

## **BUILDING TRUST BETWEEN ASIA'S RISING POWERS: SINO-INDIAN RELATIONS AFTER HU'S VISIT**

Jing-dong Yuan, Ph.D.  
Director of Education  
Center for Nonproliferation Studies &  
Associate Professor of International Policy Studies  
Monterey Institute of International Studies  
460 Pierce Street  
Monterey, CA 93940, USA  
Tel. (831) 647-6576  
Fax. (831) 647-6522  
e-mail. [jing-dong.yuan@miis.edu](mailto:jing-dong.yuan@miis.edu)

### **INTRODUCTION**

Chinese President Hu Jintao's November 20-23, 2006 visit to India, the first such visit by a Chinese head of state in a decade, marked important progress in bilateral relations and ended the Year of China-India Friendship with a high note. Over the last decade, Sino-Indian relations have experienced rapid expansion of ties in political, economic, and security spheres, with only a short hiatus of 1998-99 when Sino-Indian relations were estranged in the wake of Indian nuclear tests and New Delhi's using the China threat as the justification for the tests. There have been regular high-level visits, growing cooperation on a range of international and regional issues, and the establishment of a strategic and cooperative partnership for peace and stability. Perhaps most important, was the decision in 2003 to designate Special Representatives in both countries to develop a political framework within which to seek eventual resolution of the boundary issue. During Chinese Premier Wen Jiabao's visit to India last year, the two sides also signed an agreement of guiding principles aimed at settling their boundary disputes.

During Hu's visit, the two governments issued a joint statement highlighting "ten strategies" to elevate the bilateral relationship to a higher level. Over a dozen agreements were signed to strengthen cooperation in trade, investment, energy, and cultural and educational exchanges. President Hu's visit continues the momentum built during Indian Prime Minister Atal Bihari Vajpayee's June 2003 visit to China and Chinese Premier Wen Jiabao's visit to India in April 2005. As the world is becoming increasingly engrossed by the rise of Chindia marked by Asia's two rising powers' phenomenal economic growth and political clout, how Beijing and New Delhi manage their bilateral relationship will be critical for regional and global peace and prosperity in the coming years. President Hu's visit to India injected optimism and high expectations for Sino-Indian relations, but the challenges ahead remain daunting. The substance and

consolidation of the improving bilateral relationship will depend how the world's most populous and fastest growing states manage and overcome these challenges as they continue to rise in power and influence.

## THE PATH TO NORMALIZATION AFTER POKHRNA-II

Sino-Indian relations experienced serious setback after the May 1998 Indian nuclear tests as New Delhi implicated Beijing as the main reason why it went nuclear. The strong Chinese reactions its diplomatic campaigns to isolate India eventually led New Delhi to seek rapprochement.<sup>1</sup> Sino-Indian relations gradually thawed. Indian policy makers publicly retracted from the China threat rhetoric. Indian Foreign Minister Jaswant Singh visited China in June 1999 when the Indo-Pak Kargil crisis was escalating to a potentially military confrontation. China's apparent neutrality in the dispute gained much appreciation from India. Improvement in the bilateral relationship continued with Indian President K. R. Narayanan's visit to China in May 2000 to mark the 50<sup>th</sup> anniversary of the establishment of Sino-Indian diplomatic relations. Chinese parliamentary head Li Peng and Premier Zhu Rongji subsequently visited India in January 2001 and 2002, respectively.<sup>2</sup>

Of all the key events since Pokhran-II perhaps the most important would be Indian Defense Minister George Fernandes's week-long visit to China in April 2003 and Prime Minister Vajpayee's June 2003 visit. Fernandes' China trip was significant in three respects. First, the visit was the first by an Indian defense minister to China in over a decade. Second, the visit, coming from someone who five years earlier had been widely (mis)quoted by media as describing China as India's "security threat number one" just prior to the Indian nuclear tests signified just how much the two countries had mended their fences. Third, at a time when China was embroiled in the crisis over SARS (severe acute respiratory syndrome) and when many international events originally scheduled to be taking place in China had been cancelled, Fernandes' visit was much appreciated by his Chinese hosts.

While no major breakthrough was achieved during Vajpayee's visit – and indeed no such expectation had ever been entertained – there was nevertheless significant progress in four areas that deserves closer scrutiny.<sup>3</sup> The first was the growing consensus and converging interest between Beijing and New Delhi over a wide range of bilateral, regional and global issues. The two countries vowed not to view each other as a security threat and reaffirm their determination to resolve their disputes through peaceful means. This was a far cry from the suspicions and hostility between the two Asian powers in the

---

<sup>1</sup> John W. Garver, "The Restoration of Sino-Indian Comity Following India's Nuclear Tests," *The China Quarterly* 168 (December 2001), pp.865-889.

<sup>2</sup> W.P.S. Sidhu and Jing-dong Yuan, *China and India: Cooperation or Conflict?* (Boulder, Colo.: Lynne Rienner Publishers, 2003).

<sup>3</sup> Wang Hongwei, "Zhongyin guanxi jinru mulin youhao xinshiqi [Sino-Indian Relations Have Entered a New Era of Friendship and Good Neighborliness]," *Nanya Yanjiu [South Asian Studies]* 75 (2003), pp.8-14.

wake of India's May 1998 nuclear tests. This stabilizing and maturing relationship was clearly marked by the two countries' converging interests in developing a fair, equitable international political and economic order, the role for the United Nations, and support of global arms control processes, including efforts to prevent the weaponization of outer space.

Second, by each appointing a special representative—whose mandate is to “explore from the political perspective of the overall bilateral relationship, the framework of a boundary settlement—to oversee the political framework of border negotiation (on the Indian's side this would be national security advisor to the prime minister while the executive vice foreign minister from China takes the reins), the two countries clearly demonstrated their determination to speed up the process of resolving the territorial disputes. This reflects a consensus reached by Chinese and Indian leaders that to reach the full potential of bilateral relations requires the satisfactory – and the sooner the better – closure of this issue. So far, eight rounds of meetings have already been held and important progress registered.

Third, China and India also made important – although largely token – gestures toward each other. New Delhi showed greater appreciation of Beijing's sensitivity over the Tibetan issue by affirming for the first time that the Tibetan Autonomous Region is part of the territory of China. Beijing, on the other hand, acquiesced in Sikkim being a state of India through the MOU on expanding border trade.

Finally, Vajpayee's visit was marked by its economic orientation. A large entourage of Indian business executives accompanied the Indian prime minister and of Vajpayee's three important speeches delivered during his visit, two were addressed at business venues. Indeed, bilateral trade had grown to \$7.6 billion annually by 2003 and was projected to reach \$10 billion in 2004 and surpass \$15 billion by 2007 if not earlier. In addition to growing bilateral economic ties, the two countries were also active in exploring potentials for regional economic cooperation, including the sub-regional “Kunming Initiative.”<sup>4</sup>

Another major milestone was achieved during Chinese Premier Wen Jiabao's visit to India in April 2005. The two countries signed a landmark accord—Agreement on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question. This roadmap would facilitate an early resolution of the territorial issue, a goal that both Beijing and New Delhi considered as of strategic imperative, one that would advance the basic interests of the two countries. The two governments also characterized their relationship as a “strategic and cooperative partnership for peace and

---

<sup>4</sup> Ren Jia, “Zhongyinnianmeng diqu jingji hezuo de zhanlue yiyi [The Strategic Significance of china-India-Myanmar-Bangladesh Regional Economic Cooperation],” *Nanya Yanjiu* [*South Asian Studies*] 74 (2003), pp.17-22.

prosperity.” Indeed, the first bilateral strategic dialogues had been held in January 2005 that covered a wide range of issues of bilateral, regional, and global significance.<sup>5</sup>

The most noticeable progress in Sino-Indian relations, though, has been registered in growing two-way trade. From a mere \$117 million in 1987, bilateral trade has grown to \$20 billion in 2006, with the two countries setting a target of \$40 billion for 2010 during President Hu’s visit, which also witnessed the signing of the Bilateral Investment Promotion and Protection Agreement.<sup>6</sup> Cooperation has also expanded to include energy, agriculture, education, and technology. In July 2006, the two countries re-opened the historical Nathu La Pass that had been close since the 1962 war to further promote border trade.

The two countries have also made progress in the area of defense cooperation. Building upon the 1993 and 1996 agreements on maintaining peace and tranquility, and developing confidence building measures in the military field, Beijing and New Delhi have in recent years expanded ties to include port calls, joint search and rescue exercises, and defense exchanges. On May 29, 2006, Indian Defense Minister Pranab Mukherjee and Chinese Defense Minister General Cao Gangchuan signed a Memorandum of Understanding (MOU) on Defense Cooperation, the first such agreement between the two states and an important sign of the improving relations between them.<sup>7</sup>

## CHALLENGES AHEAD

The coming months and years will testify if the good will and momentum generated by President Hu’s successful November 2006 visit could be maintained. Clearly, obstacles remain and sustained efforts at the highest political level are required to build trust between Asia’s two rising powers. These include the still unresolved territorial disputes even though the LAC has been relatively peaceful over the last forty years; mutual suspicions and the potentials for competition and rivalry; China’s relationship with Pakistan in the regional context; and the emerging China-India-U.S. strategic triangle.<sup>8</sup>

Despite the generally benign atmosphere between the two countries, there remain lingering suspicion and distrust and the scar of the 1962 war has yet to be healed. The two Asian giants’ continuing upward trajectory in growing economic and military power, and political influence is bound to lead each into other’s perceived sphere of interests.

---

<sup>5</sup> Xinhua, “China, India sign accord on border dispute,” April 11, 2005.

[http://www.chinadaily.com.cn/english/doc/2005-04/11/content\\_433170.htm](http://www.chinadaily.com.cn/english/doc/2005-04/11/content_433170.htm); Alka Acharya, “Wen Jiabao’s South Asian Sojourn,” *China Report* 41:3 (2005), pp. 315-326.

<sup>6</sup> Amelia Gentleman, “China and India Emphasize Cooperation,” *New York Times*, November 21, 2006; Henry Chu, “India and China promise more trade, better ties,” *Los Angeles Times*, November 22, 2006.

<sup>7</sup> “Memorandum of Understanding between the Ministry of Defence of the Republic of India and the Ministry of National Defence of the People’s Republic of China for Exchanges and Cooperation in the Field of Defence,” Embassy of India-Beijing, May 29, 2006, <http://www.indianembassy.org.cn/>

<sup>8</sup> Zhang Guihong, “Sino-Indian Security Relations: Bilateral Issues, External Factors and Regional Implications,” *South Asian Survey* 12:1 (2005), pp. 61-74.

Conflicts may arise. This requires strategic dialogues at regularized and high levels.<sup>9</sup> The Chinese side has suggested that the Line of Actual Control (LAC), with some minor modifications, could be the starting point for negotiating a final settlement. The appointment of special representatives by the two governments is a step forward. But progress remains painfully slow. Although eight rounds of talks between the special representatives have been held so far, no breakthrough has been achieved, or even seem to be in sight.<sup>10</sup> However, final resolution of the issue requires not only political decisions (and courage) at the highest level in both capitals but also the political skills to sell it to their respective domestic constituencies.<sup>11</sup>

A stable Sino-Indian relationship requires the effective management of the delicate China-India-Pakistan triangle.<sup>12</sup> Beijing has made greater efforts to address New Delhi's legitimate concerns over Chinese defense ties with Pakistan. While China's neutrality during the 1999 Kargil crisis demonstrates a more balanced Chinese South Asia policy, that gesture has yet to translate into good will and confidence on India's part that the Sino-Pakistani relationship is not targeted at India. Indeed, Sino-Pakistani ties, in particular in the security area, remain a serious concern to India as reports suggest continued Chinese missile assistance to Pakistan. New Delhi remains suspicious of the Sino-Pakistani relationship, in particular their defense cooperation. For years, India has accused China of providing Pakistan with nuclear and missile assistance. It has also alleged Beijing's expanding presence in Myanmar as an indicator of Chinese encirclement.<sup>13</sup> Beijing could use its strong ties with Islamabad to play a more active role in facilitating diplomatic reconciliation between the two South Asian countries. However, China's reputed influence is by no means certain and as the post-9.11 anti-terrorist campaigns have demonstrated, there might be constraints between the two erstwhile allies.<sup>14</sup>

Despite progress in bilateral relations over the past few years, mutual suspicions remain. Partly this is due to the dynamics of security dilemma and structural conflicts between the two Asian giants; partly this is because of the lack of institutionalized and regular high-level official exchanges.<sup>15</sup> India has watched China's phenomenal growth in

---

<sup>9</sup> Du Youkang, "Ershiyi shiji de zhongyin guanxi [Sino-Indian Relations in the 21<sup>st</sup> Century]," *Nanya yanjiu [South Asian Studies]* 71 (2001), pp.8-12.

<sup>10</sup> Pallavi Aiyar, "China, India: No ground given in border talks," *Asia Times Online*, June 27, 2006; Jo Johnson and Richard McGregor, "Old grievances bedevil efforts to reach across the Himalayas," *Financial Times*, November 20, 2006, p.11.

<sup>11</sup> Ravi Velloor, "China and India Reaffirm Claims to Disputed State," *Straits Times*, November 15, 2006.

<sup>12</sup> B. R. Deepak, "Sino-Pak 'Entente Cordiale' and India: A Look into the Past and Future," *China Report* 42:2 (2006), pp. 129-151.

<sup>13</sup> Mohan Malik, "The China Factor in the India-Pakistan Conflict," *Parameters* 33:1 (Spring 2003), pp.35-50.

<sup>14</sup> John W. Garver, "The Future of the Sino-Pakistani *Entente Cordiale*," in Michael R. Chambers, ed., *South Asia in 2020: Future Strategic Balances and Alliances* (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, November 2002), pp.385-447; Devin T. Hagerty, "China and Pakistan: Strains in the Relationship," *Current History* (September 2002), pp.284-289.

<sup>15</sup> John W. Garver, "The Security Dilemma in Sino-Indian Relations," *India Review* 1:4 (October 2002), pp.1-38; Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (Seattle, WA: University of Washington Press, 2001); Han Hua, "Youhao linbang heshi anquan weixie—zhongyin ruhe

economic and military with both envy and alarm. If there is one single lesson that New Delhi's security analysts have drawn from the 1962 war, it would be this: power and strength are the only ticket to the club of great powers. For many of them, the very fact that China continues to lead India on many indicators of power poses a greater threat than its military defeat more than forty years ago.<sup>16</sup> China is paying close attention to India's growing military power and its nuclear and missile developments. Beijing is wary of New Delhi's eastward strategy of developing greater economic and military ties with Japan and the ASEAN countries. Clearly, the two countries need to establish mechanisms to promote mutual confidence and dispel mistrust.<sup>17</sup>

Chinese Security analysts are also debating on the significance and implications of a warming U.S.-India relationship. Prior to September 11, there were growing concerns that the new and growing ties between Washington and New Delhi could have negative security implications for China.<sup>18</sup> While Washington's current focus on combating global terrorism and the post-September 11 policy shift—a renewed engagement of Pakistan and an emphasis on great-power cooperation—have reduced Beijing's worries about an Indo-U.S. entente against China, the longer-term implications of a still volatile security environment in regional and global alignment and re-alignment have yet to be detected.<sup>19</sup> But a China-India-U.S. strategic triangle has clearly emerged in that policymakers are increasingly acutely aware of and attentive to policies taken in the other two capitals and how these may affect its own security interests. Within this complex structure, Washington and New Delhi share normative values (democracy) and strategic interests while Beijing's ties with both are more driven by contingent rather than structural interests.<sup>20</sup>

## CONCLUSION

President Hu's recent visit to India has injected optimism and high expectations for Sino-Indian relations, but the challenges ahead remain daunting. Leaders in Beijing and New Delhi are contented with the current status of bilateral relations because they are stable and provide possibilities for future developments. But most importantly, they do not distract the two countries from attending to more important issues at hand (Pakistan for India and Taiwan for China). But remaining in passivity could only move bilateral relations so far. Beijing and New Delhi should work harder to tackle the following issues.

---

kandai duifang [Good Neighbor or Security Threat: How China and India View Each Other],” *Nanya yanjiu* [*South Asian Studies*] 73 (2002), pp.6-13.

<sup>16</sup> For instance, Brahma Chellaney, “The Lessons from a War,” *Sunday Hindustan Times*, October 20, 2002.

<sup>17</sup> Sun Shihai, “Dui zhongyin jianli huxin guanxi de jidian sikao [Some Thoughts on Building Sino-Indian Relations of Mutual Trust],” *Nanya yanjiu* [*South Asian Studies*] 75 (2003), pp.3-7.

<sup>18</sup> Zhang, “The Changing U.S.-India Security Relationship.”

<sup>19</sup> Ma Jiali, “‘9.11’ shejian hou meiguo nanya zhengze de bianhua [Changes in U.S. South Asia Policy after September-11],” *Nanya yanjiu* [*South Asian Studies*] 71 (2001), pp.3-7; C. Raja Mohan, “A Paradigm Shift toward South Asia?” *The Washington Quarterly* 26:1 (Winter 2002-03), pp.141-155.

<sup>20</sup> For an excellent analysis, see John W. Garver, “The China-India-U.S. Triangle: Strategic Relations in the Post-Cold War Era,” *NBR Analysis* 13:5 (October 2002), pp.5-56.

First, Beijing and New Delhi need to address their threat perceptions through greater communication, confidence building, and institutionalized conflict management mechanisms. In an international system characterized by anarchy, states are always concerned (and justifiably so) with others' intentions and capabilities. Both China and India are growing economies that are also modernizing their militaries. But these need not to be seen as driven by ulterior motives and aimed at each other. Greater engagement in dialogue on strategic intents could go a long way to heading off a discourse of suspicion and hostility. The two countries should seek to promote common interests through the emerging China-India-U.S. triangle rather than to take advantage of their respective bilateral ties with the world's only superpower to undermine the other's security interests.

Second, nurturing and expanding ties in critical segments of bilateral relations to deepen mutual understanding, trust, and interdependence. When Chinese Premier Zhu Rongji visited India in early 2002 he called for greater Sino-Indian cooperation in science and technology to take advantage of their respective strengths. President Hu's visit is also characterized as a trip for expanding trade. There is great potential for expanding bilateral trade now that both countries are members of the World Trade Organization. For their combined population that is almost forty percent of the world's total, the current bilateral annual trade of \$20 billion is a quantum improvement over the last decade but remains dismal to say the best. There remain significant obstacles to trade and investments. The prospect of a free trade agreement still seems remote.

Third, India and China should consult more on international and regional issues where they share common interests. These could include a fair and equitable international political and economic order, non-intervention, environment, disarmament, and anti-terrorism. Increasingly, the two countries are also expanding cooperation in the energy sector. Fourth, both should be sensitive to the issues each cares most. China should every effort to dispel India's misgivings about alleged Chinese assistance to Pakistan's weapons programs. Beijing's promulgation of missile export control regulations last August is a positive step forward and New Delhi should welcome it. China's ongoing dialogue with the Dalai Lama's representatives should be welcomed as both a good sign and worthy efforts that would defuse tension over Tibet.

And finally, the two countries must set a clearly defined timetable for the resolution of the border dispute. The existing LAC, with minor adjustments, should be the basis for negotiating the international boundary. The 1962 war was unfortunate and occurred because of miscalculation, misjudgment and, most of all, lost opportunities for resolving the issue. It has taken over forty years to rebuild bilateral relationship to its current status. Neither China nor India could wait for another forty years to bring it to a closure. That would be another tragedy of even greater magnitude.