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SINO-SOUTH ASIAN RELATIONS: EVOLVING TRENDS

Abstract

South Asia and China are in the process of a qualitative change in their relations that has generated certain degree of uncertainty and even a greater degree of dynamism in the regional developments. China is displaying a distinct unwillingness to be entangled in interstate conflicts in South Asia. Instead, it is encouraging the regional countries to concentrate their efforts on the reconstruction of their economies and societies, and move away from conflict to a course of cooperation. This has created pressure on South Asian countries to change themselves in two crucial ways. There is pressure to resolve or, at least, manage regional conflicts properly and revitalise the process of mutually beneficial co-operation. Secondly, there is also pressure on them to concentrate their efforts on the reconstruction

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of their economies so as to make them attractive to the outside world as partners for cooperation.

I. Introduction

South Asia and China are in the process of a qualitative change in their relations. A sequence of developments of global significance, namely, the demise of the Soviet Union and the end of Cold War, the emergence of a unipolar world, the process of globalisation, and concomitant response of China and South Asian countries to these and related developments are fast eroding the old stereotypes that characterised Sino-South Asian relations. While Indo-Pakistan conflict remains basically unchanged, China's approach to the conflict as well as to the two conflict parties has already changed significantly and further changes are in the offing. The equation among the extra-regional great powers, the US, EU, China, Japan and Russia, with long-standing involvement in South Asia, no more conforms to the old stereotypes. Economic dimension is assuming ever-increasing importance in China's relations with South Asia. While politico-strategic and security factors still figure prominently in the calculations of concerned parties, a host of new forces and factors now dominate their politico-security calculus.

While a process of change in China's relations with South Asian countries are quite vivid, the nature and magnitude of this change is far from being crystallised. As a matter of fact, the very process of ongoing changes in Sino-South Asian relations remains complex and contradictory with its ultimate direction being far from clear. As a consequence, the recent developments in Sino-South Asian relations have raised a number of questions of regional as well as global significance and are being widely discussed by the academia, media and concerned professional circles. These questions pertain to a host of actors in regional politics, like South Asian countries, China, the

EU, the US, Japan and Russia, and involve a number of issues of significant politico-strategic as well as economic importance. In this regard, the central question revolves around the nature, magnitude and the broader significance of emerging relations between South Asia and China.

It is in this backdrop that an attempt is made below to study the evolving trends in Sino-South Asian relations. Part I of the paper presents a retrospective overview of China's relations with South Asia that is designed to fathom the current context and identify the issues for exploration. Part II deals with the changing pattern and dynamics of Sino-Indian relations. Part III evaluates implications of changing Sino-Indian relations for Pakistan and other regional countries. Part IV explores the response of extra-regional powers to the developments in Sino-South Asian relations. Finally, an attempt has been made to understand the implications of emerging Sino-South Asian relations and their prospective directions.

II. Sino-South Asian Relations: The Current Context

South Asia and China – the two geographically contiguous Asian regions – are two of the most important centres of ancient civilisation. The contacts between the two ancient civilisations could be traced as early as 400 B.C. While the establishment of Buddhism in China and consequential religio-cultural and intellectual exchanges are regarded as the most significant aspect of these contacts, the two regions also had trade and commercial relations since the ancient time.¹ However, South Asia's interaction with China, from time immemorial, has been conditioned by the mighty Himalayas that erected itself as almost an insurmountable barrier between the two. As a consequence, for millennia, three main

1. Muhammad Ramzan Ali, "China-South Asia Relation in a Changing World", *Regional Studies*, Vol. XXII, No.4, Autumn 2004, pp.77-78.

channels of communication between South Asia and China have been through extremely difficult terrains across Central Asia, the Tarim Valley and the Pamirs. The difficulties associated with these channels of communication effectively restricted the frequency and volume of cross-border movement of people and goods between the two civilisations.

As a consequence, despite geographical contiguity, South Asia and China remained distant neighbours for millennia during the ancient and medieval periods. Even during the modern age when sea routes emerged as the main channels of communication, China-South Asia relations did not change for the better as the communication through world sea routes has been under the exclusive control of Western colonial powers that, by then, already subjugated South Asia directly and were subjugating China indirectly. Thus, South Asia and China remained, in practical terms, distant neighbours until the end of colonial era in the region.

China-South Asia relations made a qualitative shift towards closer and institutionalised interaction with the emergence of independent states in South Asia during 1947-48 and the formation of the People's Republic of China in 1949. Within a year of its founding, China established diplomatic relations with India, Pakistan and Sri Lanka, thus, a new era of ever-increasing multifarious and dynamic interaction between South Asia and China have begun. In the subsequent period, Sino-South Asian relations have gradually emerged as one of considerable regional and global importance. These relations are assuming even greater significance day by day and their potentials are literary vast, particularly in view of a process of dynamic growth that South Asia and China are undergoing and the ongoing process of globalisation that determines the nature and content of contemporary international relations.

China with a population of 1.3 billion and South Asia with 1.4 billion, together constitute a population of 2.7 billion that is about 43 percent of the world's total population of 6.2 billion.² In 2002, China's Gross National Income (GNI) amounted to US\$ 1.2 trillion and that of South Asia to US\$ 640 billion. In terms of Purchasing Power Parity (PPP) these figures are US\$ 5.6 trillion and US\$ 3.4 trillion respectively. In terms of PPP, China's GNI is the second largest in the world while that of South Asia is slightly above the Japanese one –the third largest economy in the world in terms of PPP. Combined GNI of China and South Asia, in terms of PPP, is US\$ 9 trillion that is 19.14 percent of the world GNI in terms of PPP of US\$ 47 trillion.³ China's GDP growth is robust and stood at 8 percent in 2001-2002. While South Asia is lagging far behind China in this regard, its GDP growth of 4.3 percent for the same year is above that of the low-income countries as well as low- and middle-income countries taken together.⁴

According to a projection by the Wall Street firm Goldman Sachs, China is likely to emerge as the world's largest economy by the year 2050 leaving the USA behind. The same projection predicts that, by that time, India would emerge as the world's third largest economy behind China and the United States.⁵ Meanwhile, Goldman Sachs' projection that China and India would emerge as the world's largest and third largest economy respectively by 2050 has been adopted by the US National Intelligence Council's 2020 project

2 *World Development Report 2004*, The World Bank and Oxford University Press, Washington D. C., 2003, Table 1, pp.252-53.

3 Data are adapted from *ibid*.

4 *Ibid*.

5 *The Indian Express*, October 29, 2003. URL: http://www.indianexpress.com/full_story.php?content_id=34274 accessed May 25, 2005

entitled "Mapping the Global Future".⁶ While other South Asian countries were not included in the study, if the past is taken as a guide, the pattern of development in South Asian countries is likely to remain the same in the future. While there is no certainty that the projections made in the study would be materialised, this and similar projections brought two points in sharp focus: i. China and South Asia are already in the rise; and ii. For the two, there are vast development potentials to materialise. If nothing else, these factors alone are serving as powerful arguments in favour of fostering close and mutually beneficial co-operation between China and South Asia. Over the last decade or so, the two are, indeed, moving towards such a direction. However, the development of their relations is being constrained by the intra-regional conflicts in South Asia and their impact on China's relations with individual South Asian countries. Besides, policy of other great powers towards South Asia as well influences China's South Asia policy.

Over the last five-plus decades, China's relations with South Asia, particularly with a number of individual countries of the region, have been marked by up- and downturns or even u-turns. Sino-Indian relations have experienced profound upheavals over the past five decades. It started with a benign warmth in 1950 and developed into a euphoric "*Hindi-Chini bhai-bhai*" (Indo-Chinese brotherhood) and innovative *Panch Sheel* relationship by the mid-1950s only to witness a process of fast and severe deterioration during the late 1950s, which ultimately led to the Sino-Indian War of 1962. Sino-Indian relations during the 1960s and 1970s have been characterised by an environment of intense hostility to each other. Again, Sino-Indian relations witnessed a process of rapprochement in the late-1980s and readjustment in the 1990s. In the first decade of

6 Rajiv Sikri, "India's Relation with its Eastern Neighbours", Address delivered at the Bangladesh Enterprise Institute, Dhaka on May 31, 2005.

the new millennia, these relations are moving towards normalisation, while an intense process of cooperation, particularly in the economic field, is flourishing.

Like almost everything else, China's relations with South Asia have been viewed by the two regional antagonists – India and Pakistan – in terms of a zero-sum game. China itself as well provided powerful impetus for this. Thus, abrupt deterioration in Sino-Indian relations during the late-1950s and 1960s had been accompanied by an equally hasty process of improvement in Sino-Pakistan relations. By the mid-1960s, a Sino-Pakistan strategic partnership with clearly spelled anti-Indian undertone took shape that played a significant role in shaping a regional balance of power during the 1960s-1980s. China has also encouraged and rendered moral and political support and economic and military assistance to a number of other South Asian countries, Bangladesh, Nepal and Sri Lanka, implicitly, in facing Indian challenge.

While Sino-Pakistan strategic partnership and China's close cooperation with Bangladesh, Nepal and Sri Lanka, including in the defence field, continued to persist even during the 1990s and beyond, the essence of these relations could no more conform to the old pattern in view of the ongoing process of improvement in Sino-Indian relations. In more concrete terms, China's relations with Pakistan and other South Asian countries could no longer be based on anti-Indian foundation. On the positive side, leaving anti-Indian content aside, there is powerful rationale for China, on the one hand, and Pakistan and other South Asian countries, on the other, to develop mutually beneficial close cooperation. However, making a departure from the past, redefining, and accordingly, reconstructing the mutual relationship are the painstaking tasks that China and South Asian countries are facing in their bilateral relationship. To what extent and how they would perform the task is an open

question, and hence, remains a subject of intense academic as well as practical interest.

Chinese policy towards South Asia and its relations with the individual countries of the region would inevitably encounter the foreign policy efforts of other extra-regional powers, particularly the US towards the region. The nature of such interactions, cooperative or competitive, and their degree would depend on the extent of convergence or divergence of the objectives of the concerned extra-regional powers regarding the region. Due to its incomparable military-strategic and economic power, global reach and involvement, the US remains the single-most important extra-regional power that exerts the utmost influence on the interaction of the regional countries among themselves as well as with the outside world. Contemporary Sino-US relations are characterised by the elements of both, conflict and cooperation, caused by simultaneous prevalence of convergence and conflict of interest. This would ensure a degree of uncertainty in Sino-US relations. While Sino-US relations are widely viewed in the US as being vital to US interests, its foreign policy community continues to debate vigorously on whether to opt for a strategy of “engagement” or “containment” in relation to China.⁷ This will have implications for Sino-US relations in general as well as the policy of the two countries towards South Asia.

With Russia, the successor state to the former Soviet Union, losing most of its erstwhile international clout and, currently, bogged down in reconstructing its economy and polity, has already reduced its involvement in the region significantly. The same problem would also ensure that the Russian involvement in the region would remain

7 Lloyd Richardson, “Now, Play the India Card”, *Policy Review* (Online), No. 115, October & November 2002; URL: <http://www.policyreview.org/OCT02/richardson.html> accessed May 16, 2005

modest, particularly when it comes to competition with other extra-regional powers. Nonetheless, once, Russia has been the most trusted ally of India and the two countries have a long history of close cooperation, particularly in the field of defence. While the process of Indo-Russian cooperation suffered severe difficulties in the post-Soviet era, this, over the last years, is bouncing back. The developments are indicative of the fact that Russia will maintain, at least, a modest involvement in South Asia.

Owing to a bitter memory of the past and emerging conflict of interests, particularly at the regional level, over the recent years, China and Japan are gradually drifting towards a conflictual relationship. Japan is becoming increasingly concerned at the rise of China, suspicious about its regional ambitions and wary about its possible assertiveness vis-à-vis Japan.⁸ China as well displayed its opposition to Japan's efforts at upgrading its international stature through acquiring a permanent seat in the UN Security Council. There are predictions of rivalry between the two Asian powers at the regional level and beyond. The emerging nature of Sino-Japanese relations is likely to have considerable impact on attempts by either side to expand or intensify the process of its cooperation with South Asia.

Thus, a host of extra-regional great powers, the US, China, Russia and Japan, have substantial interest and involvement in South Asia. While manoeuvring in pursuit of their own interest in South Asia, each of these powers would try to influence the others in a way that would suit its own design concerning the region. Viewing from this perspective, the development of Sino-South Asian relations would be significantly influenced by other extra-regional great powers with stakes and involvement in the region. As indicated

8 J. Mohan Malik, "Japan wary of assertive China", *Jane's Intelligence Review*, (December 1, 2000.)

earlier, the role of the US, in this regard, would be of paramount importance.

What follows is an attempt to explore Sino-South Asian relations with a focus on three major issues identified above, namely, the dynamics of Sino-Indian relations, their implications for the regional countries and the response of extra-regional powers, organised in three consecutive chapters.

III. The Developments in Sino-Indian Relations: Underlying Reasons, Nature and Dynamics

The ongoing process of developments in Sino-Indian relations is complex, if not contradictory. In the process of normalisation of relations, the two countries are developing understanding, or even consensus, on a wide range of issues of regional as well global importance and, thus, they are adjusting and accommodating their conflicting interests and policies. On the other hand, the border dispute, at least formally, the central issue of conflict, remains unresolved. Meanwhile, cooperation in a wide range of areas is developing in a quite rapid pace. In certain areas, like economic cooperation, it is gaining momentum. To understand the complexity of the relationship, it is necessary to shed light on the underlying reasons, nature and dynamics of the process of improvement in Sino-Indian relations.

3.1. Underlying Reasons

As discussed earlier, India and China are on the rise and their development potentials are literally vast. In this regard, an authoritative study by the RAND Corporation suggests that China's economic growth and wealth have decreased the incentives for it to engage in conflict with its neighbours, increasing its initiatives to make peace with India. Similarly, India's liberalisation and growth

has led its leaders to accept the same conclusion.⁹ Being in the rise and faced with vast development potentials to materialise, both need a friendly neighbourhood as conflict and tensions with the neighbours would pose a large economic hurdle for them impeding foreign investment and absorbing critical resources. Moreover, both countries face the threat of growing income disparity, ethnic unrest, and separatism. Both are focused on modernising and developing their economies to integrate more closely with the rest of the world.¹⁰ Viewing from this perspective, for rapprochement and normalisation of bilateral relations, both the countries have compelling reasons.

Security considerations, on the part of both sides, played an important role. In this regard, China's sense of being gradually encircled by hostile powers played a significant role. Prior to 9/11, there were growing concerns that the new and growing ties between Washington and New Delhi could have negative security implications for China, especially the apparent attempt by Washington to enlist New Delhi as a potential counterweight against China. Within this context, the growing security ties, including US military sales to India, joint military exercises, regular high-level visits, and defence consultations between the two have been of particular concern to China. The post-September 11 focus on combating global terrorism, great power cooperation and a renewed engagement of Pakistan has, to an extent, reduced Beijing's worries, though, the fear about an Indo-US *entente* against China did not disappear altogether.

9 Rollie Lal, "China's Economic and Political Impact on South Asia", Testimony presented to the Commission on U.S.-China Economic and Security Review on December 4, 2003, (the RAND Corporation, 2003); URL: <http://www.rand.org/publications/CT/CT214/CT214.pdf> accessed May 16, 2005

10 *Ibid*

Soon, however, war on terrorism led to unprecedented expansion of US military-strategic presence in Central, South, and Southeast Asia, thereby severely constricting the strategic latitude that China has enjoyed, thus, tilting the regional balance of power decisively in Washington's favour within a short period.¹¹ Ultimately, China came to express its concern over the ever-expanding US military power and presence in the Southern Asia and its vicinity. A Chinese scholar has succinctly articulated the approach as follows, "...with the end of the war in Afghanistan, the United States changed its tune of anti-terrorist campaign, thus adding an air of strong unilateralism and hegemonism to the campaign".¹² China also warned the United States against using the war on terrorism "to practice hegemony".¹³

In this backdrop, China, once again, became suspicious about the growing cooperation, particularly defence ties, between India and the US. Such suspicions further increased as some influential Indian strategic thinkers came to view the emerging Indo-US quasi-alliance as an instrument of "payback" to China for Beijings doing everything over the last decades to undermine Indian security.¹⁴ Such line of thinking in India put China on sharp alert, particularly in view of advocacy by influential circles in the US to play India card against China.¹⁵ As assessed by the *Peoples' Daily*, "The top level in the US understands that India fully deserves the title of number one power in the Indian Ocean region, whether in terms of size of territory,

11 See, Nan Li, "11 September and China: Opportunities, Challenges and War Fighting", *Working Paper*, (No. 32, Institute of Defense and Strategic Studies, September 2002); URL: <http://www.911investigations.net/IMG/pdf/doc-1397.pdf#search='opportunities%20Nan%20Li'> accessed May 16, 2005

12 Xing Guangcheng, "Ponder over the Changes in Sino-Russian-US Ties", *Contemporary International Relations*, (Vol.13, No.6, June 2003), p.10.

13 Mohan Malik, "The China Factor in the India-Pakistan Conflict", *Parameters*, (Spring 2003), pp. 35-50.

14 G. Parthasarthy, "Tomorrow's Security — Missile Defence," *Pioneer*, (May 10, 2001), p. 8.

15 See, Lloyd Richardson, *op. cit.*

population resources, science and technology capability and military and economic strength and also has a far from negligible influence in the international arena. In the long term, the rise of India is a matter of time. For the United States, therefore, playing the 'Indian card' will bring it marked repayment in various fields such as political, security, economic, and science and technology".¹⁶ Prospects for an Indo-US *entente* against China bothered China also in view of the fact that Washington and New Delhi share normative values (democracy) and strategic interests, while Beijing's ties with both are driven more by contingent rather than structural interests.

Not only the US, over the recent years, Japan as well was viewing China as a threat to its security and making overtures to India for security cooperation. Japan's 2000 Defence White Paper, for the first time, described China as a threat to the security of Japan. Further, in early May 2002, Prime Minister Koizumi called for a broadening of Japan's security cooperation with India.¹⁷ Meanwhile, New Delhi was pursuing a 'Look East' policy aimed at developing greater economic and military ties with the countries of East and Southeast Asia, most of which have ongoing disputes with China. In this backdrop, Japanese attempt to develop security cooperation with India, presumably on anti-Chinese basis, put China on sharp alert.

Thus, security considerations played a significant role in Chinese decision to make overtures to India with a view to normalising relations between the two countries and move towards closer cooperation. The importance of India in the eyes of China arose from its desire to checkmate what it perceives as the US designs against it.

16 *People's Daily*, May 21, 2001.

17 Mohan Malik, "The China Factor in the India-Pakistan Conflict", *Parameters*, (Spring 2003), pp. 35-50.
URL: <http://carlisle-www.army.mil/usawc/Parameters/03spring/malik.htm>
accessed May 16, 2005

As seen from Beijing, a closer relationship with India is beneficial to China in that it precludes the US from being able to co-opt India into a containment strategy, whereas the existence of tensions between China and India would provide an ideal opportunity for both the US and India to work together in containment, worse, the group could be enlarged with the inclusion of Japan. By calming India's concerns over Chinese policies and by providing incentives for India to reciprocate its overtures, China wants to forestall the possibility of a Sino-US *entente* against Beijing.¹⁸

On the part of India, it used to view and, perhaps, still continues to view China as a major threat to its security. This view was induced in Indian psyche, down to the popular level, by the humiliating defeat suffered in the 1962 War and subsequent developments.¹⁹ Sino-Pakistan strategic partnership and unequivocal Chinese support to Pakistan during all the Indo-Pakistan wars made India to view China also as a permanent threat to its security. While justifying its nuclear tests, India even did not mention Pakistan. Instead, Indian leaders, including Prime Minister A. B. Vajpayee and Defence Minister, George Fernandez, referred to threats to its security emanating from China as the justification for its nuclear tests.²⁰

18 See, B. Raman, "The India-China-Pakistan-US Quadrangle", *South Asia Analysis Group* (SAAG), (Paper No.1334), URL: <http://www.saag.org/papers14/paper1334.html> accessed May 16, 2005; and Rollie Lal, *op.cit.*

19 Anupam Srivastava, "South Asia in the Russian Strategic Calculus: Emerging Challenges and Prospects", [Published in *Russia's National Security: Perceptions, Policies and Prospects*, Proceedings of the Second Conference of the U.S. Department of the Army War College, Carlisle, PA, November 2001. URL: http://www.arches.uga.edu/~asr2/Readings/aspaper_sasia_in_russian_str_calc.htm accessed June 2, 2005

20 Mohan Malik, *op. cit.*, pp. 35-50.

Over the recent years, India has been increasingly being concerned that the growing power and strategic reach of China would have significant importance directly affecting its security, diplomacy, economy and politics.²¹ Indians were, for quite some time, unsure about whether and how far it would affect India adversely, and, more importantly, how to deal with the emerging Chinese power. Ultimately, while a broad consensus on the China policy emerged within the strategic and foreign policy community, differences continue to persist on the relative weight between cooperation and deterrence in dealing with the challenges posed by China. There was, however, broad consensus that both India and China face huge domestic tasks related to modernisation and national consolidation as well as external problems in which other countries are of greater concern. As seen from New Delhi, these conditions created the grounds for confidence building, cooperation, and reconciliation between the two countries to facilitate these possibilities.²² Thus, a consensus developed within India in favour of structural engagement with China.

India, like any modern state, views the world, international politics in particular, through realist paradigm. As seen thus, primary function of a nation state is to survive and enhance its power in an anarchical and conflictual international system. Both conflict and cooperation with other states are directed at achieving power and influence in international arena. As viewed from this perspective, cooperation with China became indispensable for a number of reasons. In this regard, a significant objective is to secure a permanent seat in

21 Sujit Dutta, "China's Emerging Power and Military Role: Implications for South Asia", in Jonathan D. Pollack and Richard H. Yang (eds.), *China's Shadow: Regional Perspectives on Chinese Foreign Policy and Military Development*, (RAND Corporation, 1998); URL: <http://www.rand.org/publications/CF/CF137/CF137.chap5.pdf> accessed May 16, 2005

22 *Ibid*

the proposed expansion of the UN Security Council. To achieve this objective, Chinese support is indispensable.

Another important point, both, Beijing and New Delhi, are critical of US unilateralism and seek to promote a multipolar world where they can play a more important role in global affairs. They have converging interests in developing an equitable international political order with the paramount role for the United Nations. They are seeking to improve the current international economic system. As developing countries, both are interested in gradually integrating their economies into the global trading system in ways that would provide the necessary protection and transition time for their industries to adjust.²³ Thus, a host of common interests of India and China vis-à-vis the US and other developed countries concerning the emerging international economic order demanded close cooperation between the two countries on these and related issues.

China is the second largest consumer of oil after the United States, depending on imports for two-thirds of its total consumption. India, currently, the sixth largest oil importer in the world, is likely to occupy the fourth place by 2010.²⁴ On energy security issues, the two could compete as well as cooperate. However, as the world oil market is getting increasingly volatile due to scarcity of oil and consequential price hikes, competition could further decrease the manoeuvrability of both the countries in the world oil market. In more concrete terms, uncoordinated competition from the world's two most energy-thirsty countries could drive up prices and rivalry in yet another field. In the circumstances, India and China have compelling reasons to cooperate on energy security issues.

23 Jing-dong Yuan, "Promises and Problems", *Asia Times*, (April 9, 2005); URL: http://www.atimes.com/atimes/South_Asia/GD09Df05.html accessed May 16, 2005

24 *Ibid*.

India and China are emerging as the two IT great powers with complementarities of their industries – India dominating the software sector and China dominating the hardware sector. Prevailing natural complementarities in IT sector – an asset of significant value – could turn into costly and painful liabilities if appropriate measures designed to promote and expand greater contacts, and manage competition for markets, investment and technology imports are not initiated.

As evident, a wide variety of factors of economic, geo-strategic and politico-diplomatic nature have caused the ongoing process of Sino-Indian *rapprochement* and normalisation of relations. There is, however, a host of factors rooted to the historical past as well as current dynamics of Sino-Indian relations that would hinder or may even thwart the process of normalisation and improvement of relations. The nature and dynamics of Sino-Indian relations would depend on whether and how far either of these two opposite sets of factors have decisive influence on the process of policymaking on the issue in Beijing and New Delhi.

3.2. *Nature and Dynamics*

The new phase of relationship in Sino-Indian relationship began to take shape in the late-1980s. In this regard, the visit by Prime Minister Rajiv Gandhi to Beijing in December 1988 was the most significant milestone. The visit ended the three-decade-long impasse and set a tone for positive “atmospheric changes” in the bilateral relationship. During the visit, the two sides agreed to break the stalemate on the boundary dispute and maintain peace and stability along the Line of Actual Control (LAC). Thus, an agreement was signed to set up a Joint Working Group to defuse tension along the

border.²⁵ The leaders of India and China could clearly realise that the settlement of the border dispute would require employing inexhaustible efforts and display enormous patience for a long time to come. Thus, pending the solution of the border dispute, they decided to initiate a meaningful process of mutually beneficial cooperation in other areas of significant concern.

The process of political interaction at the top leadership level accelerated throughout the 1990s. Amidst these, China and India have apparently developed a two-pronged strategy of managing their mutual relationship. The strategy is rather simple, while reflecting the complexity of the relationship between the two countries. First aspect of this strategy is conflict management and confidence building very cautiously applied. Thus, while making calculated moves towards settling the border dispute and removing the deep-rooted mistrust and suspicion between the two countries, Beijing and New Delhi have accepted these as long-standing phenomena. They are ready to leave with the border dispute until a solution is reached. Mistrust and suspicion can persist even longer. Central to this strategy is not to let the border dispute and mutual mistrust and suspicion obstruct the process of co-operation in the areas of mutual interest.

The second aspect of this strategy that follows from the first one is the accelerated development of cooperation in a wide range of areas, particularly in trade, scientific and technological cooperation and so on. This strategy took shape gradually over a period of time

25 B.M. Jain, “India-China Relations: Issues, Trends and Emerging Scenarios”, *China-India Project Occasional Paper*, No. 1, Centre of Asian Studies, The University of Hong Kong, 2003.
URL:http://scholar.google.com/scholar?hl=en&lr=&q=cache:Hy1v7gzyqSoJ:www.hku.hk/cas/pub/Occasional1_bmjain.pdf+%22INDIA-CHINA+RELATIONS:+ISSUES,+TRENDS+AND+EMERGING+SCENARIOS%22 accessed May 16, 2005

and, finally, has been approved by the leadership of the two countries at the highest level. Thus, during his visit to India in December 1991, Premier Li Peng and his Indian counterpart, P.V. Narasimha Rao, while signing a Trade Protocol designed to boost bilateral trade, agreed that the border issue should not obstruct cooperation in other areas of mutual interest. In conformity with the same strategy, in September 1993, Prime Minister Narasimha Rao's official visit to Beijing culminated into the signing of an agreement on the line of actual control (LAC) for the maintenance of peace and tranquillity along the border. President Jiang Zemin's visit to India in November 1996 and the agreement signed between the two countries are considered to be a milestone development.²⁶ These as well were designed to uphold the same strategy with two fundamental objectives: effective conflict management and the development of mutually beneficial cooperation.

Sino-Indian relations developed smoothly since the late-1980s barring a temporary setback suffered following the nuclear tests by India in May 1998. China's initial reaction to the tests was mild. However, following Indian attempt to justify tests by pinpointing China as a "potential threat" to Indian security, China's response became sharp. China brushed aside the Indian accusation as "utterly groundless". In addition, China dubbed Pakistani tests as "reactive" to India's "hegemonic designs". India interpreted it as a pro-Pakistani stance. However, the setback proved to be temporary. Soon, India could clearly comprehend its diplomatic blunder and both the countries could understand the need to move ahead leaving the meaningless bickering over nuclear test aside. With Indian Foreign Minister Jaswant Singh's visit to China in June 1999 and his

26 *Ibid.*

assurance to Chinese leaders that India perceived no threat from China, the matter was largely settled.²⁷

Improvement in the bilateral relationship continued with Indian President K R Narayanan's visit to China in May 2000 to mark the 50th anniversary of the establishment of Sino-Indian diplomatic relations. Chinese parliamentary head Li Peng and Premier Zhu Rongji visited India in January 2001 and 2002, respectively, further consolidating the bilateral relationship.²⁸ Finally, Indian Prime Minister A. B. Vajpayee's visit to China in June 2003 was marked by significant progress in a number of important areas of mutual concern. The two countries issued a joint declaration on principles for relations and comprehensive cooperation and vowed not to view each other as a security threat. They reaffirmed their determination to resolve their disputes through peaceful means.²⁹

The latest in the milestones of Sino-Indian relations has been the visit by the Chinese Prime Minister Wen Jiabao to India in April 2005. Twelve agreements and memoranda of understanding (MoU) have been signed between the two countries that dealt with a whole gamut of issues.³⁰ One of the most remarkable developments has been the signing of an agreement between India and China for a "strategic partnership for peace and prosperity".³¹ All these

27 For details, see, John W. Garver, "The Restoration of Sino-Indian Comity Following India's Nuclear Tests", *The China Quarterly*, (December 2001), p.686; and Mark W. Frazier, "China-India Relations Since Pokhran II: Assessing Sources of Conflict and Cooperation", *Access Asia Review*, (Vol.3, No.2, July 2000);

28 Jing-dong Yuan, *op. cit.*

29 *Ibid.*

30 See, Raviprasad Narayanan, "Jiabao's Visit: Economic Interest Overshadow Political Differences", *Asian Affairs*, (April 2005), pp.19-20.

31 Amelia Gentleman, "India and China seal 'strategic partnership'" in *International Herald Tribune*, URL: <http://www.iht.com/articles/2005/04/11/news/wen.html> accessed May 28, 2005

agreements and memoranda addressed to the twin concern of managing conflicts, border dispute in particular, and decisively move towards mutually beneficial cooperation, economic cooperation in particular.³²

In the light of the above, to make an assessment of the achievements and future prospects of Sino-Indian efforts in developing mutual relationship, it is an imperative to focus the discussions on two most crucial issues, namely, the management of conflicts, border dispute in particular, and the mutually beneficial cooperation, economic cooperation in particular.

Border dispute between the two countries consists of two areas. One is, unpopulated Aksai Chin of approximately 35,000 square kilometres that is claimed and occupied by China in 1962. India claims Aksai Chin, currently under the effective control of China, as part of the territory in Ladaakh, Kashmir. Another piece of land is about 90,000 square kilometres in what is now the Indian state of Arunachal Pradesh. Two special representatives, one appointed by China and the other by India, now, oversee the political framework of border negotiations. So far, four rounds of meetings have already been held and the change of government in India has not affected the process.³³ Outcomes are inconclusive. As stated in the "Agreement on Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question" signed during the Chinese Prime Minister Wen Jiabao's visit to India in April 2005, the objective of the two sides is to devise a 'mutually acceptable' 'package settlement' covering "all sectors of the India-China border".³⁴

32 See, Raviprasad Narayanan, "Jiabao's Visit: Economic Interest Overshadow Political Differences", *Asian Affairs*, (April 2005), pp.19-20.

33 Jing-dong Yuan, *op. cit*

34 See, Raviprasad Narayanan, *op. cit*.

China and India, over the years, were indicating that they were making gradual progress in resolving the border dispute. However, formally, both refrain from indicating the concrete nature of settlement that they are moving towards. However, as a number of media reports and scholarly writings suggest, in due course of time, the two countries would accept the prevailing *status quo* and make it *de jure*. In that case, India will accept the Chinese sovereignty over the Aksai Chin and China will accept the Indian sovereignty over the Arunachal Pradesh.³⁵

Meanwhile, the two countries have been able to resolve a thorny issue. India has already accepted Tibetan Autonomous Region as part of the territory of China. China, on the other hand, has extended *de facto* recognition of Sikkim being a state of India. The fact that official Chinese maps are showing Sikkim as part of India suggests that Beijing considers the issue closed. New Delhi as well hopes that the *de jure* recognition will not be long in forthcoming.³⁶

Apparently, China and India are also leaving political rivalry in the international arena behind. Once an unthinkable development, Chinese support for India's bid for a permanent seat in the proposed expansion of the UN Security Council seems to be ensured. Initially hesitant and non-committal, China was, for some times, indicating that it could extend its support to India.³⁷ Now, there are confirmed reports that Wen Jiabao, during his visit to India, informed his Indian counterpart, Manmohan Singh, that China would be happy to see India as a permanent member of the UN Security Council.³⁸

Some spectacular developments are also taking place in Sino-Indian economic relations, particularly in trade. From a paltry sum of

35 *Ibid.*; and B. Raman, *op. cit*.

36 Jing-dong Yuan, *op. cit*.

37 *Ibid.*

38 B. Raman, *op. cit*.

US\$300 million per year a decade ago,³⁹ the trade volume increased to US\$3 billion in 2000.⁴⁰ In 2004, bilateral trade registered a historic peak of US\$13 billion representing an increase of 79 percent over the trade volume of 2003. To the surprise of India that has been apprehensive that Chinese goods would flood Indian market, India has a surplus of US\$1.78 billion. Meanwhile, the two countries are working to achieve the trade target that is set at US\$20 billion or higher by 2008.⁴¹ It is estimated that if current trends continue, China may turn to be India's largest trading partner soon. The Sino-Indian trade volume is expected to reach US\$25 to US\$30 billion by the end of the decade.⁴² Encouraged by the development of trade relations, the two countries are considering new proposals emanating from China for working towards the ultimate objective of a Free Trade Area (FTA) and for making them the twin towers of the global IT power – China in hardware and India in software.⁴³ Thus, India and China are moving away from the sterile geo-politics of the past to a new zone of geo-economics.

As indicated, from the very onset of the ongoing process of the improvement of relations, both the countries acted on the basis of the understanding that economic cooperation is the key to the future, and closer diplomatic and security relations must follow. The strategy seems to be working. As some authoritative Western sources suggest Sino-Indian growing economic and trade ties have had considerable influence on improving their security relationship.⁴⁴ Indian academia

39 Rollie Lal, *op. cit.*

40 Alka Acharya, "India-China Relations: Beyond the Bilateral", *Economic and Political Weekly*, April 2, 2005, pp.1423-24.

41 *Hills and Mountains Today*, Vol.1, Issue 1, September-October 2005, p.7.

42 *Ibid.*; and *Peoples Daily*, April 13, 2005, URL: http://english1.peopledaily.com.cn/200504/12/eng20050412_180663.html accessed June 8, 2005

43 See, Raviprasad Narayanan, *op. cit.*; and B. Raman, *op. cit.*

44 Rollie Lal, *op. cit.*

and media also have the same view. Thus, Sino-Indian economic engagement is being referred to as the "most reliable confidence building measure (CBM) in China-India relations".⁴⁵

How to assess the status of overall Sino-Indian relations? Sino-Indian relations are witnessing a process of steady improvement. These relations are, currently, enjoying a significant degree of stability. The process of mutually beneficial cooperation is broadening to embrace ever increasing spheres and deepening in a number of areas, economic cooperation in particular. In this regard, trade relations are witnessing the most dynamic growth.

However, as indicated earlier, the two countries do not share common normative values or long-standing strategic interests. The current drive is motivated by 'realism' and 'pragmatism'. Mutual suspicions still remain strong. Old conflicts are yet to be resolved and without a satisfactory resolution of the territorial dispute, there cannot be a "full and complete" normalisation of bilateral relations.⁴⁶ The escalating process cooperation is certain to generate consequential conflicts of multifarious nature. Thus, a host of complex issues of regional and global importance would continue to influence the relationship between the two countries. In the ultimate analyses, Sino-Indian relations would continue to be guided by the two parties' perception of core national interests ranging from security and strategic concerns to trade and investment complexes.

IV. The Developments in Sino-Indian Relations: Implications for the Regional Countries

Contemporary India conceives of her neighbouring countries as lying within the Indian defence perimeter and being integral to the

45 Swaran Singh, China-India Economic Engagement: Building mutual Confidence, (CSH Occasional Paper No.10), Centre for Social Science, New Delhi, 2005, p.22.

46 Jing-dong Yuan, *op. cit.*

security interests of India. On the other hand, India's neighbours themselves regard India itself as the source of their own insecurity against whom it is necessary to organise their own security interests, sometimes even on an extra-regional basis. Such perceptions in the backdrop of disproportionately greater physical endowment of India coupled with New Delhi's occasional attempts to transform its natural pre-eminence into imposed predominance serve as a constant source of apprehension, distrust and fear of smaller South Asian countries in relation to India. This remains the most important factor that motivated some South Asian countries to explore extra-regional security linkages whenever they found it to be expedient. In the circumstances, during the entire post-colonial period, two diametrically opposite perceptions dominated South Asia's security thinking as well as practical policy of the regional states.

Most of the smaller South Asian countries, either directly or indirectly, welcomed extra-regional great power involvement in the region with a view to counterbalancing otherwise unchallenged might of India. During the Cold War era, China and the US have been readily available. On the other hand, India's policy was designed to keep the great powers – friends and adversaries alike – out of intra-regional affairs, so that it could exert its power and influence to bear upon the countries of the region. Even when developing closer cooperation with the former Soviet Union with a view to counterbalancing the Pak-US-China axis, India employed persistent efforts with a view to keeping all these extra-regional powers (including the Soviet Union) out of the region, though with a mixed success.⁴⁷

What is relevant to the context of our study is the fact that since the outbreak Sino-Indian conflict, particularly since the Sino-Indian War of

47 See, A. K. M. Abdus Sabur, "South Asian Security in the Post-Cold War Era: Issues and Outlook", in *Contemporary South Asia*, Vol.3, No.2, 1994; and "Management of Intra-group Conflicts in SAARC: The Relevance of ASEAN Experiences", *South Asian Survey*, Vol. 10, No. 1, January-June 2003.

1962, China has been a crucial extra-regional power influencing the regional balance of power in South Asia. In this regard, spectacular growth of Sino-Pakistan cooperation that embraced almost every possible aspects of bilateral relationship – politico-diplomatic, defence, including nuclear field, economic, technical and so on – has been a crucial factor. The perceived stability of the relationship led the parties proudly call it "time-tested" and "all-weather" friendship.⁴⁸ Other three regional countries, namely, Bangladesh, Nepal and Sri Lanka, as well developed mutually beneficial cooperation with China that was designed to increase their manoeuvrability vis-à-vis their giant neighbour, India.⁴⁹ Bhutan and the Maldives that accepted India's predominant role in the region and cautiously avoided developing any kind of relationship with China that could be interpreted by India as being directed towards New Delhi.

It is in this backdrop that a discussion would follow on the implications of the recent developments in Sino-Indian relations for the regional countries. In this regard, the origin, nature, magnitude and the dynamics of Pakistan's conflict with India and the same of its friendship and co-operation with China substantially overweigh those of other regional countries. Therefore, the implications of Sino-Indian relations would be of more crucial significance for Pakistan than for any other regional countries. Hence, Pakistan would figure more prominent in the discussions that follow.

For China, the effective management of the delicate Sino-India-Pakistan triangle is a *sine qua non* for stable Sino-South Asian relationship. Similarly, China's relations with other South Asian countries as well are of considerable importance in China's broader

48 A detailed discussion on Sino-Pakistan relations are done in, Maqsdul Hassan Nuri, "China and South Asia in the 21st Century", *Regional Studies*, Vol.XVII, No.4, Autumn 1999, pp.3-29.

49 Rashid Ahmed Khan, "China's Policy towards South Asia: A comparative perspective", *Regional Studies*, Vol.V, No.1, Winter 1986/87, pp.3-29.

South Asia policy. In the circumstances, the challenge faced by China in its relationship with South Asian countries has been one of striking a delicate balance between its emerging relationship with India, on the one hand, and its already established and stable relationship with other South Asian countries, Pakistan in particular, on the other. As a Chinese scholar emphasised, the objective should be to “develop constructive relations with India while improving traditional friendly relations with Pakistan”.⁵⁰ Thus, the central concern of China, in this regard, is to sustain and further develop its long-standing cooperative relationship with the rest of South Asia, Pakistan in particular, while improving relations and developing co-operation with India.

Faced with such a challenge, from the very beginning of the improvement of its relations with India, China has displayed a clear determination not to sacrifice its “time-tested” and “all-weather” friendship with Pakistan in the hope of the gains of uncertain magnitude in its relations with India. At the same time, China could also clearly realise that anti-Indian rhetoric and substance of its relationship with Pakistan needed to be changed substantially, particularly in conformity with the growing magnitude of Sino-Indian relationship.

In more concrete terms, China came to project a more even-handed, balanced and moderate approach to Indo-Pakistan conflict. First to disappear was anti-Indian rhetoric from joint Sino-Pakistan deliberations. Gradually, however, China had to move towards substantive issues as the developments in Sino-Indian relations were gaining pace. China, rather quietly, moved away from its backing for Pakistan's position on Kashmir. Previous calls for the Kashmiri

50 Zhang Guihong, “US Security Policy towards South Asia after September 11 and its Implications for China: A Chinese Perspective”, URL: <http://www.idsa-india.org/SAARCHIVES/SA200302/APR-JUN01.htm> accessed June 8, 2005

peoples' right to self-determination has been replaced by a new position that supports a bilateral and peaceful settlement of the Kashmir dispute.⁵¹ The first major test to this policy came during the 1999 Kargil crisis.⁵² At the height of the crisis, Pakistan approached China for support while India was making efforts at neutralising possible Chinese support to Pakistan. With their respective ends in view, Pakistani Prime Minister Nawaz Sharif and Foreign Minister Sartaj Aziz, on the one hand, and Indian Foreign Minister Jaswant Singh, on the other, visited China during the height of Kargil crisis.

These put China in a dilemma. However, a clear response on the part of international community regarding Kargil crisis helped China to crystallise its position. Virtually all who matter in international politics – the US, European Union and Russia – either privately or publicly, blamed Pakistan for creating the mess.⁵³ China decided to distance itself from Pakistan. Nawaz Sharif, who went to Beijing in a six-day visit on June 28 with great expectations, had to come back empty-handed on June 29. The Chinese leaders urged both the sides to settle the Kashmir dispute and as Premier Zhu Rongji told Sharif, it can “only be resolved by peaceful means”.⁵⁴ China's apparent neutrality in the dispute gained much appreciation from India while raising serious questions in Pakistani mind regarding the utility of Sino-Pakistan strategic partnership vis-à-vis any possible Indo-Pakistan conflict.⁵⁵

The Chinese policy approach, however, in no way, was an indication of the end of Sino-Pakistan strategic partnership. China

51 For Chinese position on Kashmir, see, *Ibid.*

52 For details on the Kargil Crisis, see, A. K. M. Abdus Sabur, “Indo-Pakistan Security Relationship and the Kargil Crisis”, in *BISS Journal*, Vol.20, No.3, July 1999.

53 *Far Eastern Economic Review*, (June 17, 1999), p.26.

54 *Asiaweek*, July 9, 1999, p.17.

55 See, B. Raman, *op. cit.*; and Jing-dong Yuan, *op. cit.*

just wanted to balance its strong historical relationship with Pakistan and its emerging relationship with India. While Beijing was determined not to be entangled in the Kargil mess, it was also equally determined not to let Pakistan suffer from abandonment psychosis vis-à-vis Chinese commitment to Islamabad.

Meanwhile, soon tensions between India and Pakistan heightened severely threatening to reach a crisis level following the terrorist attacks at the Kashmir Assembly in October 2001 and the Indian Parliament on 13 December 2001. Pakistan, on its part, distanced itself from the responsibility for the attacks and displayed willingness to defuse the consequential tensions in Indo-Pakistan relations. Similarly, Pakistan approached the extra-regional powers, the US and China in particular, with a view to seeking their assistance in defusing the tensions in Indo-Pakistan relations. This provided China with an opportunity to boost Pakistani confidence in Sino-Pakistan alliance.

President General Pervez Musharraf made three trips to Beijing in less than a year (in December 2001, January 2002, and August 2002) for urgent security consultations with President Jiang Zemin and Premier Zhu Rongji. According to reports, he received clear advice and “firm assurances of support in the event of a war” with India. The Chinese leaders had conveyed the following message to Musharraf: “China hopes Pakistan will not initiate any assault. Pakistan should not get involved in wars and instead focus on economic construction. However, if a war does break out between India and Pakistan, Beijing will firmly stand on the side of Islamabad.”⁵⁶ This and similar gestures indicate that reducing Pakistan's sense of vulnerability vis-à-vis India generated by the

56 Mohan Malik, “The China Factor in the India-Pakistan Conflict”, *Parameters*, (Spring 2003), pp. 35-50.
URL: <http://carlisle-www.army.mil/usawc/Parameters/03spring/malik.htm> accessed May 16, 2005

development of Sino-Indian relations is a conscious policy approach adopted by China. The Treaty of Friendship concluded by China and Pakistan during Wen Jiabao's visit to Pakistan in April 2005 could also be seen in this context.

Amidst upheaval in Sino-India-Pakistan triangular relationship, the most vital, as seen by both India and Pakistan, area of Sino-Pakistan co-operation, the defence co-operation, continues to flourish. India has been and still remains quite sensitive to Sino-Pakistan cooperation or rather former's assistance to the later in the field of nuclear and missile technology as New Delhi considers China as being the crucial factor behind Pakistan's military might.⁵⁷ For New Delhi, Beijing's military alliance with Islamabad remains a sore point and likely to remain the same.⁵⁸ Indians continue to express dissatisfaction regarding Chinese policy of “bolstering Pakistan's military capabilities by transferring conventional and non-conventional weapons that include nuclear and missile weapon systems. India-China relations have thus continued to be affected by China's military co-operation with Pakistan”.⁵⁹ Some in India even see China's attempts to improve ties with India and efforts to bolster the Pakistani military's nuclear and conventional capabilities vis-à-vis India as being parallel efforts.⁶⁰

Some outside analysts even see a long-standing Chinese objective behind Sino-Pakistan military cooperation, as “China may want to maintain close ties with Pakistan as a hedge against being

57 R. Devraj, “China Behind Pakistan's Missile Tests, Says India,” *Pakistan Today*, 11 October 2002, p. 1.

58 Mohan Malik, “The China Factor in the India-Pakistan Conflict”, *Parameters*, (Spring 2003), pp. 35-50.

URL: <http://carlisle-www.army.mil/usawc/Parameters/03spring/malik.htm> accessed May 16, 2005

59 B.M. Jain, *op. cit.*

60 For details, see J. Mohan Malik, “South Asia in China's Foreign Relations,” *Pacifica Review*, No. 13, February 2001, pp.73-90.

surrounded by a hostile US, Japan, and India in an unknown future.⁶¹ Thus, China's defence and strategic ties with Islamabad remain an important element of its strategic posture in the region. Some analysts, however, predict that cooperation with Pakistan will increasingly be tempered by the current trend of warming ties with India.⁶² Amidst this ambivalence, a point seems to be clear; Sino-Pakistan military ties are to continue.

Sino-Pakistan cooperation in non-defence areas, economic cooperation in particular is also substantive. They have an operative Preferential Trade Agreement (PTA). Both the countries have committed to and are preparing ground for concluding a Free Trade Agreement (FTA).⁶³ If signed, for China, it would be the second FTA with any country after ASEAN.⁶⁴ Currently, the annual trade volume between the two countries is about US\$2.5 billion.⁶⁵ An FTA is likely to give a significant boost to the further development of bilateral trade.

Besides Pakistan, some other regional countries, Bangladesh, Nepal and Sri Lanka in particular, have as well a substantial stake in the process of improvement of Sino-Indian relations. They do not have any dispute with China. They are also not concerned at the

61 Rollie Lal, *op. cit.*

62 *Ibid.*

63 See, "Pakistan, China to Strengthen Trade and Economic Ties", Press Release by the Ministry of Commerce, Government of Pakistan, February 28, 2005, URL: <http://www.harolddoan.com/modules.php?name=News&file=article&sid=1212> accessed on June 8, 2005

64 See, Huma Amir Malik, "China, Pakistan to Expand Trade, Economic Ties", URL: <http://www.arabnews.com/?page=4§ion=0&article=61463&d=2&m=4&y=2005> accessed June 8, 2005

65 "Pakistan, China to set up free trade area", *China Daily*, December 26, 2004, URL: http://www.bilaterals.org/article.php3?id_article=1104 accessed June 7, 2005

growing power and stature of China in the region and beyond. Instead, these countries view China as an ally in their efforts to enhance their political space, and to ensure a steady, and more affordable, supply of military weapons and technology not available elsewhere. They also expect to gain from China's robust economic growth and scientific-technological development through mutually beneficial co-operation. To them, China's power and independent role enhances their security by balancing India's pre-eminent position and regional ambitions.⁶⁶

Over the years, China has developed multifarious mutually beneficial cooperation with all these countries. China's trade and economic relations with Bangladesh and Sri Lanka are ever-increasing. China remains a principal supplier of arms to both the countries. With the signing of Bangladesh-China Defence Cooperation Agreement during Prime Minister Begum Khaleda Zia's visit to China during December 23-27, 2002, defence co-operation between the two countries reached a new level.⁶⁷ Sino-Bangladesh trade is witnessing a steady growth. The two-way trade increased from US\$235 million in the fiscal year 1993-94 to US\$757 million in the fiscal year 2002-03.⁶⁸ Thus, by now, China has emerged as a significant trade partner of Bangladesh.

While politico-security and economic-technical cooperation with China do indeed decrease, to an extent, the sense of insecurity of the other regional countries vis-à-vis India and increase their

66 Sujit Dutta, *op. cit.*

67 See, Subhash Kapila, "Bangladesh-China Defence Co-Operation Agreement's Strategic Implications: An Analysis", Paper No. 582, South Asia Analysis Group (SAAG), URL: <http://www.saag.org/papers6/paper582.html> accessed May 16, 2005

68 A.N.M. Nurul Haque, "Year of China-Bangladesh Friendship", *The Bangladesh Observer*, April 13, 2005, URL: <http://www.bangladeshobserveronline.com/new/2005/04/14/editorial.htm> accessed June 8, 2005

manoeuvrability in the regional context and beyond, the nature and magnitude of these relations are far from being posing any kind of challenges, more so, security challenges to India. Nonetheless, certain circles in India, notwithstanding the recent improvements in Sino-Indian relations, continue to display considerable sensitivity to the development of co-operation between China and other regional countries. They consider it as a Chinese denial of India's predominant position in South Asia. Thus, the fact that Chinese Prime Minister's visit to South Asia of April 2005 also included, besides India, Bangladesh, Pakistan and Sri Lanka has been viewed, by an Indian analyst, as Chinese unwillingness to recognise India as the regional power in South Asia.⁶⁹

Thus, like any kind of involvement of extra-regional powers in South Asia, the recent process of improvement in Sino-Indian relations and the parallel continuation of China's long-standing co-operation with other regional countries are being viewed by the regional countries in competitive terms, by India and Pakistan, even in terms of old-fashion zero-sum game. This approach is rooted to the divergent security perspectives of regional countries and their mutual mistrust and suspicion discussed above as well as numerous regional conflicts in the region that bedevilled the inter-state relations in South Asia over the last about six decades. The situation is unlikely to change until the regional countries can bring a positive change in their perception of each other and make a shift away from conflict to a course of cooperation at the regional level. Until then, China is likely to continue its efforts at striking a balance between its emerging relations with India, on the one hand, and its long-standing cooperation with the others, while moving ahead. Thus, Chinese policy towards and its aspirations regarding South Asia has been articulated by *Peoples Daily* as follows, "The various "partnership

69 Subhash Kapila, *op. cit.*

relations" between China and the South Asian countries will not eject each other. The double-win can be realised in the cooperation between China and Pakistan and that between China and India while Indian and Pakistani relations will be improved in an all-round way".⁷⁰

V. Sino-South Asian Relations: The Role of Extra-Regional Powers

As indicated, from the very onset of independence, South Asia has been bedevilled by deep-rooted mistrust and perennial conflicts. In this regard, involvement of extra-regional great powers in the region significantly influenced the shaping of regional balance of power. The extra-regional powers also compete among themselves to enlist the support of regional countries to their regional and global agenda. Thus, regional conflicts have often been complicated by the competitive involvement of extra-regional great powers. In certain cases, however, crises have been defused and even wars stopped primarily thanks to co-operative endeavours on the part of the extra-regional great powers.

In the circumstances, when an extra-regional great power with long-standing and significant involvement in South Asia like, China, brings qualitative change to its policy towards the region, the development certainly touches upon the interests of other extra-regional great powers involved in the region and provoke consequential response. The nature of the response and consequential interactions are likely to be determined by the dynamics of mutual

70 Peoples Daily, April 13, 2005, URL: http://english1.peopledaily.com.cn/200504/12/eng20050412_180663.html accessed June 8, 2005

relationship between China, on the one hand, and other extra-regional great powers individually, on the other.

In concrete terms, besides China, three extra-regional powers have varying degree of involvement in South Asia. These are, the US, Japan and Russia. Besides, EU has significant involvement in the region. The US, EU, Japan and Russia have a wide variety of interests in South Asia that include, military-strategic, politico-diplomatic, economic, socio-cultural and others. These interests are complex and include the elements of both, convergence and divergence. Therefore, as these powers would manoeuvre in pursuit of their interests in the region, they would enter a complex relationship marked by simultaneous prevalence of conflict and cooperation. Hence, an attempt would be made below to probe into the dynamics of China's complex relations with other extra-regional great powers in general as well as in the context of South Asia with a view to assessing their impact on Chinese policy towards the region and its relations with the regional countries.

At this juncture of history, no country merits greater significance to South Asia than the US. Take the case of two archrivals in South Asia, who exert the decisive influence in regional developments. The US, for the first time, has good relations with both, India and Pakistan, at the same time. The importance of US support and assistance to Pakistan in addressing its security predicaments, both domestic and regional, and in enhancing the process of its economic reconstruction is unparalleled. Similarly, Washington's cooperation is vital to India in fulfilling its economic, political, security and diplomatic goals. The dependence of other regional countries on US support and assistance is even greater. The US, thus, gained more influence and leverage on South Asia than any other power.

As we have indicated, due to the complexity of mutual interests and the forces and factor that shape bilateral relationship, the US remains undecided on whether to pursue a policy of prevention-containment or engagement in relation to China. Both considered incapable of adequately serving the US interests. In the circumstances a third option that combines elements of both, containment and engagement, and called by one of its proponents 'congagement' seems to be in vogue with the US policymaking circles. The policy is designed to "accomplish three things: preserve the hope inherent in engagement policy while deterring China from becoming hostile and hedging against the possibility that a strong China might challenge US interests. It would continue to try to bring China into the current international system while giving equal attention to deterrence and preparing for a possible Chinese challenge to this system while seeking to convince the Chinese leadership that a challenge would be difficult to prepare and extremely risky to pursue."⁷¹ So clearly spelt, the policy, however, maintains ambivalence regarding whether it would be tilted towards containment or engagement.

In practical term, the US policy towards China came to embrace two opposite trends, containment and engagement/cooperation. The same implies to US policy in relation to China regarding interaction between the two countries in South Asia. This has generated a variety of widespread speculations regarding US policy towards China. In the context of South Asia, one of such widely discussed speculations is a possible Indo-US alliance to contain China.

71 Zalmay Khalilzad, "Congage China", *RAND Issue Paper*, (IP-187, 1999), URL: <http://www.rand.org/publications/IP/IP187/IP187.html> accessed May 20, 2005

If considered against the prevailing reality, this appears to be a highly unlikely event. First of all, both, India and the US have substantive interest vis-à-vis China, which they would not like to jeopardise. For India, hostile relations with China in the past proved to be too costly. There is no reason why it should not be the same in the future. Prospects for geo-strategic, political and economic gain from mutually beneficial cooperation with a friendly China are enormous. It has, therefore, little to gain by entering into an alliance with the US against China. As seen through Indian eyes, Indo-US relations are based on significant congruence of a host of growing strategic, political and economic interests and these relations do not need a China card to sustain them.⁷² The improved relations India enjoys with both the United States and China today reduces the reasons for concern. India just needs to remain watchful of the Sino-US relationship.

No less important point, even India that was impoverished, had a lower international stature and suffering from a sense of being defeated and humiliated by China did not sacrifice the independence of her foreign policymaking by joining US-led military alliances. There is no reason why India should sacrifice that independence now when it is much stronger economically, militarily and politically, and moving down the path of economic growth, prosperity and great power status.

Similarly, in the post-September 11 South Asia, the US and China share a number of common interests. According to a Chinese analyst, these include, “maintaining regional stability in South Asia

72 Venu Rajamony, “India-China-U.S. Triangle: A ‘Soft’ Balance of Power System in the Making” URL: <http://www.arches.uga.edu/~asr2/Readings/rajamony.pdf> accessed May 29, 2005

and helping in Pakistani national construction. This also includes trying to jointly keep the *status quo*, to persuade India and Pakistan to resume direct dialogue and to cooperate on counter-terrorism and social transformation in Pakistan”.⁷³ Any US analyst would hardly disagree.

The United States is also aware that a hostile China could detrimentally affect US interests in many ways and beyond Asia. It would also not like to jeopardise its substantive economic interests in China. If all these are considered against the fact that no possible combination of powers can effectively challenge the US position as the single-most important extra-regional power in South Asia then the cost benefit analysis of an Indo-US alliance directed against China does not appear to be attractive to the US.

However, the very idea of such an alliance put China on a sharp alert and Beijing is carefully following the ongoing debate on the issue in the US and India. There are indications that it would do everything possible to forestall such an alliance.⁷⁴ The policy as some Chinese sources suggest is to neutralise warming US-India cooperation by “enhancing cooperation with the US in global and regional affairs and initiating a constructive dialogue with India”.⁷⁵ Regarding India, China has even moved far beyond and, by now, a meaningful process of co-operation is already initiated.

In the light of the above, an Indo-US alliance directed against China is a highly unlikely eventuality. Instead, the emerging triangular relationship between India, China and the US is likely to

73 Zhang Guihong, “US Security Policy towards South Asia after September 11 and its Implications for China: A Chinese Perspective”, URL: <http://www.idsa-india.org/SAARCHIVES/SA200302/APR-JUN01.htm> accessed June 1, 2005

74 *Ibid.*

75 *Ibid.*

be complex in which each will manoeuvre to create maximum diplomatic space for itself and work to improve relations on both fronts without entering into formal alliances. Collaboration between the two against the third is likely only on an issue-by-issue basis.

If the idea of an Indo-US alliance directed against China does not move beyond speculation, as suggested by the discussions above, then this would also determine the behaviour of other extra-regional powers, namely, EU, Japan and Russia. Japan's South Asia policy is unlikely to move beyond being defensive vis-à-vis China in South Asia. First of all, Japan clearly realises its importance to South Asian countries as an economic partner. A whole gamut of mutually beneficial economic and scientific-technical and other forms of cooperation between Japan, on the one hand, and individual South Asian countries, on the other, will serve as a powerful restraint against any alliance with China directed against Japan.

No less important, in the backdrop of US influence over South Asian countries and US political and security guarantee to Japan, for Tokyo, there is very little reason to be concerned with its position in South Asia. In this regard, if circumstances demand, the US and Japan may consult or even co-ordinate their South Asia policy regarding China. Finally, both China and Japan clearly realise that difficulties in their bilateral relations need to be addressed at the bilateral or at best at the East Asia regional level. In the light of the above, while Sino-Japanese rivalry in South Asia is unlikely, a competition between the two countries for a greater space, at times even at the expense of the other, cannot be ruled out.

The magnitude of EU's economic relations with South Asian countries in terms of trade, aid, scientific and technical cooperation as well as FDI is literally vast. However, EU is still an organisation

of sovereign states. While it has a common stand on many international issues, its individual members, often, pursue different or even divergent policies towards a host of issues. In our context, while the EU countries, by and large, share the US concerns regarding China, a number of influential members of EU, Belgium, Germany and France in particular, often express their anguish at and resentment against the unipolarity and unilateralism. In the circumstances, a more likely policy proposition for the EU countries, in this regard, would be one that takes into account all the complexities of their interests and relations vis-à-vis the regional countries as well as all the extra-regional powers. Whether and how far that policy would be compatible to the policy of its other allies, the US and Japan, would depend on the EU countries' perception of compatibility of their interests vis-à-vis those of their allies on the concrete issues.

Russia remains the only extra-regional power to wholeheartedly welcome the ongoing process of improvement in Sino-Indian relations. Over the last decade or so, Sino-Russian relations have undergone dramatic transformation. The delimitation of international border has been accompanied by CBMs relating to force levels and troop movements. A dynamic process of mutually beneficial cooperation is effectively operative. Their relations enjoy a degree of stability. Currently, the Sino-Russian relations are characterised by broader convergence of strategic interests of the two countries. The areas include, favourable international environment for domestic consolidation and reconstruction, and increasing space for them in a unipolar world.⁷⁶

76 See, Rajan Menon, "The Strategic Convergence Between Russia and China," *Survival*, Vol.39, No.2, Summer 1997, pp.101-25.

Exports of an entire range of major weapons systems to China and India have become almost a necessity for Russia to finance its economic recovery plan, not to mention the capital needed to maintain its export competitiveness in the increasingly resource-intensive global arms market.⁷⁷ China, partly due to resource constraint and partly due to persistent arms embargo on the part of the West, and India, largely due to resource constraint, are increasingly opting for Russian weapons. In the process, China has emerged along with India as the leading purchaser of Russian armaments.⁷⁸ In the circumstances, the ongoing process of improvement in Sino-Indian relations is seen by Moscow as positive developments. It also dispels Moscow's worry regarding India moving towards the US too fast.

Barring its relations with India, South Asia does not figure prominent in Russia's strategic priorities. Improving its relations with the major powers, primarily the US, West Europe and Japan, and securing more favourable terms of trade in the economic domain is of vital importance.⁷⁹ Its South Asia policy is likely to be aimed at pursuing the opportunity of mutually beneficial co-operation with South Asian countries while India will continue to remain the prime focus.

The most significant question that follows the above discussions is: what kind of great power relationship is emerging in South Asia and its implications. First of all, the US is certain to retain its overwhelming influence in the region in the predictable future. With improved relations with India and prospective development of its

77 Anupam Srivastava, *op. cit.*

78 Simon Saradzhyan, "Russian Firms Want Permission To Collaborate With India, China," *Defense News*, (October 23, 2000).

79 Anupam Srivastava, *op. cit.*

long-standing co-operation with Pakistan, Bangladesh, Nepal and Sri Lanka, China is also likely to increase its standing with the regional countries. Japan, while, to an extent, concerned at the rise of China, including its standing in South Asia, would have strong ground to remain confident about its position in the region primarily thanks to the wide network of multifarious co-operation with the regional countries as well as its alliance relationship with the US. Similarly, for the EU countries, there is nothing to be alarmed with the Chinese efforts at improving its relations with South Asian countries. Russia, while view the changed Chinese policy towards South Asia and its upgraded standing with the regional countries with satisfaction, it will continue to give the region a low-key profile in its foreign policy due to other pressing priorities and preoccupations.

If one takes into account the broader policy objectives of these four powers, regionally as well as globally, one can not miss the fact that the US and Japan will find a significant convergence of their interest in South Asia, while the same implies to China and Russia. However, there is hardly any possibility of the formation of two competing duos and subsequent struggle between the two for influence in the region. Reasons are obvious. In comparative terms, the divergence of interest between China, on the one hand, and the US and Japan, on the other hand, is much more prominent than the case of Russia. More importantly, both China and Russia value their relations and the need for mutually beneficial cooperation with the US and Japan. Therefore, the re-emergence of great power rivalry in South Asia is an unlikely eventuality, while the efforts at maximising their gains from the complex interaction involving both the regional and extra-regional actors are a convincing possibility.

While it is true that both China and Russia seek improved relations with the United States and clearly understand the consequences of any conflict with Washington, they also seek greater autonomy for themselves in international affairs. While compelled to accept the reality, China and Russia are inherently apathetic to the Pax Americana. Both share a basic aim towards greater multipolarity in the international system, and to reduce the overwhelming US policy influence in Asian affairs. And this will keep the seeds for prospective conflict alive. At the moment, the only option for both China and Russia is to learn to live with unipolarity. However, as their economic and military strength grows, China and Russia, like many countries and regions in the world, are looking forward to an opportune moment to renegotiate the unilateral global order. If and when such a moment comes, the process will also include South Asia.

VI. Conclusion

The new Chinese policy towards South Asia, the response of the regional as well as extra-regional countries to this policy and consequential emerging trends in Sino-South Asian relations, as discussed above, have added certain degree of uncertainty in regional development. The uncertainties revolve round Chinese policy itself and its central focus, Sino-Indian relations, with the central question being what kind of relationship is emerging between New Delhi and Beijing and how it would impinge upon the interest of other South Asian countries. China, on its part, is likely to continue its efforts at striking a balance between its emerging relations with India, on the one hand, and its long-standing co-operation with other South Asian countries, Pakistan in particular. Nonetheless, a degree of uncertainty

would continue to prevail until the developments take a concrete shape.

Recent developments in Sino-South Asian relations have also generated considerable degree of dynamism in the region that embraces a wide variety of spheres, particularly the politico-strategic and economic ones. China has displayed a distinct unwillingness to be entangled in interstate conflicts in South Asia. Instead, it is encouraging the regional countries to concentrate their efforts on the reconstruction of their economies and societies, and move away from conflict to a course of cooperation. In the contemporary world, aggregate economic strength is increasingly assuming more and more importance as a determinant of the power and status of a state. China's drive towards rapid growth and modernisation, and integration to the global economy owes its origin to such a perception. This has radically changed Chinese approach in selecting countries for "partnership relations". Now, economic rationale exerts crucial influence on China's choice of partners for cooperation.

All these have created pressure on South Asian countries to change themselves in two crucial ways. Firstly, there is pressure on South Asian countries to resolve or, at least, manage regional conflicts properly and revitalise the process of mutually beneficial cooperation. Secondly, there is also pressure on them to concentrate their efforts on the reconstruction of their economy so as to make them attractive to the outside world as partners for cooperation. While there is competition among the extra-regional great powers to maximise their interest in the region, all of them would like to see the same change in the approach of South Asian countries towards domestic and regional developments.

Such a consensus among the extra-regional great powers couple with a host of military-strategic, socio-economic and politico-cultural

predicaments faced by South Asian countries are gradually changing the regional approach in two crucial issues, peace and development. The need for proper management of interstate conflicts in South Asia is being increasingly realised and also being more pronounced in policy statements of the regional leaders. In practice as well, a process of *rapprochement* in Indo-Pakistan relations is progressing *albeit* with difficulties. Regarding defence-development dichotomy, the academic debate as well as practical policy of South Asian countries is apparently shifting towards more emphasis on development.

The process of change is, however, complex and contradictory. Efforts at resolving the bilateral disputes in South Asia are yielding only marginal gains. Most of the contentious bilateral issues remain stagnant and, thus, continue to vitiate bilateral relations casting a dark shadow on the regional environment. While SAARC's prospects seem to be promising, it is falling far short of the expectations. In the context of contemporary world, when cooperation among the regional countries is of crucial importance for socio-economic development, the SAARC has been suffering from recurrent crises. On the positive side, stalled SAARC process was reactivated through the successful holding of the 13th SAARC Summit in Dhaka during November 12-13, 2005 that decided to gradually implement the South Asian Free Trade Agreement (SAFTA) within the decade starting from January 2006.

While socio-economic development is attracting increasing attention on the part of policymakers in the region, in Indo-Pakistani policy fundamentals, defence still continues to outweigh the development. Arms race between the two countries is continuing unabated. Such complexities and contradictions would make it difficult to predict a distinct future. Nonetheless, some points seem

to be clear. First of all, South Asia is faced with enormous prospects and severe challenges regarding two crucial issues: peace and development. While, extra-regional powers will play a definite role in this regard, the future of peace and development in South Asia would ultimately and crucially depend on the regional countries themselves.