

# WebMemo



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## China and India: Thawing Relations Unlikely to Lead to Strategic Relationship

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Chinese President Hu Jintao's late November visit to India reflects the strange geopolitical calculus behind Beijing's foreign policy. China's diplomatic strategy to counter close U.S.–India ties involves both hardball threats and softball prospects of increased trade and investment. India, for its part, is interested in having cordial ties with its increasingly powerful neighbor but remains wary of China's intentions in South Asia and its slow pace in resolving China–India border disputes. Given the tremendous potential for a stabilizing U.S.–India partnership in Asia, Americans must be sensitive to New Delhi's hesitation to be seen as an ally of Washington against Beijing.

### Thawing Relations

China and India have been strategic adversaries since the Sino–Indian border war of 1962 that cemented India's alignment with the Soviet Union and China's strategic partnership with Pakistan. China transferred equipment and technology to Pakistan's nuclear weapons and ballistic missile programs in the 1980s and 1990s, enhancing Pakistan's strength in the South Asian strategic balance. Since 1959, India has provided a haven for the Dalai Lama's exile government of Tibet, and China has pressured India on the Tibetan borders ever since. In 1998, India–China relations suffered a setback when the Indian government officially cited the Chinese threat as a rationale for its nuclear tests. The tide of suspicion began to turn, however, after the Chinese adopted a position favorable to India on the Indo–Pakistani Kargil conflict in 1999, spurring the current thaw.

Although India–China relations have improved over the last several years and President Hu's recent visit to India was portrayed as a success, the diplomatic dynamics preceding the visit were a reminder that New Delhi and Beijing continue to face serious obstacles to establishing a genuine partnership. For example, days before Hu's arrival in New Delhi, the Chinese ambassador to India proclaimed the Chinese government's position that the “whole of what you call the state of Arunachal Pradesh is Chinese territory.”<sup>1</sup> Indian officials downplayed the remarks, but commentators noted that the hard line comments threatened to cast a pall over the visit.

The countries' efforts to settle their border disputes have been slow. Special Representatives talks, between India's National Security Adviser and China's Vice-Foreign Minister, have taken place since June 2003. Beijing dropped its listing of Sikkim as an independent country from its Foreign Ministry website in 2003, implicitly recognizing it as part of India, but has been unwilling to move toward a final settlement of the borders.

The most serious impediment to closer India–China ties is Beijing's historically close security relationship with Islamabad, which President Hu also

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visited during his trip to the region. While in Pakistan, he signed a free trade agreement with Pakistan and a deal to co-produce Chinese fighter jets. Press reports in the run-up to the visit speculated that Hu might unveil a plan to provide additional nuclear power reactors to Islamabad. In the end, no major nuclear deal was announced, but such reports only fuel Indian suspicions of China's strategic intentions in the region.

### **Nuclear Diplomacy and Trade Highlight Visit**

The most significant agreement struck during Hu's visit to India was a joint statement to promote cooperation in the field of civilian nuclear energy. This statement was particularly meaningful considering its context. New Delhi is seeking Chinese support in the Nuclear Suppliers Group (NSG), which may soon consider whether to extend civilian nuclear cooperation to India. (Before that happens, the U.S. must pass legislation to allow for such cooperation.) So far, Beijing has remained neutral on the idea of civil nuclear cooperation with India, stating that it wants to ensure such cooperation will not undermine the non-proliferation regime. Some analysts view the joint statement's reference to nuclear cooperation as a signal that Beijing is likely to support India in the NSG.

China hopes increased trade and investment ties with India will counter strategic U.S.–India cooperation, which Beijing perceives as an attempt to contain Chinese influence. In just four years, China and India have quadrupled the volume of their annual bilateral trade to almost \$20 billion. China has already replaced Japan as India's leading trade partner in the region and is expected to replace the U.S. as India's top trade partner in another three years. China exports mostly manufactured goods, especially electronics, to India. But the composition of the bilateral trade basket is tilting increasingly in China's favor, with low-value inputs like ores, slag, and ash comprising well over half of

India's exports to China. The two countries pledged to double trade to \$40 billion by 2010, and the prospect of Chinese goods swamping India's own manufactures is of some concern in New Delhi.

### **Competition Will Continue**

Energy has been a source of both cooperation and competition between China and India in recent years. They are two of the world's fastest growing energy consumers, with China importing about 40 percent of its energy needs and India 70 percent. China has consistently outbid India in the fight for energy sources. These bidding wars have inflated prices for energy assets, prompting the two sides to agree to joint bidding in third countries. To this end, they signed a "Memorandum for Enhancing Cooperation in the Field of Oil and Natural Gas" in January.

Their energy competition is also reflected in their assertions of naval power. As India reaches into the Malacca Straits, Beijing is creating a "string of pearls" surrounding India by developing strategic port facilities in Sittwe (Burma), Chittagong (Bangladesh), and Gwadar (Pakistan) to protect sea lanes and ensure uninterrupted energy supplies. India is wary of China's efforts to engage its South Asian neighbors in military and economic matters. Some Indian analysts believe that China is pursuing a two-pronged strategy of lulling India into complacency with greater economic interaction while taking steps to encircle India and undermine its security.<sup>2</sup>

### **China Trying to Counter U.S. Influence**

China has watched the growing U.S.–India relationship with concern. Its concerns were reflected in a recent statement by the Chinese Ambassador in India. China, he said, supports the development of bilateral relations between countries so long as these relationships are not targeted against a third party. Indian Prime Minister Manmohan Singh's tremendously successful visit to Washington in July 2005—and particularly President Bush's proposal for U.S. civilian nuclear cooperation with India—appeared to alarm Chinese leaders.

1. "Border Dispute: Ambassador Sun Yuxi says the border dispute with India would take time to resolve," CNN-IBN Live, Noida, November 13, 2006, at <http://www.ibnlive.com/news/aranachal-is-chinese-territory-envoy-minces-no-words/26108-3.html>.
2. Venu Rajamony, "India-China-U.S. Triangle: A 'Soft' Balance of Power System in the Making," Center for Strategic and International Studies, March 15, 2002.

Recent Chinese statements supporting “multi-polarity” (i.e., countering U.S. “hegemony”) should raise eyebrows in Washington. The India–China joint statement says, “As two major countries in the emerging multi-polar global order, the simultaneous development of India and China will have a positive influence on the future international system.” China had been initially cool to the idea of Russia–China–India trilateral cooperation when it was first pushed by former Russian Prime Minister Primakov in the late 1990s but now seems to be warming up to it. India has been cautious on this front, agreeing to join the Beijing-sponsored Shanghai Cooperation organization (SCO) as an observer in July 2005 but avoiding sending the Prime Minister to the SCO meeting in Shanghai in June 2006.

Washington should support the positive trends in India–China relations as tensions in this relationship would likely lead to an arms race that would involve Pakistan and could destabilize the region. However, Washington should watch carefully any efforts to build a Russia–China–India trilateral axis aimed at countering U.S. power. India has long prized its strategic autonomy in world affairs and is unlikely to be drawn into any open effort at strategic balancing.

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