods.²⁴⁹ While India's exports to China are dominated by basic materials such as ores, slag, ash, iron, steel, and plastics, China's exports to India comprise manufactured goods, electronics, and electrical machinery.²⁵⁰ The *Trade Intensity Index (TII)*, which measures the potential for bilateral trade, and economic *Gravity Models* that take into account the size and proximity of trading nations, estimate that there is a potential for at least a 25% increase in Sino-India bilateral trade.²⁵¹ China's strength in manufacturing and India's growth in services is creating new synergies. Hence, a Motorola or Cisco product may be labeled *Made in China*, but the software in all instances may have been developed in India.²⁵²

Some analysts have suggested that since both countries rely on FDI and exports for their economic development, this will lead to competition between them. In 2006, China received \$72 billion in FDI, whereas India received less than half that amount. The Indian Planning Commission has stated that the country requires more than \$350 billion

248 Rusko and Sasikumar, *India and China: From Trade to Peace?* 115.

249 Holslag, *China and India, Prospects for Peace*, 70; Athwal, *China-India Relations: Contemporary Dynamics*, 89.

250 Arvind Virmani, "India-China Economic Cooperation," in *China and India: Learning from each Other Reforms and Policies for Sustained Growth*, eds. Jahangir Aziz, Steven Dunaway and Eswar Prasad (Washington D.C.: International Monetary Fund, 2006), 273–274.

251 Swapan K. Bhattacharya and Biswas N. Bhattacharya, *Gains and Losses of India-China Trade Cooperation - A Gravity Model Impact Analysis* (Munich: CESifo Group, [2007]).

252 Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 198.

in investments for infrastructure, and FDI must climb to approximately 4% of GDP.²⁵³ The Chinese diaspora accounts for nearly 50% of all FDI flowing to China, compared to 10% from Indians settled abroad. While this may be a result of domestic economic policies, the statistic signifies that the primary sources of FDI for both countries are not the same.²⁵⁴ In terms of exports to third markets, the goods in which China and India hold *Revealed Comparative Advantages (RCA)* are mostly in different sectors, with a bare 25% overlap. Therefore, their current export profiles are complementary and do not point toward competition.²⁵⁵

Nevertheless, as is often the case, the truth of the matter may well lie not just in what has been achieved, but in what has yet to be achieved. In 2005, China announced that it was ready for an FTA with India. India, for its part, took a cautious stance and adopted a graduated response. Similarly, while China and India seek FDI and opportunities to invest elsewhere, their overall investments in each other's country are insignificant. Worth examining, then, are the reasons for these anomalies. Two stand out: the asymmetric nature of Sino-India trade, and India's security concerns over Chinese investments in sensitive sectors.

India's trade deficit with China is the main reason for its cautious approach toward an FTA: as bilateral trade has grown from approximately \$2 billion in 2000 to \$40 billion in 2009, India's deficit has also grown from approximately \$1 billion to \$20 billion (See Figure 13).

253 Holslag, *China and India, Prospects for Peace*, 69; Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 206.

254 Rusko and Sasikumar, *India and China: From Trade to Peace?* 112.

255 Valerie Cerra, Sandra A. Rivera and Sweta C. Saxena, *Crouching Tiger, Hidden Dragon: What are the Consequences of China's WTO Entry for India's Trade* IMF,[2005]); Rusko and Sasikumar, *India and China: From Trade to Peace?* 111, 112.

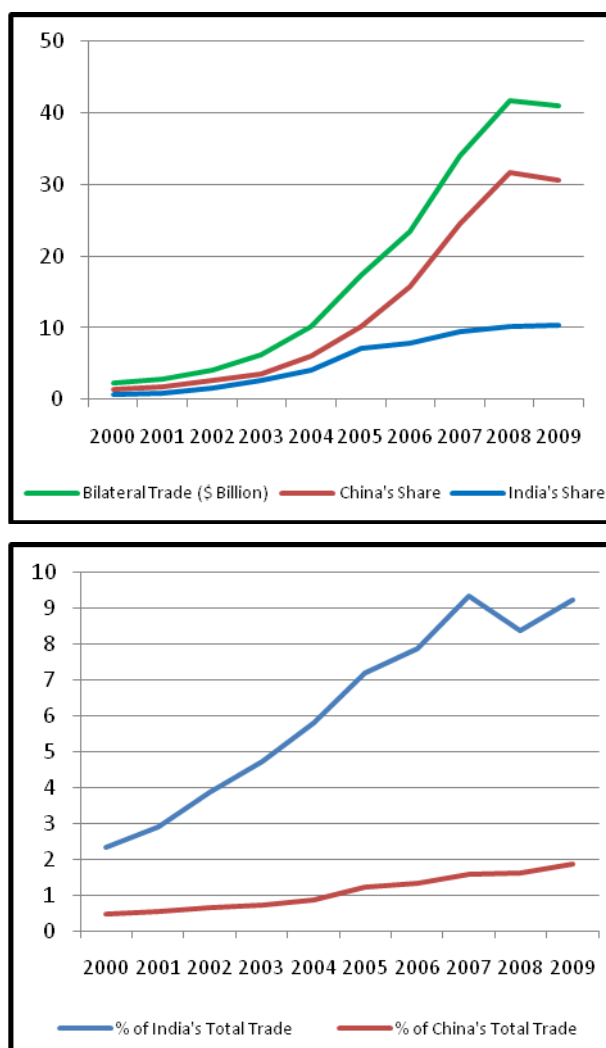


Figure 13. Asymmetric Nature of Sino-India Bilateral Trade²⁵⁶

Some economists point to China's dumping practices and currency devaluation as sources of this disequilibrium, but the reasons are more complex. Firstly, China's and India's shares in their bilateral trade are a reflection of their shares in global trade; in fact, India's exports to China have risen at a faster rate than India's total exports. Secondly, the makeup of the trade basket, with India exporting primary products and China exporting value added products, is such that the trade is more beneficial to China. Thirdly, India's inability to compete in manufacturing is due to its own weaknesses in

²⁵⁶The graph and the analysis in the following paragraph have been generated from the data available at UN COMTRADE, "UN Comtrade Statistics Database," UN Comtrade, <http://comtrade.un.org>.

governance and infrastructure, and its archaic labor laws, and cannot be blamed on China. Lastly, tariff rates are higher in India than China. Thus, the fear is that establishment of an FTA will only fortify an already strong Chinese position.²⁵⁷

Irrespective of which explanation one prefers the fallout from these disparities is that some business lobbies in India are less than excited about trade with China. Economic interdependence also assumes that the trade is equally important to both partners. Although China is India's largest trading partner, India does not figure even in the top ten of China's trading partners.²⁵⁸ While China's share in India's overall trade has risen from approximately 2% in 2000 to 9% in 2009, India's share in China's overall trade stands at less than 2% (although India's share has also quadrupled from approximately 0.5% in the year 2000).

One factor that contributes to making China and India complementary trading partners is the current division of labor: China specializes in hardware, and India is strong in software; India exports primary products, and China sells manufactured products. Skeptics point out that this division of labor is neither static nor in India's long term interest. The sale of natural resources to China may not be politically sustainable in the long run: in 2007 Indian steel companies lobbied to discourage the sale of iron ore to China, persuading the Indian government to raise export duties that in turn invited strong protests from China.²⁵⁹ Moreover, India's service led growth is not adequately inclusive, and denies value addition or job creation along the same scale as the manufacturing or agricultural sectors. Conversely, China also aspires to develop its software industry. Taken together, these factors may dilute the current complementarity over time.

World Trade Organization (WTO) trade statistics for 2010 indicate that China is #1 in merchandise exports, controlling nearly 12.7% of the world total; India, in

257 Virmani, *India-China Economic Cooperation*, 271, 276; Bhattacharya and Bhattacharya, *Gains and Losses of India-China Trade Cooperation – A Gravity Model Impact Analysis*, 22, 23; Van Kemenade, *D'etente between China and India; the Delicate Balance of Geopolitics in Asia*, 201; Rusko and Sasikumar, *India and China: From Trade to Peace?* 116.

258 Ibid., 111.

259 Holslag, *China and India, Prospects for Peace*, 70, 80, 81.

comparison, is only at # 15 with a mere 1.7% of the world's total.²⁶⁰ These statistics imply that even if India injects a new energy into its manufacturing sector, it will not be in a position to challenge China for a long time to come. A more important point that skeptics overlook is the potential for intra-industry trade; for example, more than 60% of all U.S.-EU trade is intra-industry.²⁶¹ A 2005 International Monetary Fund (IMF) working paper indicates that the *Index of Specialization* of China and India is diversified at the sub-heading level; hence, there is great potential for horizontal intra-industry trade.²⁶² The same sentiment is shared by Indian economists such as Arvind Virmani and Amita Batra.²⁶³ For instance, within biotechnology, India specializes in medicine and pharmaceuticals, whereas China specializes in agro-biotechnology; within services, India specializes in IT-enabled services, whereas China specializes in travel services; within software, India specializes in solutions, whereas China specializes in products; and within health services, India is known for *yoga* and *ayurveda*, whereas China is known for acupuncture and reflexology. Similar sub-heading level diversification is evident even in textiles, a key sector for both China and India.²⁶⁴ Therefore, while we can concede that as China and India aspire to further their service and manufacturing sectors, which could jeopardize their current complementarity, there are also numerous intra-industry possibilities they can nurture.

A more worrisome aspect of the Sino-India economic relationship is the meager investment by both economies in each other's turf. Until 2007, India had invested approximately \$178 million in China; the FDI from China into India has been only \$17 million, as compared to, for example, \$90 billion from Japan and \$400 million from

²⁶⁰ WTO, *International Trade Statistics 2010* (Geneva: World Trade Organization, [2010]), <http://www.wto.org/statistics>.

²⁶¹ Athwal, *China-India Relations: Contemporary Dynamics*, 97.

²⁶² Cerra, Rivera and Saxena, *Crouching Tiger, Hidden Dragon: What are the Consequences of China's WTO Entry for India's Trade*, 6, 9.

²⁶³ Virmani, *India-China Economic Cooperation*, 277.

²⁶⁴ Sekhar, *Science and Technology Cooperation between India and China*, 319; Athwal, *China-India Relations: Contemporary Dynamics*, 90–96.

Taiwan.²⁶⁵ During 1991–2000, China contracted FDI worth \$225 million in India, but the actual inflow was only 0.56 million!²⁶⁶ Arguably, the chief reason for this sluggish pace is that the Indian government has been extremely wary of Chinese investments in sensitive sectors such as telecommunications, ports and infrastructure, and transportation. In 2006, Hutchison Port Holdings and China Harbor Engineering Corporation were denied port operations in India, and Huawei and ZTE Corporation were similarly thwarted in the telecommunication sector.²⁶⁷ While India has been invoking security considerations to limit Chinese investments, China has been far more relaxed about Indian investments.

E. WHITHER COMPLEX INTERDEPENDENCE?

Robert O. Keohane and Joseph S. Nye identify three main characteristics of complex interdependence: First, multiple channels connect societies; the use of force against a state with which one has diverse relations is likely to rupture mutually profitable ties. Second, there is no rigid hierarchy among bilateral issues. The viability of military force depends upon the passion a particular issue generates. At the same time, military force may not always be relevant to resolve competition over economic issues; this leads to their third characteristic, that military force becomes less relevant.²⁶⁸ Keohane and Nye insist that in a realist world, military security will be the dominant goal of states, whereas in the world of complex interdependence, transnational and trans-governmental relations will ensure that national interests will be defined differently, at different times.²⁶⁹

If we imagine realism and complex interdependence as a continuum, Sino-India relations have moved away from the purely realist end. This move was inspired by a political process mindful of the high costs of military conflict, and keen to downplay the

²⁶⁵ Sekhar, *Science and Technology Cooperation*, 91; Van Kemenade, *D'etente between China and India; The Delicate Balance of Geopolitics in Asia*, 206, 210.

²⁶⁶ Swaran Singh, "China-India Bilateral Trade," *China Perspectives* 62 (November–December, 2005), 8.

²⁶⁷ Rusko and Sasikumar, *India and China: From Trade to Peace?* 113, 114.

²⁶⁸ Robert O. Keohane and Joseph S. Nye, "Complex Interdependence and the Role of Force," in *International Politics, Enduring Concepts and Contemporary Issues*, eds. Robert C. Art and Robert Jervis, Fourth ed. (New York: Harper Collins College Publishers, 1996), 241, 242.

²⁶⁹ *Ibid.*, 250.

significance of bilateral issues with a security edge to them. The process has been buttressed by growing bilateral trade and institutional linkages that have created structural pressures for cooperation. Perhaps the most unexpected feature of this new phase of the relationship has been a willingness to jointly bid for energy resources in select cases. At the very least, Sino-India economic relations have provided a new framework through which to analyze and further bilateral progress, which is no insignificant achievement.

Meanwhile, despite what signs of complex interdependence might suggest, military force is still relevant in Sino-India relations. Military modernization by China, even if not aimed at India, has the potential to disturb the current stability; the challenge for India is to ensure deterrence without intensifying the security dilemma. The current asymmetry in trade, likely competition over energy sources, and lack of substantial investment in each other's country can be considered the main impediments to pushing forward with interdependence. More intra-industry trade and joint research into renewable energy sources are some measures that both countries can take. However, real progress is only likely to be made if the political leadership can take the next leap, which is to link the two countries through gas pipelines, and investments in each other's sensitive sectors. This will no doubt depend on both sides trusting each other over future intentions, which themselves will depend on the resolution of territorial disputes and regional geopolitics. Figuratively, one can say that in the 21st century, the high politics of military security have ceded ground to the low politics of economics. Commerce has bravely altered the dynamics of Sino-India relations beyond all imagination. Nevertheless, one has to be concerned that, by 2020, all the low hanging fruit will have been plucked and the ball will be thrown back into the court of high politics!

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V. CONCLUSION

The purpose of this thesis has been to explore the prospects of Sino-India relations in 2020 by examining historical trends in bilateral relations since 1947, and by bringing to bear relevant IR theories. Recognizing the inherent limitations of any single theory to explain the complexity of international relations, I borrowed the idea of *analytic eclecticism* to transcend the rigid boundaries of various paradigms and emphasize an integrated problem-oriented approach. Sino-India relations are comprised of an intricate web of interests, to include sovereignty, nationalism, power, wealth, status, influence, honor, security, and legitimacy. Consequently, I have focused particularly on China and India's unresolved territorial dispute, regional geopolitics, and economic interactions as the major variables affecting Sino-India relations.

One possible conclusion is that the territorial dispute, regional geopolitics, and economic competition, catalyzed by misperceptions, will ensure that Sino-India relations will remain competitive in nature. However, the high cost of war, growing economic interaction, and the imperative for peaceful economic development will also help keep the level and nature of competition to a pragmatic level through 2020. I would define pragmatic competition as the state of relations marked by negotiations short of reconciliation, along with substantial engagement by government and non-government organizations. Worth noting is that nations engaged in pragmatic competition continue to factor in the 'other' as a potential enemy for military planning purposes. Thus, incidents of violence cannot be ruled out, but should be few and far in between.

Because the empirical research presented in the thesis has been cross-sectional, and based on the aforesaid variables, it seems useful to offer a longitudinal synthesis of the transition in Sino-India relations from a state of hot war in 1962 to Cold War in the 1970s and 1980s, through growing pragmatism and budding economic interdependence in the twenty-first century. I will follow this with a revisit of competing IR theories, the results of a game theory simulation of Sino-India relations, and my prognosis for Sino-India relations in 2020. Finally, I will conclude by answering two questions: under what

circumstances might the current state of pragmatism be disturbed? And what can be done to maintain (pragmatism) or improve Sino-India bilateral relations?

A. LONGITUDINAL SYNTHESIS

The history of Sino-India bilateral relations since 1947 can be dissected into five phases.

1. Phase 1: 1949 to 1964 – Sino-India War

The first phase of Sino-India relations begins with China's annexation of Tibet in 1950. During this period, Nehru's vision of Afro-Asian solidarity has as its fulcrum Sino-India friendship. The Bandung conference of 1955 inadvertently highlights the geopolitical and ideological divides between the two countries. The border dispute, the Dalai Lama's exodus to India in 1959, and, finally, India's Forward Policy culminate in the Sino-India War in 1962. In 1963, China resolves its borders with Pakistan, and enters into an alliance which has since become one of the most enduring features of Chinese foreign policy. This phase ends with Nehru's death in May 1964, and China's detonation of its first nuclear weapon in October of the same year.

In sum, we can say that some of the most important elements to define Sino-India relations for the succeeding fifty years are revealed during this opening phase of the two countries' interaction: perceived threats to territorial sovereignty; China's sensitivity over Tibet; each country's struggle for power, status, and influence within Asia; misperceptions about each other's intentions; the Sino-Pak nexus; and China's efforts to modernize its military.

2. Phase II: 1965 to 1977 – Cold War and the Sino-Pak Nexus

The Cold War years in Sino-India relations roughly coincide with Mao's Cultural Revolution, the Sino-Soviet split, Sino-U.S. rapprochement, and Indo-Soviet cooperation. Therefore, this period serves as a reminder of how Sino-India relations are influenced by domestic events, as well as larger geopolitics. This phase is also notable for the strengthening of Sino-Pak ties to the extent that, from the 1965 Indo-Pak War onwards,

Indian planners have to factor a threat of war on two fronts into their strategic calculus. China's unwillingness to get directly involved during the 1971 Indo-Pak War can be attributed to its balance of power calculations, and India's better defense preparedness. However, China's strategy of constraining India through Pakistan firms up during these years. One example: China's assistance to Pakistan's nuclear program, coming shortly after India's 'peaceful' nuclear test in 1974, is in line with the antagonistic mood of the times, and remains one of the thorniest issues in China's and India's bilateral relations. Bilateral trade resumes in 1977, but is insignificant.

3. Phase III: 1978 to 1987 – Four Modernizations and the High Costs of War

Deng Xiaoping's ascendance to the main stage of Chinese politics proves a major turning point not only in the evolution of the PRC, but his focus on economic development has positive fallout for Sino-India relations. China decides to stop supporting insurgencies in India's North East, and takes a neutral stand on Kashmir. During this period China also resolves most of its territorial disputes, except with India! China flirts with the idea of resolving the Sino-India territorial dispute through a *swap* formula; however, China's disinclination to make a formal proposal, and its intransigence over Tawang, are read by India as signs of China's strategic ambiguity. India's grant of statehood to Arunachal Pradesh in 1986 leads to a military standoff with the PLA in 1987; the crisis is averted due to mutual recognition of the high costs of war. The different end-states of border confrontations during 1962 and 1967, by 1987 reaffirm the relevance of deterrence in the minds of Indian policy makers. From this point onwards, the competition between China and India will be less in terms of direct military confrontation, and will shift instead to geopolitics and economics.

4. Phase IV: 1988 to 1998 – Political Rapprochement and Regional Geopolitics

Rajiv Gandhi's visit to Beijing in 1988 lays the foundation for Sino-India rapprochement, and decouples the border dispute from economic cooperation. The treaties signed in 1993 and 1996 further lower tensions between the two adversaries and,

in 1995, bilateral trade reaches \$1 billion for the first time. Geopolitically, China starts to build strong relations with the littoral states in the IOR, such as Myanmar, in order to expand its influence and address its *Malacca Dilemma*. The accuracy of descriptions about China's *String of Pearls* strategy (a phrase coined in 2004) eventually will be disproved. However, China's forays in the IOR continue to worry Indian analysts. India's economically motivated Look East Policy is launched in 1992; soft balancing against China is implicit in it. What also emerges from diplomatic and economic posturing during this period is a pattern of hedging by the smaller countries in the region. In 1991, China observes the 1st Gulf War with unease, and pushes its own military modernization. Meanwhile, the anxiety created among ASEAN countries created by the Taiwan Straits crisis creates the strategic space within which India can carve out a suitable role for itself. Citing the threat from China and China's support to Pakistan as the major reasons for India's nuclear tests in 1998, sours India's relations with China. But, the political thaw powered by growing trade, resumes after a brief hiatus.

5. Phase V: 1999 to 2009 – Economic Cooperation and Strategic Competition

China's neutral stance during the Kargil War in 1999 and Operation *Parakram* in 2002 are viewed as welcome gestures by India, but its military aid to Pakistan remains a sore point. Nonetheless, China seems to have managed the contradiction between improving relations with India while continuing to arm Pakistan quite deftly. Geopolitically, China has to contend with a stronger U.S. presence in Asia after the 9/11 terrorist attacks, to include the warming up of Indo-U.S. ties through the Framework for Defense Cooperation in 2005 and Civil Nuclear Deal inked in 2008. On the bilateral front, Prime Minister Vajpayee's visit to Beijing in 2003, and the reciprocal visit by Wen Jia Bao to India in 2005, ushers in path-breaking progress in building stronger political and economic ties.

India's reaffirmation that the TAR is a part of the PRC, and China's recognition of Sikkim as part of India, pave the way for resuming border trade at Nathu La in 2006. By 2009, China has become India's largest trading partner. Structural pressures and

growing economic interdependence have in turn bolstered bilateral relations, giving rise to new terms like *Chindia*. The nascent partnership between China and India in the energy and renewable energy fields prove both countries' ability to step out of their zero sum paradigms when doing so is mutually beneficial. The strategic partnership begun in 2005, and the Shared Vision for the 21st century released in 2008 are indicative of the role played by positive economics; but also, both reflect China's attempt to woo India away from the U.S.

Of course, the glimmer of hope offered by all these events and ties can all too easily be eclipsed by a sense of *déjà vu*, such as when China reasserts its claim over the entire state of Arunachal Pradesh in 2006, or protests against the Dalai Lama's visit to Tawang in 2009. China's objections to India's admission to the EAS in 2005, and ambiguity over India acquiring a permanent seat in the UNSC, are viewed by New Delhi as indicative of China's largely unchanged strategic orientation toward India. Add to this the frantic pace of infrastructure development in Tibet, the inauguration of Gwadar port, increased border patrol violations since 2007, China's military modernization, and the growing trade deficit, and Indian strategists have reason to be concerned about China's future intentions. India's move to upgrade infrastructure along the LAC, its joint military exercises with the U.S. and Japan, and its quest for credible deterrence must be viewed in this context. In the overall analysis, the pragmatism developed during this period, while promising, can perhaps best be characterized as one of *strategic competition and economic cooperation*.

B. TRIANGULATION OF REALIST-CONSTRUCTIVIST-LIBERAL VECTORS

In terms of IR theories, Sino-India relations thrive in the triangulated space between realism, liberalism, and constructivism. Historical analysis reveals how these vectors are, on occasion, complementary and yet at other times pull in opposite directions. Like all bilateral relations, Sino-India relations must be viewed with all their paradoxes and contradictions.

Kenneth Waltz and John Mearsheimer's analyses, rooted in power, assumptions of anarchy, and the imperative for self-help, certainly seem to explain Sino-India relations. One can see geopolitical competition in Asia evident in spheres of influence, in China's forays in the IOR, and in India's Look East Policy. One can also see balance of power strategies playing out in the Sino-Pak nexus, or India's internal and soft balancing. Alternatively, it seems equally clear that China and India are meshed in the kind of security dilemma explained by Robert Jervis: China's defensive motives can be gauged through its sensitivity over Tibet, the security of its SLOCs, and apprehensions of collusion between India and the U.S. For its part, India remains anxious about China's threat to its territorial integrity and its hegemonic designs. Hence, infrastructure development in Tibet and China's military modernization appear threatening to India. We could say that for both sides, cognitive traps, vital interests, and irreducible uncertainty make the security dilemma acute.

China's constructs of being the middle kingdom; its century of humiliation marked by military weakness and unequal treaties; the extent to which it has tied its national honor and identity to Tibet; the degree to which internal cohesion is threatened by secessionist movements in Taiwan, and Xinjiang; and, regime legitimacy that hinges on the dichotomy of economic freedom and a lack of political reforms make China particularly sensitive to India's territorial claims, its protection of the Dalai Lama, and its perceived threat to China's SLOCs. Add to this Indian memory that Prime Minister Nehru championed the cause of Sino-Indian friendship only to be deceived, and it becomes clear that while realists have examples from recent history to fall back on, liberals face an uphill task. So much so that, despite a history spanning nearly two millennia during which Chinese and Indian civilizations prospered side by side, and engaged in economic, cultural, educational, and religious exchanges without any major hostilities, such amity tends to be lost from view. This is unfortunate because the adverse baggage of Sino-Indian relations is far less cumbersome than, let's say, Sino-Japanese history.

Regular interactions in multilateral institutions and burgeoning trade have started to remind people of this positive history. What was until recently a debate only between

offensive and defensive realists is being transformed into a debate between realists and liberals. A diminution in the number and intractability of the issues on the agenda, as well as growing interdependence, are some of the tangible benefits that can be seen to accrue. But equally important is the intangible benefit of an opportunity to construct a novel paradigm which is not a zero sum game. It only seems prudent to recognize that the expectations from this interaction remain modest, and such hard won gains should serve as a warning against turning institutions and commerce into another source of conflict.

C. GAME THEORY ANALYSIS OF SINO-INDIA RELATIONS

China and India can be imagined to possess three strategic choices: Hostility (*H*); Pragmatism (*P*); Cooperation (*C*). The strategic game between the two countries can be viewed as an interaction between these policy choices, creating nine possible outcomes. The uncertainty over China's intentions may impel India to perceive China as having hostile leanings concealed in a pragmatic shell; while, India looks at itself as being genuinely pragmatic. Therefore, the strategic game between China and India will be visualized by an Indian policy maker as:

		<u>CHINA</u>		
		<u>H</u>	<u>P</u>	<u>C</u>
<u>INDIA</u>	<u>H</u>	3, 4	5, 2	8, 1 (China's least preferred)
	<u>P</u>	2, 7	7, 6	9, 3 (India's most preferred)
	<u>C</u>	1, 9 (China's most preferred; India's least preferred)	4, 8	6, 5

Table 3. Strategic Game between China and India

Because Strategy *C* is dominated by the other two strategies, it is not likely to be played out under current conditions; in real terms, this implies that the fear of being deceived is greater than the perceived advantages of cooperation. The resultant dilemma

(See Table 4), wherein the preferred outcome (*PP*) is unstable and the Nash equilibrium (*HH*) is worse for both countries, is a defining feature of Sino-India relations.

		<u>CHINA</u>	
		<u>H</u>	<u>P</u>
<u>INDIA</u>	<u>H</u>	3, 4	5, 2
	<u>P</u>	2, 7	7, 6

Table 4. The Dilemma in Sino-India Relations

A simple formulation reinforces two important findings about the prospects of Sino-India relations: the improbability of purely cooperative relations (*CC*) in the face of conflicting interests and uncertain intentions; and, the risk of ending in a hostile deadlock (*HH*), despite the fact that pragmatism (*PP*) is the optimal solution over the long haul.

D. PROGNOSIS 2020

This thesis has employed various heuristic models to analyze past bilateral relations. Issue-based process tracing, triangulation among IR theories, a longitudinal synthesis and, finally, a game theory formulation all lead to a prognosis of pragmatic competition as the most likely future for Sino-India relations.

China is likely to be the second most powerful country in the world by 2020, well on its way to equaling the U.S. in terms of its CNP by mid-century. Until then, U.S. hegemony in Asia will continue, and will be the guarantor of peace. However, the realities of power transition between the U.S. and China may start to unfold by 2020. India is likely to be among the top 10 nations of the world, but both China and India will need to make their growth more inclusive, they will both need to improve the reach of governance, and they will likely both face secessionist forces. Thus, the primary focus of both countries will be internal; neither is likely to project power to change the status quo. The imperative for peaceful economic development will likely be maintained and is likely to be the greatest stabilizing factor.

The territorial conflict between China and India is unlikely to be resolved by 2020, and the best both countries can do is to make it less relevant. Pragmatism will steer China and India away from hostilities, but, more ominously, the border issue will cast a shadow over other areas of cooperation. Recurrent rhetoric from Beijing, reiterating its claim over the entire Arunachal Pradesh, along with whatever border violations may occur will be seen by New Delhi as acts of willfully promoting strategic ambiguity. Internal balancing along the borders in terms of infrastructure and military deployments will be a constant feature of both countries' policies for the foreseeable future. The fourteenth Dalai Lama recently turned 75, and has expressed a desire to oversee his succession. The transition of this succession and its effects on Sino-India relations will probably play out by 2020, and may well become a source of acrimony.

While Sino-Pak friendship may bring economic and political stability to Pakistan, which will be welcome from India's perspective, conventional and nuclear military aid to Pakistan that emboldens its strategy of proxy war against India will embitter Sino-India rapprochement. Regional geopolitics will place China and India in competition with each other, but their economic interactions and hedging by smaller countries should prevent hostilities. China and India can be expected to cooperate on certain issues like global trade and global warming, but compete on issues related to the global security architecture. Any future attempt by China to establish permanent military bases in India's neighborhood, and its stand on India's bid for UNSC membership, will be taken as indications of its strategic orientation. India's strategic partnership with the U.S. will likewise be viewed with suspicion by Beijing, leading China to devise its own carrot and stick policy to shape India's choices.

The asymmetry between China's and India's military capabilities may grow acute by 2020. India has three choices when confronted by such a situation: make unilateral concessions and resolve its outstanding differences with China; modernize its own military and maintain credible deterrence; or, build an alliance with regional players including the U.S. India can be expected to assume the fourth option, which would be to

combine all three, with three qualifications: it will not negotiate on core issues such as inhabited areas along the disputed border; it will not get into an arms race; and, it will prefer soft balancing over hard balancing.

Fortunately, the economy is like a gust of fresh air, helping further thaw Sino-India relations. Bilateral trade and cooperation in the fields of science and technology, and renewable and clean energy especially, holds immense potential for both countries. However, India's disproportionate trade deficit and reluctance to allow Chinese investment in sensitive sectors will limit economic interdependence, and may also reveal each country's assessment of the other's intent and thus point to the real health of the bilateral relationship.

E. UNDER WHAT CONDITIONS WILL THE THESIS BE FALSIFIABLE?

This prognosis about the pragmatism that is likely to continue to characterize Sino-India relations may be disturbed by a change in any of the major variables. Relations could either grow totally cooperative or become blatantly hostile.

A breakthrough in the border dispute akin to China's recognition of Sikkim in 2006; trade and energy interdependence buttressed by transcontinental pipelines; and/or transformation of BRIC (Brazil-Russia-India-China) nations into a strategic alliance are some of the conditions under which Sino-India relations could improve dramatically. However, each of these situations appears improbable in the short and medium term.

In contrast, certain domestic, bilateral, and international situations might push Sino-India relations towards hostility. On the domestic front, an economic slowdown in China, either due to it overheating or to the paradox of China's economic reforms coupled with a lack of political freedom, might threaten its cohesion, and could push the Communist Party to assume an antagonistic stance toward neighbors such as India in a desperate bid to maintain its legitimacy. On the bilateral front, the balance might instead be tipped, accidentally—which is one reason to seek more CBMs—or, an aggressive turn in Tibetan nationalism could trigger trouble. In terms of economics, hostile trade and energy policies have the potential to scuttle the hope generated by liberals. Fierce competition over water is another possibility since many Indian rivers originate in Tibet.

More regionally, instability emanating from Pakistan could prove beyond China's control or influence; or, even worse, Beijing's intentional nurturing of Islamabad to counter Indo-U.S. friendship could have ominous consequences for Sino-India relations. In the larger geopolitical context, a violent turn of events inspired either by Chinese misadventures in the Taiwan Straits or U.S. attempts to contain a rising power and preserve its lone superpower status could also alter Sino-India relations for the worse. Alternatively, the U.S. might see the writing on the wall with respect to the inevitability of China's rise to superpower status, and feel impelled by its own economic vulnerability to cede Asia to China as China's sphere of influence. While each of these possibilities appears unlikely from the present vantage point, each still deserves attention.

F. RECOMMENDATIONS FOR INDIA

The strategic game between China and India, as depicted in the game theory formulation, can be resolved through a *first move* or a *promise* by China; this would allay India's suspicions over China's strategic ambiguity. In the absence of credibility or due to a stalemate during parleys, the best alternative would be to alter the game to arrive at a strategic configuration whereby *PP* is the only pareto-optimal Nash equilibrium available. Thus, the game has to be altered to reduce China's utility for *H*, and raise the utility of *P* for both China and India.

		<u>CHINA</u>	
		<u>H</u>	<u>P</u>
<u>INDIA</u>	<u>H</u>	2,2	6,3
	<u>P</u>	3,6	8,7

Table 5. An Altered Sino-India Strategic Game

This altered formulation reinforces a three-pronged strategy to stabilize the pragmatism in Sino-India relations: build trust; ensure credible deterrence; and, promote economic and regional cooperation. The recommendations for India are based on the

reality of China's rise to great power status, and the assertion that a stable Pakistan and pragmatic relations with China will be to India's ultimate benefit. To be forthcoming without appearing weak must be India's *mantra*.

1. Build Trust Through CBMs and Costly Signaling

India must accept that its intransigence over the border conflict, its support to the Tibetan government in exile, nuclear tests, its position along China's SLOCs through the Indian Ocean, and Indo-U.S. cooperation genuinely threaten China's sense of security. India must be willing to make tradeoffs on the boundary issue, but maintain its stance of not negotiating over the status of inhabited areas. Cooperative border management frameworks and border trade must be encouraged. The current policy of acknowledging China's sovereignty over TAR must be maintained; to do otherwise will amount to aggressive behavior from a Chinese perspective, with few corresponding benefits for India.

India must also maintain its avowed principle of No First Use of nuclear weapons, backed by assured second-strike capability. For its part, China must acknowledge the reality of India's nuclear weapon status, thus opening the way to nuclear CBMs. The CBMs undertaken along the LAC have had the desired effect on Sino-India relations thus far, and must be expanded to include mechanisms to mitigate inadvertent crises. Similarly, a new set of CBMs is required to prevent a face-off in the IOR. At the same time, India must express its reservations about permanent Chinese military bases in the IOR in unequivocal terms. Anti-piracy and counter-terrorism operations provide the two navies an opportunity to cooperate; this should help address China's insecurity over its SLOCs.

Tourism and cultural and educational exchanges must be explored to promote *cross-cutting ties*.²⁷⁰ India's gift of a Buddhist temple to China to commemorate sixty years of bilateral relations, and the proposal to establish an International University at

²⁷⁰ The idea of *cross-cutting ties* as a means for conflict management has been borrowed from Dr Anna Simons' class on *Anthropology of Conflict* (SO 3750) at the Naval Postgraduate School, Monterey, California.

Nalanda, an ancient twelfth-century center of higher learning, are steps in the right direction. China and India need to jointly construct a narrative that highlights peaceful coexistence over centuries. This would help make the 1962 War appear to be nothing more than a minor aberration.

China and India must maintain their faith in market mechanisms for their energy needs, and avoid falling for a zero sum paradigm. The need to assure Beijing that the Indo-U.S. partnership is not aimed at China will be difficult, but necessary. Essentially, India will have to gauge China's intentions via border negotiations, China's military modernization and deployments in the IOR and Tibet, its support for India's candidature in the UNSC, its willingness to address the bilateral trade imbalances, and its energy policies.

2. Deterrence Through Internal and Soft Balancing

Realizations about the high cost of war are what have moved Sino-Indian relations from a state of hostility to pragmatism. Hence, misconceptions about a cheap and easy victory or sudden reappearance of windows of opportunity must be avoided. While accepting China's security dilemma, India must not discount the possibility that China is misrepresenting its intentions and might reveal hegemonic designs in the future. Geography, in the form of the Himalayas and the Indian Ocean, provides India certain defensive advantages that must be maintained. China's infrastructure development in Tibet and naval modernization might put stresses on these advantages. This is why India must develop its infrastructure, surveillance capabilities, and rapid deployment forces. India must also instill constructive nationalism amongst the tribes of Arunachal Pradesh to make conquest by China untenable. India's strong internal position will make it less vulnerable, more confident, and less suspicious of China's intentions.

Modern technology and warfare make it difficult to differentiate weapons systems as either offensive or defensive. For this reason, China and India must limit the deployment of offensive forces, e.g., SRBMs/MRBMs, in each other's vicinity. China is responsive to balance of power considerations; while India's soft balancing with ASEAN and Japan is likely to have a favorable impact on Sino-India relations, hard balancing

might cause relations to deteriorate. India must walk this fine line in its diplomatic relations, and not sign up for something it cannot pursue alone. China, for its part, must be sensitive to the 'K' (Kashmir) and 'N' (nuclear) words in its relationship with Pakistan. China might assume that it has managed the contradiction of a thaw with India while arming Pakistan, and thus lose sight of the fact that India's strategy toward China will be contingent upon its estimate of China's intentions, which in turn will be judged on the basis of its ties with Pakistan.

3. Economic and Regional Cooperation

Bilateral trade must be allowed to mature as the most reliable and mutually beneficial CBM, and not be held hostage to the broader competition in other areas. China must be sensitive to India's growing trade deficit due to China's dumping practices and currency manipulation, but India must also acknowledge that its lack of competitiveness in the manufacturing sector is a function of its own archaic policies. China and India must explore the possibilities of horizontal intra-industry trade, and not just stick to the current notion of complementarity between China's hardware and India's software, or China's manufacturing and India's resources. Joint research and development in the fields of science and technology, especially renewable energy resources, can elevate relations to a new plane.

Since the jury is still out on China's future intentions, India will be well advised to prevent Chinese entry into its sensitive sectors even at the cost of not achieving complete interdependence. China and India have similar interests on issues such as global warming, and the architecture of the global economy, and must assume leadership in G-20 or WTO negotiations. As was highlighted earlier in the thesis, the competition brewing in Myanmar over China's attempt to connect Kunming to the Indian Ocean, and India's push to connect its North East to Southeast Asia, can actually be turned into an avenue of cooperation by connecting India's North East to China's South West! That might turn into the most rewarding CBM of all.

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