

INDIA-CHINA RELATIONS: PROBLEMS AND PROSPECTS

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China's extraordinarily rapid rise in the hierarchy of global power is raising concerns about its future policies. Opinion is divided over whether China will increasingly assert its power in disruptive ways or will act more responsibly as its own stakes in the international system grow. Arguments can be made for both views, though emerging signs suggest that China's self-assertion is becoming an unpleasant reality, whereas the expectation that it will work for, and within, a global consensus remains more a matter of hope.

A rising China presents both a threat and an opportunity. The dilemma for India, the US, Japan, the major European countries and others is how to find a balance between engaging China to build on the positives and constraining it to ward off the negatives.

China's economic and commercial expansion is making it a crucial country in global trade and financial flows. The opportunities provided by the huge and growing Chinese market cannot be ignored by governments and corporations. At the same time, with recession and unemployment in the Western countries, concerns about China's mercantilist approach, its

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Intellectual Property Rights (IPR) violations and resort to unfair competition are growing. The accumulation of huge foreign exchange reserves by China has led to demands by the West of financial rebalancing, revaluation of the Chinese currency and a shift in China's export led strategy towards stimulation of domestic demand. At the same time, with the Eurozone in crisis, China is being wooed to invest in European securities to alleviate the sovereign debt crisis there.

China's growing military strength is a natural fall-out of its phenomenal economic growth in the last thirty years. The weight of the People's Liberation Army (PLA) in decision-making in the country is causing muscle-flexing by China sooner than expected. The political fiction of China's peaceful rise is being exposed by its aggressive maritime claims in the South China Sea as well as stepped up claims on Indian territory, causing great anxiety in its neighbourhood.

India, with geographical contiguity with China since its occupation of Tibet in 1950, is directly affected by the various dimensions of China's rise. Its dilemmas are somewhat sharper than those of others because of this contiguity and the nature of the issues involved in the relationship.

India's China problem began with its failure to properly assess the security implications of the takeover of Tibet in 1950 by Maoist China. For the first time in history, a political and geographical buffer between China and India was being removed. In the absence of a formally demarcated border in the western sector in Jammu and Kashmir and China's position on the McMahon Line in the east, its occupation of Tibet should have warned us of the dangers ahead.

Within 12 years of its entry into Tibet, China imposed a border conflict on India, whereas without territorial contiguity, the two countries had no conflict between them for thousands of years. In fact, they interacted culturally very productively over centuries through the spread of Buddhism in China. The Indian and Chinese civilisations even marked the wider space between them without conflict or rivalry – the culture of Southeast Asia – and even gave this region the name of Indo-China.

The 1962 border conflict came as a political shock to India as India had bent over backwards ever since its own independence and the Maoist revolution in China to reach out to the Communist regime and accommodate it bilaterally and regionally, whether by immediately recognising it, supporting its rightful entry into the United Nations, recognising Tibet as an autonomous region of China or holding China's hands at Bandung and helping to alleviate the fears of the Southeast Asian countries of the Communist takeover of this large country.

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India made a crucial mistake in signing the 1954 Trade Agreement with the Tibet region of China that accepted, in effect, China's sovereignty over Tibet, without linking this vital concession to either a settlement of the boundary with Tibet or at least an agreement on the framework of a settlement. India should have anticipated that sooner or later, China would extend its physical control upto the geographical frontiers of Tibet as it perceived them or as they suited its strategic needs.

China's unilateral action in altering the ground situation by constructing the Aksai Chin road in Ladakh prompted India to hedge against further encroachments and *fait accomplis* by extending its presence and authority in remote areas hitherto left unoccupied. Its strategy failed with the Chinese decision to "teach India a lesson" in the 1962 border conflict which scarred India politically, militarily and psychologically.

The border issue is at the core of India's mistrust of China and the uncertainty about its future intentions. That two large rising countries should have an unsettled 3,000-km plus long border between them is a recipe for instability, tensions and even conflict. China is deliberately keeping the border issue unresolved so that it can continue to serve as a pressure point on India. It has kept changing its position on possible solutions, entailing India into interminable discussions of principles and guidelines that it interprets as suits its interests.

Any realistic solution to the border issue has to be based on the ground realities. As the long border is not permanently manned, each side has its own view of the border areas it actually controls and this generates periodic tensions. The understanding reached between the two sides some years ago to exchange maps of their respective perceptions of the Line of Actual Control (LAC) in order to identify the physical extent of the disputed areas was suddenly terminated by the Chinese side without explanation. During Prime Minister Vajpayee's visit to China in 2003, India proposed a "political solution" to the issue, to which end Special Representatives (SRs) of the two countries were nominated and given a mandate to establish a set of guidelines (which they have done) for proceeding towards a resolution. The SRs have met 15 times without any real breakthrough. On the contrary, the Chinese have exploited the opening given to them to demand transfer of inhabited Indian territory – the Tawang tract – not actually under their control, to China for "political" reasons. **China has, in effect, hollowed out the purpose of setting up the SR mechanism by expanding its agenda beyond the border dispute to the "strategic" relationship between the two countries. Meanwhile, in efforts to stabilise the relationship, the two sides have agreed to a hot line between the two leaders and a new mechanism at the Foreign Office level to contain any escalation of incidents at the border. India and China have also agreed to maritime cooperation in the Indian Ocean area, with piracy in mind.**

In 1962, China withdrew from Tawang and the rest of Arunachal Pradesh largely to what is the McMahon Line, thereby *de facto* accepting its validity. In the western sector, it did not go back to the pre-1962 line and retained the fruits of its aggression. If it needed to hold Tawang for religious or security reasons or felt that its legal claim was rock solid, it would not have withdrawn, to demand 50 years later the cession of Tawang, which exposes China's chicanery. China can, if it wants, solve the border issue on the same basis as it has done with Myanmar, Russia as well as with the Central Asian countries, with very nominal territorial adjustments.

The extent of Chinese cynicism is reflected in its specious claim on Tawang because of its Tibetan links and the fact that one of the earlier Dalai

Lamas, an institution that it has tried to destroy politically, was born there. Its pretense that it raises the Tawang issue in deference to Tibetan sentiments flies in the face of the Dalai Lama's public position that Tawang belongs to India, as well as the 2008 Tibetan revolt against China's rule. The current incidents of self-immolation by Tibetan monks in the larger Tibetan region testify to the deep alienation of the Tibetan people with

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Chinese rule. Instead of seriously negotiating with the Dalai Lama to resolve the festering issue of denial of the political and cultural rights of a distinctive people and the suppression of their separate identity, the Chinese are using Tibet as the platform to make territorial demands on India.

Unfortunately, India is unwilling to politically back the Dalai Lama out of concern for the repercussions of such a policy on India-China relations. There is no international pressure either on China to negotiate with the Dalai Lama. China can revile him as a "splittist", even when he has publicly reaffirmed on various occasions his acceptance of Chinese sovereignty and has limited his demand only to real autonomy. An honourable deal between China and the Dalai Lama is good for China, Tibet and India-China relations.

With China's unwillingness to settle the border issue and our incapacity to force the issue, India has tried to stabilise the situation on the border as much as possible through the Agreements on Maintaining Peace and Tranquillity and on Confidence Building Measures in the 90s. These have contained but also frozen the border problem to India's disadvantage. The *status quo* favours the side not anxious for change. India wants peace on the border but also wants a border settlement. It suits China also to have peace as it defuses the border issue politically and militarily for the period China needs to consolidate its rise while giving it a free hand to settle Tibet internally.

If China raises territorial issues with India provocatively, it is because China has the confidence of a stronger hand. Militarily, China has an

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advantage on the border because of the easier terrain on its side and vastly better infrastructure that now includes a railway line to Lhasa for easier and quicker movement of troops and war material. In the western sector, it holds a line beyond its own claims. In the eastern sector, it withdrew voluntarily in 1962 to its present position and now claims more territory as part of “meaningful” territorial adjustments. It plays the Tibet card against us without any complex, as all its claims on us are on Tibet’s behalf. It is undeterred by the fact that its own position in Tibet is contested by the Dalai Lama

and the Tibetan people.

Unlike Pakistan’s position vis-a-vis us, India has not made the resolution of the border dispute a pre-condition for normalising bilateral ties with China. This gives China reduced incentive to reach a settlement. While we may see our approach as mature, constructive and contributing to peace, the Chinese could easily view it as yielding and conciliatory. China, thus, profits from our diffidence, believing that time is on its side. Its posture on the border keeps us off-balance politically and militarily, while imposing economic costs on us, all of which retards our nation building effort.

Periodic reports of China making incursions into our territory raise jitters in India, recalling the trauma of 1962. To defuse the political fallout, the government defensively claims that the incidents are confined to areas where the two sides have differing perceptions about the LAC. The rational approach of delineating the respective perceptions on the map, identifying the pockets of overlapping claims and then proceeding to find a solution has been rejected by the Chinese. The “political” approach proposed by India in 2003 has perversely allowed China to increase its appetite by claiming territory not under its control, with the result that the Special Representatives are not able to move forward. During his visit to India in December 2010, ostensibly to defuse mounting tensions, Premier

Wen delivered the hard message that it may not be possible to ever resolve the boundary issue fully.

Rather than work to create a favourable political atmosphere for resolving boundary differences, China has poisoned it by asserting its claim over the whole of Arunachal Pradesh as a matter of principle and on Tawang in particular. The airing of this claim on the eve of President Hu Jintao's visit to India in 2006 showed China's scant regard for ground realities as well as Indian political sensitivities. China has upped the ante by broadening its bilateral differences over Arunachal Pradesh by raising them in a multilateral forum like the Asian Development Bank by objecting to the bank financing a small irrigation project there.

India's belated decision in the face of provocative Chinese territorial claims to improve the infrastructure in the border regions, activate airfields, position advanced aircraft as well as augment ground forces, have aroused reactions from Chinese analysts and newspapers. Even though it is claimed that opinion in China is no longer monolithic, such articles cannot appear in defiance of Party or governmental thinking. Some condescending commentaries have appeared in the Chinese press warning of a repetition of 1962 if India continues to provoke China by asserting its sovereignty over Arunachal Pradesh. Even the break-up of India into several states has been advocated. Such writings have not appeared in China's state controlled press for years and some observers do not rule out China fomenting some border trouble, if only to deflect attention from mounting internal problems. If India has increased its military capacity along the border compared to the past, it is essentially defensive in character and calculated to avoid a repetition of 1962.

The water issue between India and China looms as a major point of contention in the future, given China's plans to build dams on the Brahmaputra in Tibet and divert its waters to the water deficit northern part of the country in what will be a colossal engineering feat. China's forays into the Indian Ocean, its efforts to establish port facilities in key strategic points there which later can be upgraded to naval facilities, its plans to obtain access to the sea through Myanmar and Pakistan in order to partially

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resolve its "Malacca dilemma", are all issues with a bearing on India's security.

Pakistan has been a willing pawn in China's hands to thwart India's ambitions and keep it boxed in South Asia. Without being seen as confronting India directly and generating an atmosphere of open hostility – which does not suit its strategy of presenting its rise as peaceful – it lets Pakistan do this. By making Pakistan nuclear and giving it weapon delivery capability, China has neutralised India strategically within South Asia itself. Pakistan has been given the means to continue its politics of confronting India without India being able to retaliate militarily even though it enjoys conventional military superiority.

By building up a countervailing military power in India's neighbourhood, China has used Pakistan to prevent India from exerting its leadership role even within South Asia. China opposed the India-US nuclear deal on the ground that it was discriminatory towards Pakistan. The depth of its strategic commitment to Pakistan is demonstrated by the fact that contrary to its Nuclear Suppliers' Group (NSG) obligations, it has announced the decision to build two additional nuclear power plants in Pakistan. It wants to give Pakistan the benefit of international civilian nuclear cooperation without going through the NSG process and without imposition of non-proliferation conditions on it, even though that country has become the hot-bed of terrorism, Islamic extremism and clandestine nuclear proliferation. It is widely suspected that civilian nuclear cooperation with Pakistan is a convenient cover to continue assisting it in its strategic programmes.

While indirectly questioning India's sovereignty over Jammu and Kashmir (J&K) by issuing stapled visas to residents of the state or those associated with it officially (a practice China states it will discontinue but the political point has already been made), China deals with Pakistan Occupied Kashmir(POK) and the Gilgit-Baltistan(GB) area as if Pakistan's sovereignty there is undisputed and secure. It is getting involved in massive road

building and hydel projects, disregarding Indian objections. India cannot but see the increased Chinese footprint in Pakistan Occupied Kashmir, which includes the Northern Territories, as a threat of military encirclement in J&K, especially as India and China are already in confrontation in the Aksai Chin area. Our Army Chief has publicly expressed concern about the presence of 3,000 to 4,000 Chinese, including People's Liberation Army (PLA) troops, in POK.

With energy security and the unrest in Sinkiang in view, China has begun to look at this territory, illegally occupied by Pakistan, with even greater strategic interest than before. Uighur separatists can be kept under a watchful eye from there, while through Gwadar, oil and gas from the Gulf can be transported to bordering Sinkiang. China can link up its interests in Afghanistan too through this contiguous area. China would, therefore, want Pakistan's hold over this region consolidated, economically and legally.

While massive infrastructure projects help achieve the former goal, questioning and contesting India's legal status in J&K serves the latter objective as it puts India on the defensive and erodes its *locus standi* in challenging Pakistan's illegal possession of POK and GB. With its new stakes in mind, China aims to become an inescapable factor in any India-Pakistan final settlement of the Kashmir issue, with the objective, in such an eventuality, of denying India any future role in Pakistani held territory.

Moreover, by entrenching itself in this region firmly, China would want to be able to protect its strategic investment in it, should the Pakistani state slide increasingly towards failure. China would not make such large investments in POK if it did not intend to eventually protect them diplomatically and, if required, militarily. China protests if international institutions fund even minor development projects in Arunachal Pradesh on the ground that it is "disputed" territory, but does not apply its own logic to the development projects of the magnitude that it is funding in POK.

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With its increased political, economic and military weight, China is stepping up its presence in countries around India. In Afghanistan, China intends investing heavily in the mineral sector and a railway link. It is likely to accept an opening to the Taliban as an insurance for the stakes it is developing in Afghanistan within the framework of its strategic relations with Pakistan.

China has used a judicious mix of propaganda about Indian hegemony, the natural sense of insecurity of small countries under the shadow of a large one, religious and ethnic differences as well as economic and military assistance to add to pressures on India from within the region. In Nepal, it is becoming more assertive in demanding equal treatment with India in terms of our respective treaties with that country. With the Maoists now a powerful political force in Nepal, and given their ideological compulsion to be seen as drawing Nepal closer to China, coupled with their periodic statements calculated to inflame public opinion against India, the political terrain has become more favourable for China. This can only make India's task in handling Nepal more difficult.

China's position in Bangladesh is entrenched. Even Sheikh Hasina's friendly government would see it in its interest to maintain close ties with a rising China and the benefits that can bring, including giving India an incentive to woo Bangladesh more. China has earned the gratitude of the Sri Lankan government by supplying it arms that helped in defeating the Liberation Tigers of Tamil Eelam (LTTE). Sri Lanka, along with Myanmar, Bangladesh and Maldives, are targets for China's naval ambitions in the Indian Ocean area to protect its vital lines of communication through these waters. The so-called "string of pearls" strategy, with commercial goals in view in the short term and military goals in the longer term, includes construction of new port facilities in select countries. To promote these objectives, China is bound to step up further its engagement with these countries, especially with increasing material means at its disposal, posing further challenges to India's interests in its neighbourhood.

China's penetration of Myanmar, its expanded presence in Iran and economic domination of Central Asian countries, all present a regional

scenario for India that would limit India's future margin of manoeuvre, politically and economically.

China's policies and conduct tax the Indian government's effort to temper domestic reaction and maintain a friendly posture towards its northern neighbour. There is some disconnect between the government's positive, and even exonerating, discourse on China and the general public sentiment towards that country. The government may be right at one level to pursue

an accommodating approach as India cannot afford to have tense borders with both China and Pakistan. If China needs peaceful borders for pursuing its development goals, India needs them even more. We have two inimical neighbours who are collaborating to contain India strategically. Tensions with at least one of them have to be reduced to the extent possible so that the military, political and economic burden on India is lightened. The government has allowed economic contacts to develop with China to the point that the country has become our largest trading partner in goods. China has exploited this Indian compulsion by pursuing a policy of containing India under cover of engagement, of touting a strategic partnership while gravely undermining us strategically, of inducing us to accept politically that it does not pose a threat to us and yet threatening our territorial integrity as well as our vital interests in our neighbourhood. If India's soft policies on China continue, China can conveniently treat India as a tactical piece in its larger design of deflecting concerns about its frenetic rise as a formidable power.

The settlement of the border issue would open doors wide for an across the board cooperation between the two countries, but China obviously does not see the need for combining our respective strengths to alter the global landscape to our advantage. China wants to keep India under pressure, give itself space to browbeat it when required and put it in a position where it has to appeal to Chinese goodwill for securing its international ambitions as

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was the case when India sought China's support in the NSG for international civilian nuclear cooperation and for its bid for permanent membership of the UN Security Council. China wants to slow down as much as possible India's rise to regional and global status.

Many arguments can be made in favour not only normalisation of relations between India and China, but a strong *entente* between the two. Imagine the two most populous countries in the world, with two-fifths of humanity between them, growing energetically at close to double digit figures, integrating themselves rapidly with the global economy, with increasing claims on the world's resources to fuel their future growth, having a community of interest in tackling the problems at the forefront of international concern – environment, climate change, terrorism, religious extremism, pandemics, UN functioning, etc – working in tandem on the global stage. This would shift the global balance of power decisively towards Asia. But Sino-Indian differences have greater debilitating effects on India as compared to China as the gap in our respective national power has widened. China can offer economically more and it can intimidate more. It has a certain vision of its own preeminence and the romantic notion of two Asian giants working together to change the global landscape appeals little to the authoritarians in Beijing.

China's handling of its differences with India makes sense from the Chinese point of view. It has the upper hand on the border and its military infrastructure there is far superior. It already possesses large swathes of Indian territory. The economic gap between the two countries, already huge, is growing. China's economic integration with the world is far deeper than India's, giving others much greater stake in it as compared to us. It has successfully contained India by bolstering Pakistan against us with nuclear weapon and missile technology transfers. It has insidiously used other neighbours to prevent India from consolidating its leadership in South Asia. If it settles the border issue with India, it will release India from a two-front bind, supposedly expose Pakistan to increased Indian pressure at a time when it has become more vulnerable, lose leverage with other neighbours of India who will move into the Indian orbit more decisively and free India

to pursue its regional and global ambitions more confidently. This would inevitably be at the cost of China's preeminence in Asia and at the global level. China may think it has more to gain than lose by a policy of thwarting India even as it engages it.

India too is engaging China but lacks the resolve to look for options for containing it. We cannot seek to contain China alone. We can, of course, build up our military strength, especially our strategic capability against China. This, in time, will help to "contain" Chinese ambitions. But we need to immediately join hands with others who too fear China's rise and the resurgence of nationalism in the country.

China reacted strongly to the attempt some years ago to build a quadrilateral arrangement among Asian democracies – India, Japan, Australia – along with the US, with Singapore thrown in. Australia retreated quickly, followed by Japan. President Obama has begun to talk of a better geo-political balance in Asia. India has to play a sophisticated game of hedging its bets against China in a pragmatic manner. Apart from strengthening relations with Japan, South Korea and Vietnam, India has to reinforce its Look East Policy as much as possible. Increased cooperation with the US Navy in the Indian Ocean would be part of containing the disruptive consequences of a rising China that is territorially expansionist and one that is at times accused of having a 19th century balance of power outlook.

Formulating a policy towards China that finds the right balance between engagement and resistance is not easy. We are obliged to engage with China as it is fast on the road to becoming the world's number two power. The balance of power in Asia has already shifted towards it in significant measure in the last couple of decades. Its inroads into the Gulf area, Africa and Latin America are now giving it a higher global profile. It has become the world's biggest exporting country; it has accumulated huge financial surpluses which it is using to secure access to raw materials across the globe, those that it needs to fuel its future needs. Its spectacular economic growth

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continues even as the advanced industrial countries are in the throes of a serious economic depression, tilting global financial power in its favour, especially as the US' financial health has become unduly dependent on China's investment of its surpluses in US securities. It is not surprising that China's position as a global manufacturing hub and its export over-drive have had a sizeable impact on neighbouring India too as China has become India's largest trading partner in goods.

As part of its engagement strategy, India holds a regular high level political dialogue at the bilateral level, including a bilateral strategic dialogue of sorts. India also engages with China in multilateral groupings such as the Russia-India-China dialogue and the Brazil-Russia-India-China-South Africa (BRICS) dialogue. **The most recent BRICS Summit was held in New Delhi in March this year. At this summit, consensus could be reached by India, China and the other three countries on greater representation of emerging and developing countries in global governance, and concern was shared about the economic and financial policies of developed countries spilling over negatively into the emerging market economies. The slow pace of International Monetary Fund (IMF) quota reforms was criticised. The creation of a new development bank for infrastructure projects in BRICS and other developing economies was discussed and an agreement on extending credits in local currency under the BRICS Interbank Cooperation mechanism was reached. All these are initial steps to obtain a greater say in managing the global financial system and diluting the supremacy of the dollar, even as it is clear that progress on this will be slow and the biggest beneficiary will be China. Regrettably, Chinese reticence explains the absence of support from this group for India's (and Brazil's) candidature for permanent UN Security Council (UNSC) membership. This reflects the as yet unsettled political equations within the group that will detract from its global impact.**

At the East Asia Summit and Association of Southeast Asian Nations (ASEAN) linked forums like the ASEAN Regional Forum (ARF), India and China are working together without mutual grating. China now has observer status at the South Asian Association for Regional Cooperation (SAARC),

notwithstanding our past paranoia about China's intrusions into our geographical space. Peace and tranquillity on the border are being maintained despite periodic testing of our nerves by the Chinese in "disputed" areas along the Line of Control (LoC). Bilateral Confidence Building Measures (CBMs) now include limited joint military exercises. The two countries cooperate on climate change and World Trade Organisation (WTO) negotiations.

China has become India's largest trading partner in goods, with bilateral trade reaching **over \$70 billion in 2011** and expected to reach \$100 billion by 2015. The economic dimension of the relationship has acquired a new dynamic with the institutionalising of a strategic economic dialogue between the two countries – **the second round of which will be held this year** – and the setting up of a Chief Executive Officers' (CEOs') Forum. China has become a powerful player in two vital sectors of the Indian economy – the power and telecommunications sectors – despite security concerns. India wants to have a manageable relationship with China.

India-China trade relations have expanded phenomenally in recent years, raising hopes that such increase in mutual stakes may help resolve outstanding political differences. This proposition has to be persuasively tested because the virtual economic and financial fusion of the US and Chinese economies has not ended serious political differences between the two, nor has the massive Japan-China economic relationship softened the undercurrents of Chinese hostility towards Japan.

In our case, although bilateral trade has reached an impressive figure, the ballooning trade deficit (\$20 billion) with China imposes a limit on trade expansion unless the trade becomes more balanced, which would mean China giving more opportunities to Indian companies in its home market. Pro-China economic lobbies in India have, however, emerged: with an economic giant rising next to us, there are those in India who advocate an enlightened policy of taking maximum advantage of this development

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for sustaining our own growth rates, with the least amount of restrictions consistent with basic security.

In many areas of manufacturing, China can now provide world class equipment – in the power and telecommunication sectors, for instance – at much lower prices compared to Western equipment. But there are security concerns about sourcing telecommunication equipment from China, though the pro-China business lobby in India feels that such concerns are exaggerated. There is wariness about

allowing Chinese companies to operate in “sensitive” areas, whether those close to our borders or near military centres and installations. China’s practice of using its unskilled and semi-skilled labour to undertake projects abroad has run into problems in India. The mounting trade deficit with China is becoming unsustainable, more so as China restricts opportunities for our Information Technology (IT) and pharmaceutical companies in its domestic market. China’s dumping practice is another source of irritation in relations. Its effort to corner a sizeable chunk of the Indian market through artificially low priced products is threatening competition and endangering domestic industry. China’s interest in a Free Trade Agreement (FTA) with India is not looked at positively by us.

China’s strategy of integrating its provincial economies with neighbouring regional economies, and creating the infrastructure to make this possible, presents problems for us. China can strengthen its market presence in our neighbourhood at our cost, besides becoming a magnet for our own border regions.

At the international level, it is easier to work out cooperative strategies in climate change or WTO negotiations, for instance, because there is no direct clash of interests – on the contrary, both countries can exert their joint weight to counter pressures from advanced industrial economies. But such cooperation in specific areas should not make us lose perspective on the total content of our relations.

China, as things are, is India's adversary, even if at government level, we avoid characterising our relations with our powerful neighbour in these terms. On the face of it, India has all the attributes to be in the same league as China, whether it is physical or demographic size, skills or civilisational depth. But China has outstripped India as a rising power, and the gap already existing between us will continue to grow in at least the decade and a half ahead. China is better organised, more purposeful in formulating policies and implementing them, and much less constrained by domestic public opinion.

Militarily, China has developed capacities that we will find difficult to match. China has rivalry with the US in mind, and the sinews it develops to pursue that will take care of any developing Indian challenge. No doubt China does not currently have access to Western conventional defence technology because of an arms embargo imposed by the Western countries on it after the Tiananmen events. It is not able to secure from Russia the kind of platforms and weaponry that Russia readily supplies to us. But it has developed an indigenous defence production base that is impressive. In ballistic missile and nuclear weapon technologies, China has forged ahead of India decisively.

India has taken a substantial step forward in acquiring a credible nuclear deterrent capability against China with its successful Agni V test on April 19. The Indian press played up unnecessarily the China dimension of this missile, provoking Chinese press reactions to the effect that China was much ahead of India in missile capability and warning India not to be arrogant, apart from seeking to incite Western opinion against Agni V by suggesting that India was downplaying the actual intercontinental range of the missile. The reaction of the Chinese government has been unusually sober, emphasising the cooperative nature of the India-China relationship and shared interests.

Agni V should have in reality caused no surprise to the Chinese as India has been transparent about its Agni missile programme and the planned range of 5,000 km. India is also developing a sea-based long range missile for its nuclear powered submarine under development. China, in

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any case, possesses missiles with even longer range. Earlier, it was India that was vulnerable to Chinese missiles and now the reverse will be true, creating a better balance in deterrence.

The US reaction to Agni V reflects the new quality of India-US bilateral relations. In the 1990s and early 2000s, the US was pressing India to curb its missile programme because it was seen as destabilising. The thinking today is entirely different. While avoiding any specific disapproval of India's step, the US has lauded India's non-proliferation credentials and underlined its no first use policy, which would suggest that India's missile advance is actually seen as serving US interests too in creating a better Sino-Indian

strategic balance in the years ahead.

Even if China has a headstart over India, and in terms of "national power," is much more potent, India's steady economic rise, its human resource, the dynamism of its corporate sector and the size of its domestic market are elements playing in its favour. India too has weathered the current global slump well. Indeed, India and China are seen as two countries that the global economy counts on for easing the strains of the ongoing economic depression by their continued growth.

India is planning to spend huge amounts in the coming years on infrastructure development, an area in which it has been deficient so far. This will erode the advantage China has at present with its highly modern infrastructure. As labour costs in China go up, and other aspects of doing business in China begin to weigh more in the calculus of foreign investors such as absence of a well defined legal system, violation of Intellectual Property Rights (IPR), lack of sufficient access to China's domestic market, etc. attention will move increasingly towards India, especially if India begins to address those physical and procedural deficiencies that discourage the inflow of foreign investment in large

volumes. Countries like Japan, which are the biggest foreign investors in China are now looking at India.

China's export led growth model is considered unsustainable in the long run. The question is: to what extent can China control the transition to a different model without serious internal disruptions? China's mercantilist approach does not endear it to other competing countries. The West has begun to see China's rise with mounting concern. These international sentiments play in India's favour. As a democratic country, with ways of doing business the West finds more congenial, and with financial and managerial experts ensconced in Western corporations, banks and financial institutions who can mediate business and investment between India and these countries, India's growth is seen with less trepidation. In certain sectors of the knowledge economy, we have a headstart over China and this advantage we will enjoy for some time. Experts are generally agreed that by about 2025, as China's economic growth slows down and ours accelerates, the existing gap between the two economies will get very substantially reduced. At the same time, India's hunger for raw materials, especially energy resources, will pit it increasingly against Chinese competition in the years ahead. Our political leadership tries to minimise the prospects for such future rivalry by stating diplomatically that there is enough space for both India and China to grow without treading on each other's toes.

In China, a politically closed system works alongside an open economic system. Political dissent is smothered, but not economic enterprise. China accepts that the West can help in the modernisation of its economy, but must not ask for the modernisation of its politics. Its politics must cling to an outdated ideology, though its economics can be heartlessly pragmatic. How can this kind of a contradiction endure in a country that is set to become the number two power in the world? When the rest of the world cedes so much space to China peacefully, it is not unreasonable for it to

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expect a reassuring change in how China governs itself and how it relates to its external environment.

Given China's size, its view of itself in historical terms, its claims on India, on Taiwan, in the South China Sea, its rancour against Japan, etc, its rise has wide regional and international implications. While a policy of containing China would be imprudent, it cannot be given a free hand in Asia. Other players in the region have to caution China about the political and other costs of seeking domination. Any initiative to that end serves India's interests even as its engagement with China continues. However, engagement does not mean acquiescence to Chinese hegemony in Asia.

China is manifestly a revisionist power that, to begin with, wants to change the status quo in its periphery where it has the capacity to make its power felt more immediately. It has begun to flex its muscles, most notably, in the South China Sea, over most of which it now claims sovereignty. It is locked up in maritime disputes with Japan, Vietnam, Malaysia and the Philippines over the Spratly and Paracel Islands. It has upped the political and security ante by unilaterally declaring the South China Sea as constituting its core national interest. Its claims are based on its own version of history and legality, which, of course, is contested by its other maritime neighbours.

In the South China Sea, China has larger strategic goals. It has so far been bottled up in these waters by the chain of islands ringing it in the east – Japan, Taiwan and the Philippines. It cannot be a major naval power if it remains so confined. The blue water navy that it is developing needs unhindered access to the Pacific as well as the Indian Ocean, both to protect its vital trade and energy life-lines as well as to challenge the sway the US Navy enjoys over these oceans, the Pacific in particular. China has plans to operate a number of aircraft carriers, the first of which has begun sea-trials. It is expanding its conventional and nuclear submarine fleet and modernising its destroyer and frigate fleet.

China must be able, initially, to deny the US the level of domination it has so far exercised in the South China Sea. The assertion of its claims in the South China Sea is a foretaste of its larger naval ambitions. As China's military

power grows, the balance with the US and its allies in the region will change automatically, making its neighbours more vulnerable to Chinese pressure and emboldening it to become more demanding. Already, the US is concerned about the capability China is developing to target American aircraft carriers with anti-ship ballistic missiles, as that will make it more difficult for the US to deploy its assets close to the Chinese Mainland. Consequently, the deterrence balance in the Strait of Taiwan will change.

Most recently, India has had a taste of China's claims in the South China Sea when its naval ship moving along the Vietnamese coast was warned by radio to stay away from Chinese waters. More seriously, China has objected to Indian oil exploration projects in two Vietnamese blocks by calling countries to refrain from oil exploration in maritime areas offered by Vietnam in the South China Sea on the ground of its "indisputable sovereignty" there. India has rebuffed these objections by stating that its cooperation with Vietnam or with any other country is always as per international laws, norms and conventions. India has also reiterated its position that it "supports freedom of navigation in the South China Sea and hopes that all parties to the dispute would abide by the 2002 declaration of conduct" pertaining to it. At the recent East Asia Summit, India has joined others in expressing concern about China's claims in the South China Sea interfering with the freedom of navigation. The Indian Prime Minister, in his talks with the Chinese Premier, has also stood his ground on our right to pursue our commercial interests jointly with Vietnam in the area of oil exploration. **Our Foreign Minister has again reiterated that the South China Sea is not the property of any one nation and is an international waterway, inviting criticism by the Chinese spokesman.**

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China's position on India's cooperation with Vietnam in the so-called disputed areas contradicts flagrantly its policies in that part of the Indian state of Jammu and Kashmir (J&K) under illegal Pakistani occupation, exposing the often unprincipled and bullying nature of its postures. In J&K, in an area which has seen actual military conflict, where a ceasefire is holding even though Pakistani-backed efforts to infiltrate terrorists continue, China has already undertaken strategic projects and is now believed to have signed up for a variety of infrastructure projects totalling US \$10 billion. China has argued that these projects do not pre-judge the status of the territory which has to be resolved between India and Pakistan.

During his visit to India in 2010, President Obama had exhorted India not only to Look East but also to Engage East, in line with the wishes of Asian countries to see India playing a more active role in the region. Now the call is for India to Act East. India is cautiously responsive to US calls because it wants to avoid the risk of sharpening misunderstandings with China that developing joint strategies with the US may produce, only to find the US and China reaching bilateral understandings over India's head as situations evolve.

The US' relationship with China is far more developed and mutually dependent than the India-US relationship, though the conflictual elements in the US-China relationship are much more present than in US relations with India, whether now or in the future. The US continues to hope that China will evolve and the potential clash of interests can be avoided. There is a counter-intuitive willingness to accept China's responsible behaviour, the legitimacy to some extent of its paranoia and the development of its military power to protect its globally spreading economic interests. American China watchers, thus, send mixed signals about the implications of China's rise.

India queries the relaxed view the US takes of the China-Pakistan nuclear cooperation. The US has chosen not to oppose expanded China-Pakistan nuclear trade in violation of China's NSG obligations. Some US specialists explain that the US did not want to throw the gauntlet at China on this issue as it wants China's cooperation in dealing with the nuclear challenge from Iran and North Korea. US experts, in fact, claim that China and India

are responsible nuclear powers, unlike Pakistan and North Korea. This is offensive to Indian ears as India considers China's transfers of nuclear and missile technology to Pakistan as the greatest threat to its security, transfers that the US has deliberately kept below its radar screen.

The US wants India to focus on the China threat in East Asia by prodding India to Act East, whereas for India the more immediate and pressing Chinese threat is in South Asia. The US, however, remains either silent on this threat or actually distorts reality by projecting China as a responsible player in South Asia with which the US could work to promote regional peace and stability. If India had concluded that the Bush Administration's endorsement of this position and that of the Obama Administration earlier in its tenure had been repudiated, it was mistaken, as Admiral Willard, the US CINCPAC Chief has spoken the same language again, even as he has referred to the reality of China's developing the capacity to target moving US aircraft carriers up to 2,000 miles away with anti-ship ballistic missiles.

India and the US are far from developing any shared view on China's stepped up claims on Arunachal Pradesh, the expansion of its military infrastructure in Tibet, its river water diversion plans there, its strategic moves in Myanmar and Pakistan to gain access to the Indian Ocean, the future of the institution of the Dalai Lama, etc. India's territorial integrity is under threat from China and Pakistan combined, but, unlike in the case of China where the US endorses the principle of China's territorial integrity, there is no similar expression of support for the territorial integrity of India.

While China's rise is a threat that has to be addressed constructively, it also has to be considered that China too has its options curtailed because of the export dependence of its economy. It needs world markets for maintaining its growth rates as well as internal political stability in view of the social fractures caused by grossly unequal distribution of wealth between the urban and rural areas that has accompanied the phenomenal expansion of its economy in the last decade in particular. To achieve their goal of modernising the Chinese economy and achieve middle-income status, the Chinese leaders claim they need a couple of decades more of peace.

China has moved ahead very fast in tying up international resources while India has lagged behind. There is no collision yet with China but this could occur as India steps up its efforts.

During this period, however, while maintaining the fiction of its peaceful rise or development, China can build up its military power steadily. With every passing year, the options available to others to restrain China would become fewer and the *fait accompli* being established under their very noses would have to be accepted. Western democracies, unlike China's closed door political system, have electoral cycles, public expectations and, most importantly, the bottom-lines of their corporations that make them more disposed to make concessions to China under the convenient

garb of investing in peace and stability.

China presents the biggest strategic challenge to India in the years ahead. In Asia, India and China are the biggest countries geographically and demographically. On the face of it, rivalry and competition between the two seem inevitable. The two countries are rising at the same time, although China's rise began more than a decade before India's and it has been faster. There is now a considerable gap in the economic and military strength of the two countries, and this gives China more options on the international stage and an upper hand for the time being in its dealings with India.

With such large economies registering sustained high growth rates, with India growing at high single digit figures and China enjoying double digit growth, access to resources has become important, and this importance will increase in the years ahead. China has moved ahead very fast in tying up international resources while India has lagged behind. There is no collision yet with China but this could occur as India steps up its efforts.

As India catches up with China in rates of economic growth, as many studies show it will in a decade or so when Chinese growth levels are expected to go down, China's sense of rivalry with India is likely to become sharper. For the time being, China considers the US as its principal rival for power, undoubtedly in the Asian region, if not beyond. This implies that China is taking for granted its leadership of Asia. In such a scenario,

China will resist any effort by India to contest its primacy. China's current disregard of India as a serious challenger is an indicator of its regional outlook. When India is seen as becoming one, China's thinking and intentions in relation to India will be stress-tested.

Notwithstanding globalisation and interdependence that call for cooperation rather than confrontation and a search for win-win situations

rather than zero-sum games, rivalry for power is unavoidable between states. China is particularly problematic on this score because it is nursing historical grievances and is territorially expansionist. Lack of democracy in China makes the situation more difficult for other countries in the region and beyond as the Chinese decision-making process remains opaque and public sentiment about policies pursued by the government is difficult to assess.

China's spectacular economic growth cannot but be accompanied by growing military strength. China can well argue that its expanding international interests require it to develop the means to protect these interests by deterring interference by others, as otherwise it will always remain vulnerable to external pressures. Under cover of this rational argument, China can expand its military strength, as it is in the course of doing. It has powerful nuclear and missile capability, with more potent missiles being tested. It seems on course to build a blue water naval capability for force projection and to be able to protect its long lines of communication stretching across the Indian Ocean. It has now ample financial resources for expanding its military budget. Its growing military power has already begun to cause concern.

As part of its hedging strategy, India holds regular naval exercises with the US in the Indian Ocean as a joint effort to protect the sea-lanes of communication. Combined naval exercises are held with the US and Japanese Navies too, the strategic import of which could not be lost on the Chinese. We now have a strategic dialogue with Japan. India has agreed

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to a India-US-Japan trilateral political dialogue. We are stepping up our relationship with Vietnam.

China's rise is a reality that India and others have to deal with. The challenge has to be met without confrontation or appeasement. India must create space for itself to target China's sensitive spots, even as we engage the country, the strategy that China follows towards India. The ultimate answer for India's China challenge, of course, is to develop its own economic and military sinews as rapidly as possible, as well as strategies of cooperation with the US and others concerned about China's muscle-flexing in the future, while, at the same time, maintaining its independence of action.

For all the reasons, outlined earlier, our dilemmas in dealing with China are particularly acute. As modern nations, India and China have different conceptions about their international role. The two countries have marked differences in temperament and outlook, and these have a bearing on the future. Unlike the Chinese, we are not a competitive people, we do not think in grandiose terms, we are not power conscious, we are tolerant of dissent, we are less dominated by the state, and we are not as regimented and disciplined. Our dilemmas with China, apart from stemming from power equations, reside also in differences of mentality.