

# CHINA AND INDIA: RIVALS ALWAYS, PARTNERS SOMETIMES

## CONTENT

Strategic culture, power balances and the analysis of geopolitical shifts are a long-standing Chinese obsession. Academic institutions, think-tanks, journals and web-based debate are growing in number and quality. They work to give China's foreign policies breadth and depth.

China Analysis introduces European audiences to the debates inside China's expert and think-tank world, and helps the European policy community understand how China's leadership thinks about domestic and foreign policy issues. While freedom of expression and information remain restricted in China's media, these published sources and debates are the only available access we have to understand emerging trends within China.

China Analysis mainly draws on Chinese mainland sources, but also monitors content in Chinese-language publications from Hong Kong and Taiwan. Reports from Hong Kong and Taiwan reflect the diversity of Chinese thinking, with occasional news and analysis unpublished in the mainland.

Each issue of China Analysis in English is focused on a specific theme, and presents policy debates which are relevant to Europeans. It is available at [www.ecfr.eu](http://www.ecfr.eu). A French version of China Analysis exists since 2005 and can be accessed at [www.centreasia.org](http://www.centreasia.org).

### Introduction by Francois Godement

For those Europeans concerned with EU-China relations, having a look at recent trends in China's dealings with India may be unexpectedly illuminating. Europeans have tended to believe that their own shortcomings are the sole origin of difficulties faced in the relationship with China; the Asian superpower has after all proven to be a reliable - if somewhat demanding - partner.

Five years ago, many Europeans looking at China and India were ready to believe the hype about 'Chindia' - a term famously coined by Goldman Sachs - or even the "two pagodas of hardware and software", as PM Wen Jiabao marvellously called the cooperation between the two countries in April 2005. It seemed that two emerging giants were creating a new world, and Wen's choice of words carried an air of cultural inevitability: if the PRC premier had gone so far as to acknowledge, albeit indirectly, the historical relationship between Hinduism and Buddhism, it could only be the sign of a deep rapprochement between the neighbouring states. Surely, then, a new Asian trade- and power- bloc would shortly be formed?

Events have proven otherwise. China's contest of India's ownership of the North-Eastern state of Arunachal Pradesh - where a major Tibetan temple is located near the existing border with China - its readiness to take on India over the issue of India's control of Kashmir, its plans to create massive

hydrographical projects on the upper reaches of the Hindus and Brahmaputra as well as its protests against the refuge given to the Dalai-Lama are all souring relations. There has been, however, enormous progress in bilateral trade, and a symbolic reopening of trans-Himalayan border passes. New Delhi's business establishment meanwhile has begun a capital-investment love affair with the comparatively freewheeling Chinese market. Yet Delhi is smarting over the lack of Chinese support for a permanent UN seat for India, and has clammed up on many issues. It is, for example, restricting Chinese investment in sensitive sectors, and is competing with China for greater influence in Burma.

Should this be a lesson for Europe? Yes - in a fundamental sense. China feels it is ascending, and it will at some point pursue an aggressive line with any former partner, large or small, that poses a challenge to its self-image. This was the case with Japan for almost a decade, from 1998 to 2006; it is now the case with India. Furthermore, major international disputes are not always what they seem. In a recent editorial, the China People's Daily robustly denounced India's choice to "befriend the far and attack the near"; or, in other words, to rely on the United States and oppose the interests of China and Pakistan. Such broad criticism suggests we are far from the concrete resolution of the border spats of previous years.

The Chinese-authored analyses that Yann Dompierre, Mathieu Duchâtel and Thibaud Voïta have uncovered are complex. The Chinese experts cited below do not, on the whole, engage in unmitigated polemics. They acknowledge past quarrels in dispassionate terms whilst searching for means of strengthening the relationship. They note accurately that trade relations alone will not suffice for this purpose. They show remarkable cool over the India-U.S. strategic partnership, noting all the elements that may one day reduce its potency; yet they fail to mention what is Beijing's greatest headache - India's nuclear pact with the United States. Chinese experts don't emphasize their own country's weakness, just as they almost never mention anti-missile defence systems in North-east Asia. They advocate finding a patient way of achieving this goal. Just as there have been moments calling for tough talk and confrontation, the present situation demands a peaceful strategy. They talk about a "change of concept" - but then prescribe it for New Delhi, not for Beijing. In doing so they create a more nuanced language for the issue, one which is clearly very far from the emotional phrasemaking of Chinese press op-eds and bloggers.

None of these sources mentions that China and India have managed to work together as allies twice in the last year: once to derail the Doha round of WTO trade talks by denouncing demands for free trade made by more industrialised nations; and, very recently, with a joint memorandum on climate change which looks like an effort to resist any coercion by the West ahead of this year's Copenhagen Conference.

Each of these collaborative adventures looks like a pragmatic alliance formed to defend immediate economic interests. They show that China and India are consummate practitioners of international institutions - and realists above all. To persuade them in the future, Europe and other powers will have to learn to speak the language of their pressing needs and interests. China and India may not be about to form "a new Asian power bloc", but neither are they supporters of the post-war liberal order.

## 1. A fraught political relationship

by Yann Dompierre

Sources:

Yin Bin<sup>1</sup>, “Structure, themes and changes: a systemic analysis of the progress of China-India relations”, *Nanya yanjiu*, no. 1, 2009, pp. 7-17.

Zhao Gancheng<sup>2</sup>, “Analysis of China’s strategy with regard to India”, *Nanya yanjiu*, no. 1, 2008, pp. 3-9.

Chinese analyses of China-India relations are seldom surprising. They usually display a strong sense of permanence, something which adequately expresses the longevity of many aspects of the relationship between the two. Working from within the confines of their own system, Chinese academics not infrequently provide quite accurate analyses of the main question troubling the shared future of the two states: are China and India possible partners, or are they unavoidable rivals? Yin Bin and Zhao Gancheng are no exceptions to this trend: if they avoid minefields such as the 1962 conflict, the current nuclear balance or the security situation, each of them assembles an in-depth view of the stalemate which they see as the most significant characteristic of the relationship as it stands. Their arguments converge on a condemnation of overpolitisation, a policy which, “on the whole, comprises short-term interests, but has long-term effects”.

The familiar ingredients of Chinese-authored descriptions of China-India relations<sup>3</sup> included by these writers are the following: the issue of proximity/similarity of both countries; the superiority afforded China thanks to a decade-long head start on economic reforms; the mutually conflicting perceptions of the security situation (which may, looking more closely, suggest an element of tacit deterrence between the two countries); the contrast between the long friendship and the brief (but ongoing) disputes<sup>4</sup>; the reduction of the border issue to a purely historical matter<sup>5</sup>, and, finally, the almost total avoidance (one single allusion, undated, by Zhao Gancheng) of any mention of the 1962

1 Yin Bin is Associate Professor in the Department of Social Sciences within the Department of Human Sciences at the Xi’an University of Electronic Science and Technology.

2 Zhao Gancheng is Director of the Centre for South Asia Studies at the Shanghai Research Institute of International Studies.

3 It is worth mentioning the somewhat rare exception of Sun Shihai, Deputy Director of the CASS Institute of South Asia Studies who, in a 2002 article, presented an extremely frank and thorough perspective on this relationship (“Perspectives on China-India relations in the 21st century”, in *Zhongguo yu zhoubian ji 9-11 hou de guoji jushi (China, its external environment and the international system after September 11)*, Zhongguo shehui kexue Chubanshi, Beijing, 2002).

4 Yin Bin’s quotes Mao Zedong himself – Mao, in 1959, contrasted a friendship of “more than a millennium” with the disputes of “a few years, and more especially these last three months”.

5 This is not an empty rhetorical device, as it shrugs off, however symbolically, this aspect of the bilateral conflict by blaming it on an external party, while condemning the inappropriateness of Delhi raising it again.

conflict, despite the fact that the latter episode remains the foremost cause of India’s distrust of her neighbour.

While respecting these credos and protocols, both authors share the same sense of a strong link between the China-India relationship and the international political order: whether the future of said order depends upon the bilateral relationship (Zhao Gancheng) or whether the shaping of the bilateral relationship should be thought of in terms of the global interrelationships it is part of (Yin Bin), everything in these articles points to the idea that Sino-Indian politics go far beyond their mere bilateral significance – at least, for the researchers who have made the subject their speciality. This in part explains the fact that each writer expresses,

rather than an urgent need to simply improve the bilateral relationship, the importance of gaining clearer understanding of even the least pressing issue; any steps forward, they imply, must be taken cautiously and carefully – and there is no breakthrough in sight<sup>6</sup>. The “policy” underlying the bilateral relationship hitherto is seen by Yin Bin as too narrow and fluctuating, and as too short-term and superficial by Zhao Gancheng.

Yin Bin’s analysis of the progress of China-India relations distinguishes between the players involved, the context of their interactions and the interactions themselves. The players include, in order of importance: the governments of each country, political parties in each, the international media and civil populations. Historically, governments and parties have long been at the helm of the China-India relationship, giving it content and direction and lending it an essentially political character. From the eighties onwards, however, the less official players<sup>7</sup> began to play a greater role and were able to broaden and enhance interactions between the countries. This has had the result of stabilising relations. While fervently hoping for the greatest possible engagement by both parties, Yin Bin also notes that the stability of government in China has fostered greater continuity in China’s perception of and policies regarding India than exists in Indian perceptions of and policy towards China<sup>8</sup>.

Discussion of the environment wherein diplomacy and other contacts take place refers to geographic, social, political, economic, and cultural factors. Questions of geography, not unexpectedly, lend China-India relations their periodically unstable character. The internal social conditions of the

6 Zhao Gancheng is being extremely cautious when he explains that “perhaps” the “10 strategic steps” outlined represent a step forward, leaving it to the passage of time to determine their greater impact.

7 Yin Bin nonetheless stresses the particularity of the media, which serves both as a carrier of information and a channel of communication between players of all levels, including governments.

8 The paradox inherent in advocating a greater number of players to achieve fewer changes is reinforced by the lack of any direct quotation from representatives of civil society, the references being limited to historic statements made by leaders.

two countries are, meanwhile, conducive to dialogue and cooperation; dissimilarities in political systems and cultural traditions are considered here as non-critical variables in the ongoing development of relations<sup>9</sup>.

The two players' interactions "merge and combine to take on all sorts of shapes", the accumulation of which determines the nature of the overall relationship. Juxtaposing the "direct and clear" nature of the political sphere with the more "indirect and obscure" nature of the economic and cultural spheres, Yin Bin emphasises that the latter areas still give the relationship a "relatively solid basis".

Sino-Indian relations revolve around three issues, which occur in an order of priority dictated by the immediate context. These are security, development and status. While the former was granted top priority during the Cold War period (as much in the spirit of the fight against imperialism as to ensure territorial integrity<sup>10</sup>), development took over from security as soon as the international status quo allowed it; the shift which took place came about as a result of internal need. With the historic joint development mission involving Deng Xiaoping and Sonia Gandhi, the nature of the relationship changed deeply, helped along by the emerging consensus that "the development of one would in no way constitute a threat to the other". History however, imparts to both China and India the same need to restore a feeling of national pride, a need which each fulfils in parallel quests for greater international standing. What will happen, Yin Bin wonders, if the question of status replaces development to become the main priority in the China-India relationship?

To avoid this turnaround, he proposes to capitalise on the "good margin of progress", and recommends that links between the countries be institutionalized to safeguard against a personalisation of relations which would leave them at the mercy of individual vagaries. He would also promote non-political relations, ("only trade relations can provide stability in political and security relations"<sup>11</sup>) and highlights the international role of both countries, advocating "reshaping, in a proactive and strategic way, the relations intimately bound up with the China-India bilateral process, such as China-India-Pakistan relations or China-India relations with the United States, Russia or Japan".

Zhao Gancheng, on the other hand, distinguishes between the real (geographic) situation and the conceptual situation, encouraging the players to refine these concepts in the course of the relationship, so as to make said relationship more stable.

After having stressed India's historical and geographical nearness to China, Zhao acknowledges the existence of "a still unresolved historical legacy". Quoting Wen Jiabao, he recalls that India has been an "important source of the civilising factors at work in China", and that "during the course of more than two millennia, China-India relations have, for the most part, been marked by friendship, and the unhappy periods were exceptionally short". The message from Beijing, however, as he presents it, could not be clearer: problems do exist. Giving almost no precise information about the nature or number of these problems, Zhao evokes only Tibet and the question of global status.

On the one hand, the Tibet issue is presented through the usual depiction of the relevant border as a colonial inheritance that an independent India should have jettisoned. Even though India's claim about its traditional relations with Tibet was finally settled by negotiation, the episode continues

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to damage the relationship – particularly because the media and researchers<sup>12</sup> alike readily grasp every opportunity to see the negative side of China-India

affairs. But, he adds, one country's perception of another frequently plays an important role in the development of the strategy applied to their relations, and even though the proximity / similarity of the two countries concerned makes their exchanges both necessary and problematic, that does not necessarily condemn them to the worst: "something that need not have been a problem has, because of a concept, become one"; such a problem, therefore, can be solved by a change of concept.

On the other hand, Zhao underlines that the geographic situation is one which extends well beyond any problems pertaining simply to adjacency, impacting as it does on the international scene: at present, it does so via the effect it carries upon the development of national power. The undeniable development gap between China and India – caused, as stated above, by a decade of Chinese reforms and by the slowness of Indian growth – means nothing in itself, and has "no impact on their respective emergence". But that gap nevertheless does have a negative influence on their relations – by distorting India's view of China. For instance, Delhi's aborted attempt to obtain a permanent seat on the UNSC provided the opportunity for accusations by Indian commentators regarding the supposed conservatism of the Chinese power<sup>13</sup>, which are thus made responsible for all Indian setbacks, a critique which "springs from India's feeling of inferiority".

9 Having reached this point, one will have grasped that, for the author, terms describing permanence have a positive connotation, and anything sufficiently complex to bear comparison to a calculation or mathematical equation is viewed with suspicion.

10 With "China and India firmly opposing external interference and resolutely defending the borders they had established for themselves". One could add here: against each other, with arms.

11 It is difficult here not to think of China-Japan relations.

12 Zhao Gancheng does not specify on which side these pessimists lie. However, it seems that he considers them to be more numerous in Delhi and in the West than in Beijing.

13 Indeed, Beijing guaranteed only "minimum service" and certainly did not support India's project.

There is no other way for Beijing to counter this trend than to redefine the concepts underlying its strategy with regard to India: in the first instance, this means clarifying whether the two countries are neighbours with close ties, or adversaries. If the answer is to go beyond the short term, it is essential to eliminate the “nebulous factors<sup>14</sup>” that support a pessimistic interpretation of China-India relations. An example is provided by reference to the fracas which raged in the Indian press, circa 2007<sup>15</sup>, about the new capacity to reach “Beijing and other major Chinese cities” with long range missiles. Zhao, presents us with the odd thesis that the notion of an Indian ballistic deterrent pointed in the direction of China constitutes a “nebulous factor” in the arena of Sino-Indian relations.

Zhao Gancheng’s observations are clearly not very positive, and he himself notes that Beijing’s India strategy, while characterised by a voluntary optimism, remains driven by necessity. That being the case, it becomes advisable not to push too far the issue of more extensive cooperation; unresolved problems make the idea, for the time being, unrealistic. Nor should it be expected that a final settlement of the border dispute will solve all the problems between the two players.

To conclude, the condemnation by both Yin Bin and Zhao Gancheng of an overly “political” relationship highlights the multiple meanings associated with the word ‘politics’ in Chinese. Maybe the most interesting conclusion here is to note the negative connotation of that word as employed by both authors. Lastly, but not unexpectedly, neither of them gives the slightest hint regarding the issue of nuclear technology, which could well be the missing piece of the puzzle in China/ India relations.

## 2. Despite strong growth, trade remains modest

by Thibaud Voïta

Source:

Wen Zhongfa, “Ideas for cooperation between the Indian and Chinese SME”, *Nanya Yanjiu Jikan*, no. 1, 2009, pp. 87-92.

China-India bilateral trade has grown tremendously during the 2000s. In 2008, it increased by 34 %, reaching 51.8 billion dollars – ten times more than the 2002 figures. In 2008, New Delhi showed a trade deficit with Beijing of 11.2 billion dollars<sup>16</sup>. Yet trade exchanges between the two countries remain very low when compared to their potential. At 50 billion US\$, bilateral trade has reached a strategic level for neither China nor India, and thus cannot play the lead role in solving bilateral disputes. Wen Zhongfa’s<sup>17</sup> analysis of bilateral trade emphasizes impediments from the Indian side; however he places his bets on continuous future growth, which would have the effect of softening security disputes between the two Asian giants.

Wen seeks to identify the sectors ripe for more consistent trade between India and China. He enumerates the forms of cooperation possible between them, but takes little or no interest in the (political) means by which such cooperation<sup>18</sup> might occur. Once again we find that, despite China’s recent proactive economic diplomacy, the view from Beijing on China-India relations appears to be a passive one – as if Beijing had no incentive to develop the bilateral relationship, and was instead happy to let Delhi take the initiative.

Opportunities for cooperation between the two are manifold: their respective markets are vast, potentially the two greatest in the world; the profit would be considerable for both. A survey undertaken by the Indian Chamber of Commerce and Industry and the Indian Association of Industry and Commerce returns the view that three sectors are particularly promising for Indian businesses in China: information and communication technologies, health and biology. According to this survey, the time is right for an increase in Indian investment in China.

China should thus take advantage of the trade ambitions of the Indian government. New Delhi wants to promote its exports in electricity, textiles, vehicle spare parts, precious stones and diamonds. Wen is particularly interested in the Indian pharmaceutical sector: the costs of production there

14 A free translation of “不确定因素 (*buqueding yinsu*)”. As with Yin Bin, this term conveys an extreme distrust that is due to the variability of a function, caused by the number of its unknowns.

15 After the successful testing of a nuclear-capable ballistic missile with a range of more than 3,500 km.

16 It should be noted that the statistic is a Chinese one. *Asia Times Online*, 20 February 2009.

17 Wen Zhongfa is associate researcher to Sichuan University where he works on contemporary India.

18 On economic relations between China and India, see Jean-François Huchet, “Between Geostrategic Rivalry and Economic Competition: Emergence of a pragmatic India-China relationship”, *China Perspectives*, no. 2008/3, pp. 50-68.

are very low, and the personnel highly qualified. In China, on the other hand, the sector is too fragmented (6 700 companies), the capacity for innovation too limited and the profits poor. India also has considerable resources in the steel sector, where the costs of production are among the lowest in the world; her reserves in iron ore, meanwhile, are considerable. China is the largest steel producing country in the world, but its production structure is irrational, forcing it to import materials. China is also a major producer of coal, which it has exported to India since 1988; it also exports coal coke, though less consistently. India has a similarly high reputation for its software industry, and numerous multinationals in the sector have established themselves there: the value of exports exceeds 1000 billion dollars. Furthermore, opportunities for investment of capital are far from non-existent. Wen quotes the example of the Indian company Infosys, which invested 5 million dollars in Shanghai to open an R&D centre there in 2004. We can now expect to see Infosys capture the Chinese and Asian software markets. India is also paying considerable attention to the development of information and telecommunication technologies (ICT) in the Shenzhen zone. The Chinese services sector also remains underdeveloped, which could represent an opportunity for Indian companies.

Conversely, there is considerable potential for China to export its manufactured products to India, and China can help India to develop its labour-intensive production industry. Wen is astounded to see that India's GDP relies on the service industries to such an extent – more than 50 %. He makes the observation that development in emerging economies traditionally occurs by way of industry, then services. In his view, India must develop its industrial base, and China can assist it to do so, particularly in the agricultural regions.

China already exports products to India in the form of televisions, refrigerators, air conditioners, pressure cookers and other domestic appliances. Conversely, Chinese demand for fruits is high, as it is for other crops, English books, Indian handicrafts – and unrefined ores. The market for each country's products in the other country could be at least doubled. The aim of the Indian companies abroad is not to capture markets, but simply to increase their profits. This is the case with companies such as ACE Laboratories or Roto Pumps, two firms that are keen to identify new outlets in foreign markets in order to sell their products through cooperation or joint ventures with foreign SMEs. Wen Zhongfa thus invites Indian investors to come to China – but within the framework of joint ventures. According to one anonymous Indian academic, Indian companies investing abroad via a local partner are much more competitive, even if the profits remain approximately the same. We can assume that this insistence on partnerships with Chinese companies is intended to facilitate technology transfer, particularly in the ICT sector.

Finally, China-India relations can take the form of

technological cooperation. Chinese technologies are advanced in several areas – blast furnaces, electricity, space technologies, etc. – while Indian R&D has been successful in agricultural technologies, genetics and software, as already mentioned.

Yet the obstacles to China-India cooperation are many. Firstly, both countries are at fairly similar levels of development, deriving a large proportion of their competitiveness from their low-cost labour, which is used in labour-intensive industries; i.e. they are direct competitors. They also suffer from decades of non-communication. The Chinese and the Indians have different mentalities: misconceptions regarding the other are frequent on both sides; they do not trust each other.

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Wen believes that the Chinese tend to think of the Indians as incompetent, as unreliable payers of debts, and that they have no

notion of time. India is perceived as a backward, untidy country with an outmoded transport system. In addition, he criticises the Indians for relying too heavily on law, which, in his view, makes cooperation difficult and complicated<sup>19</sup>. Finally, the institutional differences are important as well. India is a society “of pluralist debate”<sup>20</sup>: the variety of individual stances there “frustrates” collaboration with the Chinese.

For India, according to Wen, China still looms as a threat that must be controlled through an alliance with the United States; China-Pakistan collaboration also remains misunderstood. Beijing would appear to constitute a military threat, the two economies are not capable of co-existing, and the China-India border dispute is still fresh in people's memories; factors explaining India's lack of trust are thus plentiful, and they hang over economic relations between the two.

These misunderstandings and communication difficulties are visible in relations between both countries' SMEs. They are amplified even further by language difficulties, by the refusal of the two sides to accept responsibility for the past, by insufficient cross-border transport infrastructure, and by problems of taxation and currency. India, for example, is among those countries in the world with the highest customs duties<sup>21</sup>. In addition, and more importantly, India's trade deficit with China makes it politically unpalatable to increase investment in the direction of Beijing.

<sup>19</sup> Note this Chinese mistrust of the law.

<sup>20</sup> 论多元化社会, *yulunduoyuanhua shehui* – a euphemism for “democracy”?

<sup>21</sup> Wen cites only the duties applicable in 2002: according to him they then amounted to an average of 32 %. They have since been set (summer 2009) at about 15 %, with plans for further reduction.

It will be noted that Wen is careful to avoid mentioning this imbalance. India's exports to China are not increasing and remain restricted to primary products, with little added value. Conversely, Chinese goods are usually products such as electrical equipment, with higher added value. When one takes into account the fact that tourism between the two countries is barely increasing<sup>22</sup>, the impression one gets is that economic relations between the two greatest emerging countries on the globe are, at the very least, uncertain.

### 3. US and India: a partnership at China's expense

by Mathieu Duchâtel

Source:

Zhang Li, "The Chinese factor in strategic relations between the United States and India", *Nanya yanjiu jikan*, no. 136, first quarter 2009.

Many factors could be cited to explain the US-India strategic partnership: for Zhang Li<sup>23</sup>, the Chinese factor is the principal determinant of this new axis of international relations, and comes close to eclipsing all others. The list of rival factors cited by Zhang Li includes: the collapse of the USSR; India's rise in economic power; the influence of the Indian Diaspora in the United States; the increased strategic value of the Indian Ocean; the shared vision of democracy between the US and the subcontinent and the desire of the United States to impose their leadership (主导权, zhudaoquan) in South Asia. Zhang Li's piece is symptomatic of a certain hard line in the Chinese strategic community which supports the thesis of encirclement by the United States. The nuclear agreement of October 2008 and ongoing military cooperation have fostered a new security relationship between the US and India, targeting China's rise and seeking to constrain it; although there exists a certain degree of mistrust towards China, Zhang Li recommends a long-term approach towards India that would be based on soft power, emphasising economic relations and the defusal of the negative effects of India's partnership with the US.

The Chinese factor, according to Zhang Li, can be divided into three components: China's rise, Washington's hegemonic project and the geopolitics of China-India relations. On the first point, Zhang limits himself to listing the attributes of China's power, and emphasises its consequences: trade disputes, protectionism against China, the maintenance of embargoes and the manipulation of public opinion to spread the notion of a Chinese threat. In Zhang Li's view, the world is not ready to accept a powerful China.

After a conventional analysis of the challenge posed to the United States' hegemonic ambitions by China's rising power, Zhang Li sets out to assess China-India relations. The normal and harmonious development of these met with numerous natural obstacles (the Himalayas, for example), and was subsequently (from the end of the 19th century onwards) disrupted by Western imperialism<sup>24</sup>. It was only after the two countries achieved independence, according to Zhang Li, that these relations finally began to develop in a way that "invites optimism" (值得乐观, zhide leguan). This optimism

23 Zhang Li is a researcher in the South Asia Research Centre at Sichuan University, the most important research centre on South Asia in China.

24 A historical analysis that contrasts strongly with those listed in the article by Yann Dompierre, in this present issue.

is despite two incidents mentioned in passing: the 1962 war and the Indian nuclear tests in 1998. This positive trend is, in Zhang Li's opinion, particularly evident now, at the beginning of the 21st century. It is said to be propelled by two main determinants: the growth in bilateral trade and visits at the highest level between the two parties. There is, however, one obstacle to the continued pursuit of this path: India's dream of becoming a great power capable of exerting influence on global affairs (大国梦, daguomeng), and its hegemonic ambitions in South Asia. As a result of this great Indian strategy, Chinese development can only be perceived as a threat by Delhi, a threat that justifies the establishment of a threefold nuclear deterrent comprising submarines, fighter aircraft and ballistic missiles<sup>25</sup>. Henceforth, South Asia is likely to be subject to a classic strategic manoeuvre by India, a manoeuvre founded on a strengthening of its relations with the United States and aiming to balance China's rise in power.

The idea that the US-India strategic partnership is based on common values seems, to Zhang Li, to be profoundly skewed. He believes that if strategic partnerships were formed naturally between democracies, Delhi and Washington would have built one much sooner. Yet India preferred to align itself with the USSR during the Cold War. Without questioning the place of "common values" in the Bush Administration's foreign policy, Zhang Li believes that they serve to hide the fact that this partnership is based on very different considerations.

He then contradicts the argument according to which the India-US partnership is intended, on a strategic level, to sanction the development of economic and trade relations. The Indian economy seems to hold an advantage in the form of its labour force, and the United States holds the advantage in terms of concentration of capital – they could, in other words, be complementary to each other. However, in 2008, trade between India and the United States was less than China-India trade. Total investment by the United States in India at the end of 2007 represented only 6.2 billion dollars, and trade flows of Indian FDI to the United States over the same period reached barely 3.3 billion dollars. There is nothing here that compares to the economic interdependence between the United States and China. This is all the more notable since the Indian economy is accumulating a huge number of disadvantages compared to the Chinese economy: inadequate infrastructure, a tradition of inefficiency, excessive import duties, and a labour law that favours employees. In these circumstances, the economic prospects alone do not explain the US interest in building a strategic partnership with India.

The same applies to cooperation in the context of the war on terrorism. The arguments proposed by Zhang Li are somewhat surprising. In the light of US military superiority,

25 One would be tempted to add the very recent strengthening of Indian military capability in the disputed province of Arunachal Pradesh. See Siddhart Shrivastava, "India maintains goal of China deterrent", *World Politics Review*, 8 July 2009.

no political entity would be capable of posing a serious threat to the security of the United States. Admittedly, Al Qaeda is a threat that rears its head at regular intervals, but, for Zhang Li, the war against terrorism is, above all, a means of support for the United States' strategy of international expansion. Even if the United States were to collaborate with India against terrorism, that would not justify joint military exercises and nuclear cooperation. India has an interest in counter-terrorism, but this is based on an internal threat that has little to do with the United States.

Zhang Li similarly refutes the argument according to which Washington needs India's assistance in order to achieve dominance in South Asia. This would be contrary to the most elementary logic, since Delhi's ambition is precisely to develop its own hegemony on the sub-continent. Zhang Li believes that the strategic partnership would not have been possible if the United States had not succeeded in reassuring India about their intentions in South Asia, convincing

The strategic partnership with the United States has already led, in Zhang Li's view, to a hardening of India's position in its border disputes with China in Aksai Chin, Sikkhim and Arunachal Pradesh.

Delhi that it had no ambitions of domination. Analyses which point toward the strategic importance of the Indian Ocean in order to explain the US-India rapprochement

are also founded on erroneous perceptions, according to the author. During the Cold War, despite India's strategic proximity to the USSR, the United States was already patrolling the Indian Ocean. How could anyone believe that the US would accept the loss of the ocean today, when its projection force is even more powerful?

On the other hand, Zhang Li emphasises that cooperation in matters of defence and the nuclear agreement represent the core of the partnership between India and the United States. The ten-year cooperation agreement signed in Washington in June 2005 provides for the joint development of arms systems, the transfer of US technologies and the prospect of cooperation in antimissile defence systems. In addition, Boeing has already offered to sell its F-18 to India and Lockheed Martin its F-16; competition for the contracts to provide combat planes to the Indian Air Force has not yet concluded<sup>26</sup>. Zhang Li emphasises that India will no doubt lose its strategic independence if it does not opt for the development of a military-industrial complex.

Zhang Li – who glosses over Chinese opposition to India obtaining the status of a permanent member of the UN Security Council – presents India in his article as China's

26 In 2008-2009, the United States and India signed the two largest arms contracts in the history of their military relations: 2.1 billion dollars for Poseidon P-8 reconnaissance and anti-submarine aircraft, and 1 billion dollars for six Hercules C-130 transport aircraft. "US OKs record \$2.1 billion arms sale to India", *Reuters*, 16 March 2009.

natural partner. Without the damaging influence of the US strategic thrust into South Asia, China-India relations would continue to be enhanced and would move along the path of harmonious development. The American factor has now become a determining element in Delhi's China policy. Zhang Li does not exclude the fact that this could contribute to the harmonious development of China-India relations, for which China-US relations could become the catalyst. However, this is not his preferred scenario. In the event of a clash between China and the US, Washington's pressure on India to align itself with the US would be damaging to China-India relations. Little by little, the US-India partnership will extend the areas of interaction between China and India; in this context, the potential points of friction will also grow. Each of these could have a negative bearing on bilateral trade or investment and, in turn, impact on the levels of mutual trust. Thus India-US relations are presented as developing at the possible expense of relations between India and China, though Zhang Li does not portray this as the most likely scenario.

The strategic partnership with the United States has already led, in Zhang Li's view, to a hardening of India's position in its border disputes with China in Aksai Chin, Sikkim and Arunachal Pradesh. Manmohan Singh's visit at the beginning of 2008 to Arunachal, a disputed state, albeit controlled by India, seems to be evidence of this. Without the support of the US, an Indian Prime Minister would never have risked confrontation with China. In these circumstances, Zhang Li does not exclude the possibility that security dilemmas will become one of the principal determinants of China-India relations.

In addition, the India-US partnership puts greater pressure on Chinese exports and the securing of foreign investment by China. For strategic reasons, Washington could choose to give preference to India in these two areas. India's growth could benefit China, but only if India abandons its attitude of mistrust and closure (猜忌和防范, *caiji he fangfan*) towards the latter.

To respond to these challenges, Zhang Li recommends a policy of engagement with India and the United States. Beijing can take advantage of the fact that Delhi has not made a definitive choice in favour of the United States and against its neighbour, and is leaving its options open for the development of relations with China. In these circumstances, Beijing should utilize its capacities for political influence via economic relations and soft power.

## 4. Betting on Pakistan

by Mathieu Duchâtel

Source:

Chen Xiaoping, "Strategies and perspectives for the construction of a trade and energy axis between China and Pakistan", *Nanya yanjiu jikan*, no. 1, 2009, p. 80-86.

In many ways, Chen Xiaoping's piece on China-Pakistan economic and energy relations is symptomatic of China's long-term approach in building a stable and peaceful periphery, i.e. without cooperating with the US and India together, but rather through a bilateral approach. Building an energy corridor from Balouchistan to Karakorum, Mongolia (altitude: 5000 metres), in the context of Pakistani insecurity could appear to be wishful-thinking; the strategic rationale for China's increased involvement in Pakistan's infrastructures is a subject for debate. Is it based on strategic reassurance towards Islamabad at a time of growing economic ties between China and India and the increased importance of Sino-US cooperation in world affairs? Does China want to counterbalance US and Indian power in South Asia, and which of the two would be the priority target? To what extent is the perspective of a stable and prosperous Pakistan integrated in the development strategy of China's western provinces? Chen Xiaoping's<sup>27</sup> approach emphasizes mutual economic growth and subsequent benefits for the security of Pakistan, a country where Chinese investments are rising – even if they remain for the time being merely promising (around 1 billion US\$ as for 2009). Moreover, Chen calls on the international community to support China's undertakings in Pakistan, which remarkably remain feasible projects despite the numerous difficulties they face.

Chen Xiaoping notes that the former Pakistani President, Pervez Musharraf, is credited with having taken the initiative to develop an energy and trade corridor (贸易能源通道, *maoyi nengyuan tongdao*) during a state visit to China in February 2006. In reality, according to Chen, the idea of connecting Western China to markets and production centres in Africa and the Middle East via Pakistan had been envisaged at the highest level in China for several years. In 2002, the commencement of work on the deep water port of Gwadar opened up new horizons for China-Pakistan relations. A central plank of China's strategy for the development of the outer west of the country, Gwadar could be used as a secure node for the transport of petroleum (安全中转站,

<sup>27</sup> Chen Xiaoping is a researcher in the South Asia Research Centre at Sichuan University, decreed by the Minister for Education to be a "priority centre of development for research in the human sciences" (重点研究基地, *zhongdian yanjiujidi*). Within this research centre, she is attached to the project for "revitalisation of the Tibetan regions of China and South Asia". The creation of this research unit forms part of the second phase of the "985" project, launched by Jiang Zemin on 4 May 1998 at Beijing University, which aims to build world-ranking universities in China.

anquan zhongzhuanzhan). The Khunjerab border pass may enable the prefecture of Kashgar – and the Pakistani economy – to become better linked to Western Xinjiang, as well as provide an opening to the Indian Ocean via Gwadar. In 2007, the Chinese government, in its “announcement concerning the future socioeconomic development of the province of Xinjiang”, proposed a vision of Xinjiang as a fulcrum for China’s future energy supply; the Xinjiang-Pakistan road link was one of the options in this program of development.

Chen Xiaoping points out Pakistan’s geo-strategic position, situated between those countries which produce petroleum and other raw materials and two great powers hungry for energy imports – China and India. At the crossroads of South Asia, Central Asia and the Middle East, Pakistan is keen to play this role of “hub” but, in Chen Xiaoping’s view, Islamabad tends to favour a partnership with China rather than its other neighbours. Indeed, the only concrete projects that stem from this strategic vision have involved the link from Gwadar to the Karakoram Highway<sup>28</sup> Chen Xiaoping therefore returns to the question of the four development projects forming the China-Pakistan energy axis: the port of Gwadar, the refurbishment of the Karakoram Highway, the China-Pakistan railway, and the trans-Karakoram oil pipeline.

From the 1960s, the Pakistani government had wanted to develop a deep water port at Gwadar. However, it was only in 2001, following the signing of an agreement with Beijing, that the project was realised. From 2002, in the first phase of the project, the Chinese government invested 198 million dollars – as distinct from Pakistan’s 50 million. The aim of this first phase, completed in March 2005, was to build three wharves of 602 metres each, an entrance channel 4.5 kilometres long and 12 metres deep, a dry dock and a swinging area. During the second phase, in which investment is expected to reach 600 million dollars, Gwadar is to be equipped with 9 new wharves and storage facilities. Of these new wharves, 4 will be used for containers and one for grains. In May 2009 the Pakistan government ordered that port operations in Gwadar be tax exempt<sup>29</sup>. If the entire project is completed successfully, Chen Xiaoping believes that Gwadar will become a modern city, contributing fifty percent of Islamabad’s economy. For China, Gwadar occupies a strategic place in energy security considerations. China could complement its supplies by way of road routes, and limit its dependence on sea routes. The author does not mention comments made in the West concerning the possibility that Gwadar could be used as a military base by the Chinese navy<sup>30</sup>.

The Karakoram Highway is being refurbished at Pakistan’s initiative, Pervez Musharraf having sought China’s assistance. The purpose of the work is to widen the lanes from 10 to 30 metres, further upgrading of the road surface, meanwhile, will make a speed of 80 kilometres an hour possible. At an estimated cost of 2.5 billion yuan (250 million euros), the work is being funded by China in the form of a “soft loan” (软贷款, ruan daikuan).

The construction of a railway between Havelian and Xinjiang, via the Khunjerab Pass, on the other hand, is still under consideration. In 2007, the state-owned railway company of Pakistan and the Dongfang Electric Corporation signed an in-principle agreement for the implementation of the project. Estimated at a cost of 5 billion dollars and with a construction timeframe of ten years, the railway

The international community should support the China-Pakistan corridor, for the sake of the stabilizing benefits it offers in an insecure region, and for the economic prospects that it offers to the whole of Asia.

could be used not just for trading manufactured goods but also for the transport of raw materials – until an oil pipeline can be constructed from Gwadar to China. In addition, Chen

Xiaoping stresses the level of investment by the Chinese government in the development of Pakistan’s railway system. In 2001, Beijing invested 200 million dollars to link Gwadar to the Iran-Pakistan railway network. In 2003, China invested 500 million dollars in refurbishment of Pakistan’s railways, while proposing a new project for a link from Gwadar to Xinjiang via Peshawar. The new electrified line will be used primarily for the transport of goods. China would be fully connected to Iran should this infrastructure become fully operational.

In February 2006 in Beijing, the National Development and Reform Commission and the Pakistan Ministry of Petroleum and Natural Resources signed a framework agreement for cooperation in energy matters. During the first energy forum held by the two parties, in April 2006, Pakistan raised the idea of the Karakoram oil pipeline. It would involve a link from Gwadar to China, 3 300 kilometres long, with a capacity of 12 million tonnes per annum. At the beginning of 2009, however, the project was still only at the feasibility study stage. While the oil pipeline would cross Pakistan, it could be connected to the petroleum producing areas of Central Asia, bypassing the “areas of political instability” in Afghanistan and Iran as well as the tribal areas of Pakistan. It would be possible to link it to the Turkmenistan-Afghanistan-Pakistan pipeline, via Peshawar and Lahore, and perhaps extend into India. China is also negotiating with Pakistan over a link to the Iran-Pakistan-India gas pipeline, even if India were to demand re-exportation of natural gas to China from its

28 Since 2006, Pakistan and China have committed to undertake work on refurbishment and widening of the Karakoram Highway. A link from the Karakoram Highway to Gwadar is planned, making use of the Gwadar/Rawalpindi railway line.

29 “Gwadar port declared now tax-free”, *A Pakistan News*, 21 May 2009.

30 Itamar Lee, “Deepening naval cooperation between China and Pakistan”, *China Brief*, vol. 9, issue 3, 24 June 2009.

own territory<sup>31</sup>. This issue is not presented as a contentious one between China and India, but the competition between the two countries for energy security remains, in Chen Xiaoping's eyes, one of the principal determinants of energy cooperation between China and Pakistan.

In addition to reducing the extent to which China depends on the Strait of Malacca for energy supplies, the oil pipeline would provide a rapid and less expensive means of transport of petroleum to China. However, China's strategic considerations go beyond energy security and the proposed development of western China, according to Chen Xiaoping. Firstly, by promoting the economic development of Pakistan, the infrastructure projects contribute to maintaining Pakistan's status of strategic "balancer" in South Asia. The particular goal of these projects is, in her view, to help Pakistan catch up with India in terms of energy security, at a time when India is cooperating fully with Russia and has signed the civilian nuclear cooperation agreement with the United States. Since Pakistan views India with distrust and balks at cooperation with India on energy matters (and vice versa), China appears to be its preferred partner. Thus, China-Pakistan cooperation is targeted at "containing India, maintaining the energy balance in South Asia, and evening out the political balance" (牵制印度维持南亚地区能源平衡甚至政治平衡, qianzhi indu, weichi nanya diqu nengyuan pingheng, shenzhi zhengzhi pingheng).

In addition to these geopolitical considerations, Chen Xiaoping's article also contains the idea that the economic development of Pakistan is the best option for stabilisation of the country and the fight against terrorism. Beginning with the acknowledgement that the Taliban, the Baluch and separatists in Xinjiang pose a threat to regional stability through their terrorist actions, she emphasises that poverty, delayed development and ignorance (愚昧, yumei) create a fertile ground for terrorism, and that China-Pakistan cooperation contributes to the establishment of conditions favourable to the development of the region. Consequently, the United States, the developed countries of the West and the other rich countries should "extend the hand of assistance and support the petroleum infrastructure and the construction of the railway system in Pakistan". Finally, she adds that the development of the China-Pakistan energy corridor represents the next frontier of the regionalisation and economic integration of Asia, beginning with the integration of its energy resources.

The implementation of this corridor is not proceeding without difficulties, however. Chen Xiaoping divides these into two categories: on the one hand, India and the United States, and on the other, instability in Pakistan.

Chen Xiaoping mentions views, particularly prevalent in India and the United States, on the "strategy of the string of pearls" that China is said to be pursuing in order to achieve its strategic expansion towards the Indian Ocean. She links these to the US desire, at the beginning of the 1990s, to persuade the Pakistani government to make Gwadar a base for US aircraft carriers. She rejects arguments supporting the 'string of pearls' thesis, asserting that they merely express a strategic objective, namely the encirclement of China. For India, the same considerations are justified by its quest for hegemony in South Asia. The analysis thus arrives at the level of a zero-sum game.

The success of the construction of the China-Pakistan corridor is also subject to political stability in Pakistan. Chen Xiaoping notes the almost ten-yearly rhythm of regime change in Pakistan, and the negative consequences this could have on joint China-Pakistan projects. While Musharraf had made the proposed corridor one of his strategic priorities, Chen Xiaoping seems pessimistic over the directions in which the country's economic strategy is heading under President Ali Zardari. In conclusion, she emphasises that the corridor crosses three of the most unstable areas of South Asia: the tribal areas of Pakistan, Baluchistan and the India-Pakistan border; instability in the region is further aggravated by the as yet unresolved Iranian nuclear crisis. However, these problems are presented as contingent uncertainties surrounding the energy partnership, and not as obstacles so great as to make the partnership impossible.

In Chen Xiaoping's view, the China-Pakistan corridor should be seen as a long-term project of indisputable strategic value. In her opinion, the international community should support it, for the sake of the stabilizing benefits it offers in an insecure region, and for the economic prospects that it offers to the whole of Asia.

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31 This is one of the points which, together with the price of gas and the security of supplies, explains why India continues to delay committing to participation in the project. Pakistan and Iran signed an agreement in May 2009. "India undecided on joining Iran-Pakistan-India gas pipeline", Indian Times, 25 May 2009.

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