

## Chapter 1

# India and China: Competitive Coexistence in the Asian Century\*

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### 1. Introduction

The relationship between India and China has long been one of the most understudied great power complexes in international affairs.<sup>1</sup> While this has changed in recent years, the newly fashionable nature of the subject is not necessarily bringing greater clarity to our understanding of Sino–Indian relations. An increasingly common argument posits that India and China, as rising Asian and global powers, are natural competitors whose proximity and zero-sum interests are creating tensions that will make it extremely

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<sup>1</sup>It should be noted that, there is a paucity of English-language scholarship presenting Chinese perspectives on Sino–Indian relations. Although this chapter seeks to offer a balanced assessment of the India–China relationship, it relies on the work of Western and Indian scholars.

difficult to avoid sustained strategic rivalry.<sup>2</sup> This has become a prominent view among many strategic analysts, scholars and journalists. The evidence, however, is considerably more mixed.

Strategic competition appears likely to overshadow cooperation in India–China relations. Yet a relationship with strong elements of competition can also be one of coexistence. As for rivalry — a more hostile form of competition that entails long-term risks of military conflict — the record at this stage remains inconclusive. On the one hand, leaders in New Delhi and Beijing deny that serious bilateral animosity exists, although such rhetoric is a predictable feature of great power diplomacy. On the other hand, the myriad of often divergent goals and unresolved tensions suggest that competition will trump cooperation in Sino–Indian relations. Nevertheless, firm conclusions about strategic rivalry — a situation in which competition between two states dominates their external policy agenda — are harder to reach.

This chapter contends that while India and China are not fully-fledged strategic rivals, a degree of strategic competition will remain ingrained in bilateral relations in the foreseeable future. Such tensions, moreover, are at risk of deepening over time. Given that both states share a number of important interests and face wider challenges than each other’s strategic ambitions, the relationship between Asia’s two rising giants is unlikely to descend into a straightforward contest for dominance. Rather, a state of “competitive coexistence” will continue to characterize India–China relations whereby issue-based cooperation will take place under an overall climate of strategic mistrust. Whether this competition can be managed, reduced or allowed to worsen will depend, in large part, on the quality of diplomacy and trust-building efforts between the two rising powers. A decline in rivalry remains possible but not inevitable.

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<sup>2</sup>For prominent accounts of the Sino–Indian rivalry thesis, see Emmott, B (2008). *Rivals: How the Power Struggle Between China, India and Japan Will Shape Our Next Decade*. London: Penguin; Kaplan, R (2010). *Monsoon: The Indian Ocean and the Battle for Supremacy in the 21st Century*. New York: Random House; Holslag, J (2010). *China and India: Prospects for Peace*, pp. 67–76. New York: Columbia University Press; Bajpae, C (2010). China–India relations: Regional rivalry takes the world stage. *China Security*, 6(2), 3–20; and A Himalayan rivalry (August 21, 2010). *The Economist*, pp. 17–20.

The following analysis proceeds in four parts. Part one explores the potential for cooperation in India–China relations by examining several common challenges that have led to limited collaboration between New Delhi and Beijing. Part two offers a conceptual framework and set of indicators for analyzing strategic rivalry. It evaluates the competitive aspects of the India–China relationship across four key areas of potential tension: conflicting geopolitical interests; military modernization and force posture; economic competition; and soft power. Part three highlights a number of ongoing challenges within Sino–Indian relations, including complications arising from the interests of third-party states, and suggests policy-oriented ways these issues could be addressed. The final part of this chapter examines whether smaller nations like Australia and Singapore might have a role to play in assisting India and China to develop a more stable relationship.

## **2. Harmonious Giants?**

While few analysts fully subscribe to the “Chindia” thesis, there is some substance to the prediction that Sino–Indian relations in the 21st century will be underscored by cooperation and mutual benefit.<sup>3</sup> Indeed, India and China share a range of interests and challenges which may, over time, serve as a foundation for greater cooperation, compromise and policy alignment. In the domestic arena, New Delhi and Beijing will continue to face massive population bases, rising resource needs and the associated challenges of poverty alleviation, development, public sector reform, environmental sustainability and internal stability.<sup>4</sup> As sustained economic growth is a prerequisite for addressing each of these concerns, India and China have a common interest in preventing their wider geopolitical concerns from impeding the national accumulation of wealth.

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<sup>3</sup>The term “Chindia” was allegedly coined by Goldman Sachs executive, Jim O’Neil, in a 2001 report entitled “The World Needs Better Economic BRICs”. For a selection of works on the Chindia thesis, see Baru, S (2009). *India: Rising through the slowdown*. In *Strategic Asia 2009–10: Economic Meltdown and Geopolitical Stability*, A Tellis, A Marble and T Tanner (eds.), p. 217. Washington: National Bureau of Asia Research.

<sup>4</sup>On the shared challenges faced by India and China and their mutual imperative to cooperate, see Siddharth Varadarajan, *Time to reset the India–China relationship* (December 15, 2010). *The Hindu*.

Over the past decade, mutual economic need has transformed India and China into substantial trading partners for the first time in modern history.<sup>5</sup> In 2008, China overtook the United States to become India's largest trading partner and, during President Hu Jintao's 2010 visit to New Delhi, the two states set a bilateral trade target of U.S. \$100 billion by 2015.<sup>6</sup> Accordingly, India and China are, to a limited degree, assisting each others' economic rise.<sup>7</sup> It is even conceivable that a time may come when a threat to China's economy will be viewed as a threat to the Indian economy as well — although it is difficult to envisage this level of interdependence applying equally in the other direction, owing to India's large trade deficit with China and China's enmeshment with U.S., Japanese and European economies.<sup>8</sup>

Given their domestic imperatives for rapid economic growth, a key objective of Indian and Chinese strategic policy is the maintenance of a stable international environment — that is, a world system conducive to trade and internal development.<sup>9</sup> Yet as both states are situated in turbulent neighborhoods — replete with fragile states, protracted insurgencies, contested sovereignty claims and unresolved boundary disputes — the stability of recent years may be difficult to sustain. It remains to be seen whether India and China can transform the shared challenges of terrorism, separatism, piracy, organized crime, pandemics, resource insecurity and environmental degradation into a foundation for sustained bilateral cooperation.

In their identity and worldview, India and China again share similar characteristics. Both societies exhibit rising sentiments of popular

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<sup>5</sup>Anil Gupta and Haiyan Wang, Why China and India need each other (May 27, 2010). *Bloomberg.com*.

<sup>6</sup>India and China set \$100 bn trade target by 2015 (December 16, 2010). *BBC News*.

<sup>7</sup>For an optimistic account of the mutual interests in the Sino-Indian economic relationship, see Khanna, T (2007). *Billions of Entrepreneurs: How China and India are Reshaping their Futures and Yours*. Boston: Harvard Business School.

<sup>8</sup>For a negative assessment of India's trade imbalance with China, see Mohanty, S (2010). Sino-Indian trade ties: An uncertain future. *China Article*, No. 3053. New Delhi: Institute for Peace and Conflict Studies. See also, Trade to top China-India talks (December 10, 2010). *Businessworld*.

<sup>9</sup>On India and China's need for a stable international environment, see D. S. Rajan, India-China connectivity: No need to over hype, Paper No. 3889 (South Asia Analysis Group, 2010); Charles Freeman, Memorandum to President Hu Jintao (January 18, 2011). *CSIS Commentary*; and Foreign Secretary Nirupama Rao, Perspectives on Foreign Policy for a 21st Century India, keynote address at the 3rd IISS-Indian Ministry of External Affairs Dialogue, London (February 22, 2010).

self-confidence and nationalist pride informed by strong feelings of historical injustice and a desire to overcome the legacies of colonialism and Western interference. In China, a key aspect to this narrative concerns the Middle Kingdom's emergence from a "century of humiliation" and its bid to become a great power.<sup>10</sup> Many Indians, for their part, wish to see New Delhi assume its "rightful place" at the top table of global diplomacy, while their policy elites are rediscovering the subcontinent's wider maritime region with a sense of historical entitlement.<sup>11</sup>

However, while both India and China believe they are reclaiming a place of greatness, in reality their strategic ascendancy is relatively untested. Not only is the sheer human scale of their economic rise without historical precedent, but the crowded, rule-governed and immensely interconnected global stage upon which both states are rising is a fundamentally different international environment from that in which previous great powers have risen. If policymakers in New Delhi and Beijing are able to resist the jingoistic demands of their media and netizens,<sup>12</sup> it is possible that a confluence of similar worldviews and economic interdependence will enable India and China to address many of their mutual interests in a reasonably cooperative manner.

On security issues, the two states have taken some modest steps toward dialogue and cooperation. In 2007, India and China established an annual defense dialogue which has identified shared concerns about terrorism and piracy.<sup>13</sup> To be sure, most of their bilateral military activities —

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<sup>10</sup>See, Erickson, A, L Goldstein and C Lord (Summer, 2010). China sets sail. *The American Interest*, 5(5), 27–34; and Ross, RS (Fall, 2009). China's naval nationalism: Sources, prospects, and the U.S. response. *International Security*, 34(2), 60–72.

<sup>11</sup>See Cohen, SP (2002). *India: Emerging Power*, pp. 51–54. Washington: Brookings Institution Press; and Scott, D (2006). India's "grand strategy" for the Indian Ocean: Mahanian visions. *Asia-Pacific Review*, 13(2), 97–129.

<sup>12</sup>For an excellent account of the role of netizens in Chinese foreign policy decisionmaking, see Jakobson, L and D Knox (2010). *New Foreign Policy Actors in China*, pp. 41–46. Solna: Stockholm International Peace Research Institute.

<sup>13</sup>Since 2008, the navies of India and China have participated in parallel anti-piracy missions off the Gulf of Aden. During the second annual defence dialogue held in New Delhi, 2008, both states agreed in principle to coordinate efforts to fight terrorism and violent religious fundamentalism. A week before the talks, India and China undertook the joint exercise "Hand-in-Hand" to build interoperability in counterterrorism operations. See, India, China join hands to fight terrorism (December 15, 2008). *Thaindian News*; and Indian, Chinese troops show "team spirit" during joint army exercise (December 8, 2008). *Thaindian News*.

predominantly joint exercises and port visits — have been minimalist in their aims and execution. Practical cooperation and policy coordination have been little more than aspirations. Nevertheless, defense officials from India and China have managed to develop limited relations amidst a climate of mistrust. For instance, while New Delhi moved to suspend high-level defense talks following China's 2010 political provocation over the status of Kashmir, military-to-military dialogue is set to resume in the wake of Prime Minister Manmohan Singh's visit to China in April 2011.<sup>14</sup> Moreover, several bilateral military drills have taken place — including counterterrorism training on each others' soil — and, after a three-year hiatus, bilateral exercises are likely to resume in 2011.<sup>15</sup>

On issues of global governance, policy alignment between New Delhi and Beijing appears slightly more robust. At the 2009 United Nations Climate Change Conference in Copenhagen, China, India, Brazil and South Africa loosely coordinated their negotiation strategies in order to protect developing economies from trade barriers and binding carbon reduction targets.<sup>16</sup> A trilateral foreign ministers' dialogue was established between India, China and Russia in 2005, although this forum remains a long way from becoming a viable mechanism for coordinating the interests of approximately 40% of the world's population.<sup>17</sup> India's observer status in the Shanghai Cooperation Organization (SCO), China's matching position in the South Asian Association for Regional Cooperation (SAARC), and both states' involvement the East Asia Summit (EAS) and annual BRICS Summit offer further opportunities for India and China to cooperate and even jointly lead at a regional level — despite the fact that neither country has so far seemed eager to exploit these prospects.

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<sup>14</sup>On the visa-related Kashmir dispute which led New Delhi to suspend bilateral defence talks, see India–China ties hit by visa row (August 27, 2010). *Al Jazeera*.

<sup>15</sup>See Manu Pubby, India, China to revive joint army drills (January 12, 2010). *Indian Express*.

<sup>16</sup>See Saibal Dasgupta, Copenhagen conference: India, China plan joint exit (November 28, 2009). *The Times of India*.

<sup>17</sup>R. N. Das, Russia–China–India trilateral: Calibrating a fine balance (November 15, 2010). *IDS Comment*.

### 3. Assaying Rivalry

Despite the opportunities for Sino–Indian partnership, there are inherent limits to bilateral cooperation. Indeed, some of the attributes which both states share — such as their export-driven economies, energy insecurity and increasingly nationalistic middle classes — may imperil cooperation and exacerbate tensions, especially when added to their long-unresolved territorial disputes over Arunachal Pradesh and Aksai Chin.<sup>18</sup> While it may not be analytically neat, the many contradictions in India–China relations mean that elements of cooperation will endure, perhaps even deepen, alongside growing strategic rivalry. We may define this situation as “competitive coexistence”.<sup>19</sup>

Before considering the competitive impulses in Sino–Indian relations, it is necessary to specify what we mean by “strategic rivalry”. Strategic rivalry is an extreme form of interstate competition. It is a condition in which the antagonisms of two states become a defining feature of their foreign policies, affecting everything from defense and diplomacy, to economics, trade, development assistance and soft power. In most instances, strategic rivals consider one or more of their fundamental national interests to be threatened by each other. Indeed, their inability to resolve contentious issues of strategic importance leads rivals to regard each other with deep-seated mistrust, whether or not this perception is fully justified. Strategic rivalry also involves a contest for regional and/or global hierarchy in which both protagonists struggle to gain political influence in third-party states. While relations between strategic rivals can undergo periods of issue-specific cooperation, such states are willing to shape and constrain each other’s decisions through the threat or use of military force.<sup>20</sup>

Drawing on these criteria, we can identify four areas of tension that may serve as an analytical framework and set of indicators for assessing the

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<sup>18</sup>See, Yuan, J (Summer, 2007). The dragon and the elephant: Chinese–Indian relations in the 21st century. *Washington Quarterly*, 30(3), 134–139.

<sup>19</sup>For a similar argument, see Scott, D (2008). Sino–Indian security predicaments for the twenty-first century. *Asian Security*, 4(3), 244–270.

<sup>20</sup>For a detailed analysis of the components of interstate rivalries, see Colaresi, MP, K Rasler and WR Thompson (2007). *Strategic Rivalries in World Politics: Position, Space and Conflict Escalation*, p. 4. Cambridge: Cambridge University Press.

extent to which India and China are strategic rivals: conflicting geopolitical interests; military modernization and force posture; economic competition; and soft power. While one would not expect bilateral antagonisms to be present in equal measure across all areas simultaneously, a degree of competition on each issue is a prerequisite for a relationship of strategic rivalry.

### **3.1. *Conflicting geopolitical interests***

Are India and China seeking to predominate in overlapping areas of geopolitical interest? Is each state competing for influence in third-party states and multilateral organizations? Do officials in New Delhi and Beijing regard strategic competition between India and China as a primary concern of their respective foreign policies?

Despite their disputed borders, India and China do not currently define their principal geopolitical objectives as being directly opposed. Even as the growing integration of the Asia-Pacific and Indian Ocean regions is creating a grand “Indo-Pacific” strategic system,<sup>21</sup> India and China continue to have relatively distinct areas of primary geopolitical interest. In India, foreign policy elites are predominantly concerned with strategic issues in South Asia and the Indian Ocean. These include the conventional and nuclear deterrence of Pakistan, the maintenance of Jammu and Kashmir as sovereign Indian territories, the struggle against Islamic terrorism emanating from Pakistan, the stabilization of Afghanistan and the security of Indian Ocean sea-lanes.

To be sure, India has recently expressed concerns over the growing prevalence of Chinese commercial port facilities and PLA-Navy (PLAN) warships in the Indian Ocean — a region across which roughly 90% of Indian crude oil imports is transported each year.<sup>22</sup> There is a growing struggle for political influence in some of the smaller states of the Indian Ocean where India, in order to forestall Chinese diplomacy, has stepped up its security and infrastructure assistance to such nations as Mauritius, Madagascar and the Maldives. Nevertheless, these initiatives remain far

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<sup>21</sup>See Cook, M, R Heinrichs, R Medcalf and A Shearer (2010). *Power and Choice: Asian Security Futures*, p. 31. Sydney: Lowy Institute for International Policy.

<sup>22</sup>The figure for Indian oil imports is based on 2005 data from the International Energy Agency (IEA). See IEA, *World Energy Outlook 2007* (Paris: International Energy Agency, 2007).

from a full-blown contest for regional dominance. Indeed, despite India's growing role in East Asian diplomacy and its deepening economic, political and defense relations with many Asian states — including a nascent strategic partnership with Japan — New Delhi has yet to extend India's primary sphere of geopolitical interest further east than the Strait of Malacca.<sup>23</sup>

China, for its part, remains primarily focused on the power balance in Northeast Asia. Its declared maritime interests remain concentrated in the South China Sea and the Western Pacific. In this region, Beijing's strategic interests include neutralizing superior U.S. military power, preventing Taiwanese independence (by force if necessary), prosecuting China's large maritime sovereignty claims against Japan and various Southeast Asian nations, and avoiding both a new Korean war and regime collapse in Pyongyang. As a result, most Chinese officials do not currently perceive India as a primary threat to national security, even if some Chinese maritime security analysts worry that the Indian navy could blockade China's energy supply routes with an "iron chain" centered around the recently upgraded tri-services military facility on India's Andaman and Nicobar Islands.<sup>24</sup> Moreover, while the nuclear arsenals of New Delhi and Beijing are designed, in part, to deter mutual aggression, both their postures are relatively restrained and display little sign of a bilateral arms race.

It may, in fact, be on land where Sino-Indian geopolitical interests are most likely to clash in the short term. Many analysts have argued that China's reluctance to resolve its border differences with India is due, in large part, to its anxieties over retaining control of Tibet. Beijing remains troubled by the activities, rhetoric and very existence of a resilient community of

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<sup>23</sup>While India has deepened security partnerships with East Asian states through initiatives such as the annual Malabar naval exercises, New Delhi's Asian focus is mainly concerned with the extent to which East Asian power shifts are affecting the wider Indian Ocean region. The expansion of India's maritime horizons to include, but not surpass, the Malacca Straits has been made clear in a number of official documents — such as the *Indian Maritime Doctrine* (2004) and *New Army Doctrine* (2004) — as well as statements by Prime Ministers Atal Bihari Vajpayee (2003) and Manmohan Singh (2004). For further detail, see Scott, India's "Grand Strategy" for the Indian Ocean, pp. 110–115. On recent developments in the India-Japan strategic partnership, see Takenori Horimoto, "The Japan-India nuclear agreement: Enhancing bilateral relations?" (April 15, 2011). *Asia Pacific Bulletin*, No. 107.

<sup>24</sup>See Holmes, JR, AC Winner and T Yoshihara (2009). *Indian Naval Strategy in the Twenty-First Century*, pp. 133–135. New York: Routledge.

Tibetan exiles in India, and is presumably eager to shape the succession of the Tibetan spiritual leadership when the current Dalai Lama passes away.<sup>25</sup> Accordingly, the existence on Indian territory of the Tawang monastery — a location of great significance in Tibetan Buddhism which could play an important role in the religious succession — poses an ongoing problem for what Beijing views as the maintenance of domestic order. It does not appear coincidental that China's willingness to talk seriously with India about resolving the border disagreement waned even further following the protests in Lhasa in 2008.

In multilateral organizations and regional institutions, relations between India and China have a competitive edge. In 2005, during the establishment of the EAS, Beijing attempted to exclude India in order to maximize its own political influence within the forum.<sup>26</sup> New Delhi's exclusion of China in the India-led Indian Ocean Naval Symposium (IONS) — a biannual gathering of 26 regional navy chiefs — denotes a similar effort to restrict China's involvement in security affairs west of Malacca. Similar wrangling has occurred in the SCO and SAARC where China and India initially sought to prevent the other from gaining observer status in what each considered its own regional forum.<sup>27</sup> In light of these diplomatic skirmishes, the behavior India and China display at the EAS, IONS and newly formed ASEAN Plus Eight Defense Ministers' Meeting (ADMM+8) may become a useful barometer for Sino–Indian rivalry.

### **3.2. *Military modernization and force posture***

Are the large-scale military modernization programs in India and China motivated by the exigencies of bilateral rivalry? Is either state's force posture designed with the primary aim of coercing, deterring, fighting or otherwise constraining the strategic options of the other?

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<sup>25</sup>Kaveree Bamzai and Sandeep Unithan, Hidden dragon, crouching Lama (February 4, 2011). *India Today*.

<sup>26</sup>Mohan Malik, China and the East Asia summit: More discord than accord (February 2006). *Asia-Pacific Center for Security Studies*. Online: <http://www.apcss.org/Publications/APSSS/ChinaandEastAsiaSummit.pdf>.

<sup>27</sup>For a detailed analysis of Sino–Indian relations in regional institutions, see Singh, S (Spring/Summer, 2011). Paradigm shift in India–China relations: From bilateralism to multilateralism. *Journal of International Affairs*, 64(2), 1–14.

From Beijing's perspective, both questions may be answered in the negative. To be sure, Beijing has troops deployed along the disputed border and, in 2010, upgraded its road-mobile nuclear arsenal to include solid-fuelled CSS-5 medium range ballistic missiles (MRBMs) that can reach much of India. However, while it can be assumed that such capabilities were deployed to strengthen bilateral deterrence against New Delhi, these represent only a small proportion of the PLA's rapidly modernizing military arsenal.<sup>28</sup> Indeed, the PLA remains predominantly focused on safeguarding and expanding Beijing's strategic interests in the Taiwan Strait, the South China Sea and the wider Western Pacific. This has involved preparing for possible confrontation with the United States and its East Asian partners by acquiring attack and ballistic-missile submarines, land- and sea-based cruise missiles, modern warships and sophisticated command, control and information systems.<sup>29</sup> All of these denote a PLA acquisition program and force posture that is geared more toward military options in maritime Asia than a land war with India. Of course, the PLAN's so-called "historic missions" abroad — including ongoing anti-piracy operations in the Gulf of Aden and the deployment of air and sea capabilities to evacuate Chinese nationals from the Middle East in early 2011 — could encroach upon Indian interests in New Delhi's traditional sphere of influence.<sup>30</sup> Yet, Beijing's limited capability to project power at long ranges combined with its predominantly East Asian strategic focus will restrict its capacity to be a major threat to India, at least for another decade.

India, on the other hand, is already making a number of acquisitions and deployments based on its concerns about China's expanding strategic weight and reach. Over the past five years, much of India's ambitious naval modernization program has been based on a strategy of securing New Delhi's place as the principal maritime power in the Indian Ocean.

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<sup>28</sup>On recent upgrades of the PLA's nuclear capabilities, see *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China*, 2010 (Washington: Office of the Secretary of Defense, 2010), pp. 34–35; and Hans M. Kristensen, DF-21C Missile deploys to central China (September 28, 2010). *Federation of American Scientists Strategic Security Blog*. Online: <http://www.fas.org/blog/ssp/2010/09/df21c.php>.

<sup>29</sup>*Annual Report to Congress*, pp. 1–9.

<sup>30</sup>See C. Raja Mohan, Sino-Indian rivalry in the western Indian Ocean (February, 2009). *ISAS Insights*, No. 52.

Apart from the United States, China is the only other conceivable long-run contender for this role. In particular, New Delhi's acquisition of advanced warships, nuclear-powered submarines and long-range surveillance aircraft appear explicitly designed to outmatch future PLAN capabilities in this region.<sup>31</sup> Similarly, India's recent moves to buttress troop deployments in Arunachal Pradesh are motivated by New Delhi's longstanding anxieties about a land conflict with China.<sup>32</sup>

Nevertheless, these developments do not indicate that India's strategic community has reached a consensus in regarding China as a primary external threat, whatever the grim assessments of some prominent individuals.<sup>33</sup> The Indian navy's 15%–18% slice of the defense budget demonstrates a less than wholehearted commitment to competing with China as a maritime power. Beijing, for its part, allocates about a quarter of its military spending to the PLAN. While border deployments have recently increased, troop numbers on both sides have fallen dramatically since the last major India–China confrontation in 1987. Moreover, while India's conventional superiority against Pakistan would suggest that New Delhi's nuclear arsenal is intended to deter Beijing, if India was genuinely involved in strategic rivalry with China, it would be racing to develop a credible second-strike capability to threaten targets deep within China. So far, this effort has proceeded slowly and unevenly. Indeed, while there has been recent progress on this front — including India's launch of a “technology demonstrator” for its planned ballistic-missile submarine in July 2009 — an effective sea-launched deterrent remains many years away.<sup>34</sup> The pace and effectiveness with which India completes this quest will reveal much about the extent to which rivalry is on the horizon.

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<sup>31</sup>On Sino–Indian naval modernization and strategic developments in the Indian Ocean, see Townshend, A (2010). Sino–Indian maritime relations: Managing mistrust in the Indian Ocean. In *Strategic Snapshot*, Vol. 6. Sydney: Lowy Institute for International Policy.

<sup>32</sup>See Edward Wong, Uneasy engagement: China and India dispute enclave on edge of Tibet (September 9, 2003). *New York Times*; and Subir Bhaumik, India to deploy 36,000 extra troops on Chinese border (November 23, 2010). *BBC News*.

<sup>33</sup>For an excellent account of the different ways Indian strategic thinkers perceive China, see Joshi, S (2011). Why India is becoming warier of China. *Current History*, 110(735), 156–161.

<sup>34</sup>See C. Raja Mohan, India's nuclear navy: Catching up with China (July, 2009). *ISAS Insights*, No. 78.

At present, New Delhi has more urgent security concerns than the longterm implications of a powerful China. India's security establishment remains heavily focused on Pakistan and has, in the wake of the devastating 2008 attacks in Mumbai, enhanced efforts to prevent terrorists from striking soft targets inside India. China's longstanding support for the Pakistani military means that Indian threat perceptions about Pakistan cannot be entirely separated from concerns about China. Still, India's most immediate threats may be internal. Civil unrest has worsened in Kashmir since Indian central and state government authorities squandered the opportunities for improved governance following credible elections in 2002 and 2008. Moreover, 2010 witnessed a worsening of the Naxalite (Maoist) violence in central and eastern India, an enduring problem which has been described by Prime Minister Singh as India's "biggest internal security challenge".<sup>35</sup> As a result, India has allocated substantial resources to fix its counterterrorism and counterinsurgency capabilities — none of which are designed for strategic rivalry with China.<sup>36</sup>

### **3.3. Economic competition**

To what extent do India and China perceive their bilateral economic relations as zero-sum? Does each state regard the other as an economic competitor in global markets? Are India and China willing to sidestep market mechanisms in order to constrain the economic opportunities of the other?

Relatively unscathed by the global financial crisis of 2008–2009, India and China continue to forge a lucrative trade partnership. While bilateral trade stood at a mere U.S. \$270 million in 1990, by 2010 India–China trade revenue reached U.S. \$62.74 billion (up 42% since 2009) — a figure which some predict will surpass U.S. \$120 billion by 2012.<sup>37</sup> This has been underscored by a high-degree of complementarity in Sino–Indian

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<sup>35</sup>See Fred Burton and Ben West, A closer look at India's naxalite threat (July 8, 2010). *STRATFOR*.

<sup>36</sup>See *The Military Balance* 2010 (London: International Institute for Strategic Studies, 2010), pp. 335–336.

<sup>37</sup>See, respectively, A Himalayan rivalry, p. 17; China Economic News in Brief: Sinopec LNP Project; Vegetable Oil Imports; Tianjin Sewage Treatment Plants; Sino–Indian trade (March 24, 2011). *China Daily*; and India's bilateral trade with China to cross \$120 bn (November 20, 2010). *The Navhind Times*.

exports.<sup>38</sup> Whereas India is currently known for services and raw materials, China's exports have been predominantly in manufactured goods — a point frequently cited by proponents of the “Chindia” thesis.<sup>39</sup> The potential for positive-sum trade ties has prompted optimistic rhetoric from leaders in both states. As Prime Minister Singh has often stated, “India and China are not in competition ... there is enough economic space for both ... countries to realize ... [their] growth ambitions”.<sup>40</sup>

In a hint of what government-driven bilateral economic cooperation might look like, between 2005 and early 2006 Beijing and New Delhi briefly coordinated efforts to secure new energy projects. India's Oil and Natural Gas Corporation (ONGC) and the China Petrochemical Corp (Sinopec) secured joint energy contracts in Sudan, Syria, Columbia and Iran. But these entities, and the two states more widely, remained fiercely competitive in other markets.<sup>41</sup> For instance, China continued to outbid India in larger energy deals in Angola, Nigeria, Myanmar, Kazakhstan and elsewhere; while New Delhi's enthusiasm for a bilateral energy partnership waned in 2006 after the then Union Cabinet Minister for Petroleum and Natural Gas, Mani Shankar Aiyar, lost his portfolio for apparently unrelated reasons.<sup>42</sup>

As concerns about energy security underscore each state's push for naval modernization, it is unlikely that shared dependence in hydrocarbon imports will unite China and India. More broadly, while India and China do not currently view each other as economic rivals, many argue that their trade interdependence is unsustainable and that there exist a number of latent grievances in the economic relationship. Above all, there is a large imbalance in bilateral trade which causes considerable resentment in India.

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<sup>38</sup>Malone, DM and R Mukherjee (2010). India and China: Conflict and Cooperation. *Survival*, 52(1), 148.

<sup>39</sup>See Holslag, *China and India*, pp. 67–76.

<sup>40</sup>PM says India and China are not in competition (November 23, 2009). *Deccan Herald*.

<sup>41</sup>See Indrajit Basu, India, China pin down \$573 m Syria deal (December 22, 2005). *AsiaTimes Online*; and Siddharth Srivastava, India, China work out new energy synergies (September 26, 2006). *AsiaTimes Online*.

<sup>42</sup>On China's successful attempts to outbid Indian companies in energy deals, see Vibhuti Haté, India's energy dilemma (September 7, 2006). *South Asia Monitor*, No. 98; Elizabeth Mills, Keep friends close but enemies closer: Changing energy relations between China and India (July 10, 2009). *Harvard International Review*; and Behera, LK (2005). Oil politics: India's failure in Kazakhstan, *India and the World — Articles*, No. 1885. New Delhi: Institute for Peace and Conflict Studies.

While China is India's largest trading partner, accounting for roughly 6.5% of Indian exports in 2007, India ranks ninth as a source of Chinese imports, leaving New Delhi to capture just 2.9% of Chinese trade flows in the same year.<sup>43</sup> While India's exports to China have since picked-up, growing at 75% in early 2010, its trade deficit with China surged to U.S. \$19.2 billion in March 2010.<sup>44</sup>

Owing to these disparities and concomitant concerns about the security implications of some Chinese state-led investments in India, New Delhi has instigated a number of trade restrictions — limiting Chinese investment in Indian telecoms, rejecting Chinese bids for port facilities in Mumbai and Vizhinjam, barring Chinese companies from bidding for sensitive offshore oil and gas projects, and tightening visa arrangements for Chinese migrant workers.<sup>45</sup> China has been accused by New Delhi of dumping in textiles, toys, automobile components and chemicals — controversies which make the notion of an India–China free-trade agreement even more remote than it appears at present.<sup>46</sup> These problems aside, as both India and China diversify their economies and exports, it seems reasonable to expect that trade complementarity will decline, causing them to increasingly compete for similar markets and industries.<sup>47</sup> A shift toward heightened competition in the economic sphere may thus simply be a matter of time.

### **3.4. *Soft power***

Do India and China use soft power — that is, the attractiveness of their respective societies, ideals and policies — to compete for regional and global influence?<sup>48</sup> Is soft power employed as a strategic resource to counter each other's normative appeal?

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<sup>43</sup>Holslag, *India and China*, p. 76.

<sup>44</sup>Wei Gu, Trade should leave China and India both winners (December 14, 2010). *Reuters*; and Nupur Acharya, India–China trade deficit could reduce on renminbi appreciation — RBI Study (April 15, 2011). *Dow Jones Newswires*.

<sup>45</sup>Bajpae, *China–India relations*, pp. 8–9.

<sup>46</sup>See Ananth Krishnan, India–China anti-dumping row escalates (August 7, 2009). *The Hindu*; and Holslag, *India and China*, pp. 77–80.

<sup>47</sup>Holslag, *India and China*, pp. 70–76.

<sup>48</sup>For a definition of soft power, see Nye, J (2004). *Soft Power: The Means to Success in World Politics*, p. 2, x. New York: Public Affairs.

As two of Asia's oldest and most revered civilizations, India and China are historic competitors for cultural influence and societal gravitas. This ideational contest appears to be resurfacing in a contemporary form, with divergent political systems and social values augmenting distinct cultural qualities. What is less clear is the extent to which each state is actively and effectively deploying its soft power to buttress its reputation against the other's international image. Perhaps, the dominant view of Sino-Indian soft power competition posits that democratic India will ultimately prove more successful than China in attracting external admiration.<sup>49</sup> Given its liberal values, market economy, open society and democratic institutions, it is not surprising that India trumps China in polls analyzing how foreign nationals perceive both states' relative performance in governance and human rights.<sup>50</sup> Moreover, via a large and influential diaspora and a burgeoning media industry, Indian perspectives are increasingly transmitted to the world.<sup>51</sup> To be sure, these same networks also disseminate damaging images of India's unruly polity, widespread corruption and cumbersome bureaucracy. This was exemplified by the negative reportage of New Delhi's 2010 Commonwealth Games which paled beside the 2008 Beijing Olympics as a showcase of efficiency, skill and quality control.<sup>52</sup> Even so, the so-called "New India's" mood of enterprise, youth and openness is likely to bolster India's reputation and help it to overcome such hurdles.<sup>53</sup>

China, for its part, has invested far more strategically than India in trying to define its international image. For much of the past decade, Beijing's

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<sup>49</sup>See, for example, Kaplan, *Monsoon*, pp. 97, 185–186; and John Lee, India's edge over China: Soft power (June 17, 2010). *Businessweek*.

<sup>50</sup>See Whitney, CB and D Shambaugh (2009). *Soft Power in Asia: Results of a 2008 Multinational Survey of Public Opinion*, pp. 9–10. Chicago: Chicago Council on Global Affairs.

<sup>51</sup>See Malik, A and R Medcalf (2011). India's new world: Civil society in the making of foreign policy. In *Lowy Institute Analysis*. Sydney: Lowy Institute for International Policy; and Shashi Tharoor, Why nations should pursue "soft" power (November, 2009). *TED Talk*. Online: [http://www.ted.com/talks/shashi\\_tharoor.html](http://www.ted.com/talks/shashi_tharoor.html).

<sup>52</sup>See Lee, J (2010). Unrealised potential: India's "soft power" ambition in Asia. *Foreign Policy Analysis*. Sydney: Centre for Independent Studies; and Ashish Kumar Sen, Problems plague India's Commonwealth Games (September 21, 2010). *The Washington Times*.

<sup>53</sup>For an excellent account of India's internal strengths and lingering challenges, see Nilekani, N (2008). *Imagining India: Ideas for a New Century*. London: Allen Lane.

so-called “charm offensive” has sought to project an unthreatening impression of China’s rise through lavish international broadcasting, condition-free investment, foreign development assistance, multilateral engagement, humanitarian aid and often astute diplomacy at the United Nations and elsewhere.<sup>54</sup> However, while many states in Africa and Southeast Asia were initially impressed by China’s entreaties, since 2008 these reputational gains have been undermined by Beijing’s hardening stance on a range of issues — from maritime assertiveness and sovereignty claims in the South China Sea, to security crackdowns in Xinjiang, Tibet and against a number of prominent dissidents. English-language state broadcasting and the hundreds of Confucius Institutes worldwide do not appear to be dramatically improving Western or Asian perceptions of China.<sup>55</sup> While India’s reputation may have been battered by the 2010 Commonwealth Games, China has suffered more fundamental damage as a result of its heavy-handed response to foreign protests during the 2008 Olympic torch relay.

It is too early to conclude whether India and China are making extensive use of their soft power to compete with each other for influence, let alone to assess which state is currently winning. However, were a full-blown soft power competition to develop, it would most likely include: an explicit use of foreign aid and cultural diplomacy to counter each other’s influence; large-scale Indian investment in international state broadcasting; and the mobilization of diaspora worldwide to oppose each other’s interests in third countries.

#### **4. Preventing Instability under Competitive Coexistence**

The varying levels of strategic competition across four key areas of great power tension suggest that the Sino–Indian relationship is one of competitive coexistence. Asia’s two largest military powers are not, at present, fully-fledged strategic rivals. On the contrary, Beijing’s predominantly

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<sup>54</sup>See Zheng, DE (2009). China’s use of soft power in the developing world: Strategic intentions and implications for the United States. In *Chinese Soft Power and its Implications for the United States: Competition and Cooperation in the Developing World*, C McGiffert (ed.), pp. 1–9. Washington: Center for Strategic and International Studies.

<sup>55</sup>See, for instance, Pew Research Center, strengthen ties with China, but get tough on trade: Public’s global focus turns from Europe to Asia (January 12, 2011). *Survey Report*.

U.S.-focused strategic community appears, at times, indifferent to the strategic anxieties of India's defense establishment. If sustained, this seemingly apathetic approach to India — which many in New Delhi interpret as a sign of China's lack of respect for India as a great power — could heighten Indian anxieties and further exacerbate bilateral tensions. For the moment, however, most Indian policymakers seem to be content with making only gradual adjustments to the military capabilities that would enable India to deter a more assertive China.<sup>56</sup>

Although strategic rivalry is not inevitable, India and China should not be complacent about the need for measures to stabilize bilateral relations. The current situation of competitive coexistence offers an opportunity to establish patterns of dialogue, predictability and mutual understanding before underlying tensions worsen. Building stable expectations and a degree of trust through careful diplomacy and confidence-building measures — such as the establishment of a leader-to-leader hotline in early 2010 — could assist both states in managing future discord.

This will not be straightforward. Many voices in both states will see a fundamental clash of interests on the horizon and will argue that the best Beijing and New Delhi can hope for is to build mechanisms to manage an inevitable confrontation. Indeed, some will even argue that their nation's priority should be to prepare for rivalry, including in the military sphere. Even if policymakers in China and India were to recognize the merits of bilateral confidence-building and cooperation, the reality is that these two great powers are rising in a complex international environment where their bilateral relationship cannot be separated from wider strategic dynamics. Four such strategic challenges should be considered in some detail: the role of the United States; the Pakistan–China–India triangle; maritime security in the Indian Ocean; and the India–China nuclear dynamic.

#### **4.1. *The role of the United States***

Relations between India and China will continue to be shaped by the wider Indo-Pacific strategic system in which both states are embedded. Among the

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<sup>56</sup>On the ruling Congress party's aversion to large-scale defence expenditure and military competition with China, see Cohen, SP and S Dasgupta (2010). *Arming Without Aiming: India's Military Modernization*, p. 28. Washington: Brookings Institution Press.

most defining characteristics of the regional power balance will be the extent to which New Delhi becomes a truly strategic partner of the United States or, somewhat less likely, a member of an informal U.S.-led balancing coalition against China.<sup>57</sup> Since President George W. Bush and Prime Minister Atal Bihari Vajpayee launched their strategic partnership in the first few years of the 21st century, relations between Washington and New Delhi have grown dramatically closer and more comprehensive, involving multi-billion dollar defense deals, expanded military-to-military ties, the controversial 2005 civilian nuclear energy deal and a number of high-profile state visits.<sup>58</sup> During this same period, an expansion of the annual “Malabar” exercises — a series of U.S.–India naval war-games which have often included Japan and, occasionally, Singapore and Australia as well — has highlighted India’s growing potential within a regional network of American partners and allies. In this context, Japan has emerged as the most eager of Washington’s Asian allies to cultivate India as a balance against the Chinese power.<sup>59</sup>

While claims about the birth of an Asian NATO are overblown, it is true that India and the United States share a common goal in hedging against potential Chinese assertiveness.<sup>60</sup> Not surprisingly, Beijing views the U.S.–India partnership as evidence of a growing attempt to contain China’s rise.<sup>61</sup> The initial response by Chinese policymakers appeared to involve an attempt to compete with Washington for favor in New Delhi — a theory which helps explain the improvement in Sino–Indian relations between 2002 and

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<sup>57</sup> On the post-Cold War emergence of a U.S.–India strategic partnership, see Burns, RN (2007). America’s strategic opportunity with India. *Foreign Affairs*, 86(6), 131–146. On the prospects for a U.S.–India balancing coalition against China, see Gordon, S (2009). Sino–Indian relations and the rise of China. In *Rising China: Power and Reassurance*, R Huisken (ed.), pp. 59–61. Canberra: ANU E-Press.

<sup>58</sup> On deepening relations between the U.S. and India, see Cohen and Dasgupta, *Arming Without Aiming*, pp. 165–171; and Mohan, CR (2011). India, China and the United States: Asia’s emerging strategic triangle. In *Strategic Snapshot*, Vol. 8. Sydney: Lowy Institute for International Policy.

<sup>59</sup> For more information on the India–Japan strategic partnership, see the *Joint Declaration on Security Cooperation Between Japan and India*, signed in Tokyo on 22 October, 2008. Online: [http://www.mofa.go.jp/region/asia-paci/india/pmv0810/joint\\_d.html](http://www.mofa.go.jp/region/asia-paci/india/pmv0810/joint_d.html).

<sup>60</sup> See, Carter, AB (2006). America’s new strategic partner? *Foreign Affairs*, 85(4), 42–43.

<sup>61</sup> See D. S. Rajan, China: Media Fears Over India Becoming Part of Western Alliance, Paper No. 2350 (South Asia Analysis Group, 2007).

2004, including China's recognition of Sikkim as part of India and the establishment of direct air links.<sup>62</sup> However, since roughly 2005, China has indicated its displeasure at burgeoning U.S.–India relations by toughening its stance on other bilateral issues — such as seeking to block India's EAS membership and reasserting its claim on Arunachal Pradesh.<sup>63</sup>

Balancing its growing strategic alignment with the United States and its need for stability and engagement with China will be among New Delhi's toughest diplomatic tasks. Perceptions about China's growing assertiveness — whether against India or China's other Asian neighbors — are likely to continue to push New Delhi closer to Washington. At the same time, India will be wary of any agreement that implies, even informally, any alliance entanglement. It is intriguing to consider how the United States might perceive and respond to a significant worsening or improvement in Sino–Indian relations. Some observers claim that the burden will fall on Washington to play a stabilizing, perhaps even peace-making, role between New Delhi and Beijing.<sup>64</sup> By contrast, the Chinese view tends to assume that Asia's rising giants would get along much better if America's influence was somehow marginalized. The reality is likely to be more complicated than either of these narratives. What is clear, however, is that decisions in Washington and India's partnership with the U.S. will profoundly affect the direction of Sino–Indian relations. Chinese fears about a U.S.–Indian alignment may well heighten its security concerns about India. But, as the 1962 war demonstrated, Beijing and New Delhi are perfectly capable of ruining their bilateral relationship without external involvement.

#### **4.2. *The Pakistan–China–India triangle***

China's longstanding support for Pakistan remains a serious concern for policymakers in New Delhi. India has long viewed this as Beijing's intention — enhancing Islamabad's military and nuclear capabilities contains

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<sup>62</sup>Before talks, a CBM: China puts Sikkim in its India map (May 6, 2004). *The Indian Express*.

<sup>63</sup>See, Jo Johnson and Richard McGregor, China raises tension in India border dispute (12 June, 2007). *The Financial Times*.

<sup>64</sup>Kaplan, RD (2009). Center stage for the 21st century: Power plays in the Indian Ocean. *Foreign Affairs*, 88(2), 31–32.

Indian power in South Asia and, in turn, divides New Delhi's strategic focus so that it cannot concentrate its forces against China. Rather than having a stabilizing effect, Beijing's support for Pakistan has helped Islamabad perpetuate its security competition with India — including by enabling state-backed militants and terrorists to strike soft targets in India under the protection of a nuclear umbrella.<sup>65</sup> As the 2002 India–Pakistan crisis demonstrated, such attacks run the risk of sparking a wider confrontation or full-scale war between New Delhi and Islamabad, with real prospects for nuclear escalation.

For Indian strategists, China's role in assisting Pakistan's nuclear weapons and missile program is the ultimate sign of bad faith in Sino–Indian relations. Indeed, if India and China are to have a relationship of even moderate strategic trust, Beijing will need to clearly place its relations with New Delhi ahead of those with Islamabad. This will mean curtailing its military assistance to Pakistan and recognizing the existing Line of Control as a basis for resolving the Kashmir dispute — a position Beijing appeared ready to accept when it chose not to side openly with Pakistan during the 1999 Kargil conflict and the 2002 India–Pakistan confrontation.

### **4.3. Maritime security in the Indian Ocean**

While proclamations of a new maritime “great game” are premature, there is real potential for a contest of influence between India and China in the Indian Ocean.<sup>66</sup> Concerns in New Delhi and Washington about the stability of this region are based on China's growing power-projection capabilities, commercial maritime facilities and active diplomacy in a region long dominated by the U.S. and Indian navies. Moreover, the PLAN's participation in anti-piracy missions off the Gulf of Aden since January 2009 and the increasing frequency of Chinese port calls in the area have

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<sup>65</sup> See Malik, M (Spring, 2003). The China factor in the India–Pakistan conflict. *Parameters*, 33, 36.

<sup>66</sup> For a gloomy assessment of China's role in the Indian Ocean and Sino–Indian rivalry, see Kaplan, Center Stage for the 21st Century, pp. 16–32; and Kaplan, RD (2010). The Geography of Chinese power: How far can Beijing reach on land and at sea? *Foreign Affairs*, 89(3), 22–41.

been viewed as indications of Beijing's ambition to eventually develop a permanent naval presence in the Indian Ocean.<sup>67</sup>

Yet, as roughly 80% of Chinese oil imports traverse Indian Ocean sea-lanes, it is no surprise that Beijing does not want to continue outsourcing its maritime security to potential adversaries. Nor should Beijing's stake in a string of regional commercial port facilities designed to link maritime supply chains with mainland China be cause for alarm — given that, at present, there is scant evidence to suggest that the PLAN is involved in these ports.<sup>68</sup> China's energy requirements and its maritime interests as a global trading nation make it a legitimate player in Indian Ocean security.

In this context, India's interests in maritime stability would be well-served by policies seeking to accommodate China's growing regional presence in ways consistent with Indian security. New Delhi would be well advised to begin working closely with other nations to build a multilateral rules-based order in the Indian Ocean region while its own bargaining position is relatively strong. Indeed, India's best bet is to prepare the region for a future Chinese role, rather than to pursue a futile bid to exclude China altogether.<sup>69</sup> It could also be argued that an Indian strategy of asymmetric defense *vis-à-vis* China — which would include a robust nuclear-armed submarine force — might give New Delhi the confidence to adjust to a long-term Chinese presence in regional waters.<sup>70</sup>

Several early steps may help alleviate Indian concerns and place the onus on Beijing to be more transparent about its maritime activities and intentions in the region. New Delhi could, for instance, take the initiative to propose bilateral navy-to-navy talks with Beijing on maritime security and confidence-building. Such discussions would assist both states to build

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<sup>67</sup>As of February 2011, the PLAN's naval escort flotilla was undertaking its seventh rotation in approximately two years. The rotation began on November 24, 2011.

<sup>68</sup>Chinese corporations have played an important role in establishing port facilities in Pakistan (Gwadar), Sri Lanka (Hambantota), Bangladesh (Chittagong), and Burma (Sittwe and Kyaukpyu), with some indication that the Maldives (Marao) may be next.

<sup>69</sup>Rory Medcalf, India must master the great game (September 2, 2010). *Wall Street Journal — Asia*.

<sup>70</sup>This observation builds on a speech given by a former Indian Chief of Navy, Admiral Suresh Mehta in 2009. See Mehta, S (2009). India's national security challenges: An armed forces overview. Paper presented at the India Habitat Centre, New Delhi (August 10). Online: [http://maritimeindia.org/pdfs/CNS\\_Lec\\_at\\_Habitat.pdf](http://maritimeindia.org/pdfs/CNS_Lec_at_Habitat.pdf)

the mechanisms and understandings that are required to prevent the sort of destabilizing incidents at sea that have recently taken place between China and other navies in East Asian waters.<sup>71</sup> Another useful gesture would be for New Delhi to encourage more PLAN refueling stops at Indian ports, rather than elsewhere in the region, and to combine such visits with bilateral exercises — initiatives which might help provide India with a degree of confidence about PLAN activities. Beijing, for its part, could explore the 2010 offer by Indian Minister of State for Defence, Pallam Raju, to allow Indian warships to guard Chinese merchant ships in the Indian Ocean — a move which could help signal China's benign intentions in the region.<sup>72</sup> Finally, both states could do more to bolster inter-navy confidence by establishing even rudimentary levels of operational cooperation and information exchange between the warships they have deployed on anti-piracy duty.<sup>73</sup>

All of this might be augmented by multilateral or, at least, minilateral dialogues on maritime security in the Indian Ocean. Useful multilateral forums might emerge from an expanded IONS involving both China and the United States or, bringing in more East Asian stakeholders, through establishing a maritime security process within the ASEAN Regional Forum (ARF) or ADMM+8. Crucially, any of these moves would, for the first time, bring together the region's three biggest navies to discuss maritime security and crisis management.<sup>74</sup> Alternatively, minilateral arrangements may prove more manageable venues for forging cooperative agreements between the region's major maritime players. To be effective, such processes are likely to require the participation of India, the United States, China, Indonesia, Japan and Australia. To be sure, progress in any of these arenas will be difficult. However, if India and China allow their maritime security diplomacy to drift for even another few years, predictions of Sino-Indian naval rivalry in the Indian Ocean will move closer to reality.

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<sup>71</sup>See Rory Medcalf, Asia's maritime security is all at sea (September 15, 2010). *The Australian*.

<sup>72</sup>James Lamont and Geoff Dyer, India offers to protect China oil shipments (February 17, 2010). *Financial Times*.

<sup>73</sup>See Sandeep Dikshit, India, China to share anti-piracy information (January 11, 2010). *The Hindu*; and Rory Medcalf, China's gunboat diplomacy (December 28, 2008). *New York Times*.

<sup>74</sup>See Townshend, Sino-Indian maritime relations.

#### **4.4. The India–China nuclear dynamic**

While their relatively small arsenals and “no first use” policies place India and China at the more responsible end of the spectrum of nuclear-armed states, the bilateral nuclear dynamic remains a potential cause of instability. Above all, Beijing’s refusal to acknowledge New Delhi’s genuine fears about a nuclear-armed China creates an atmosphere of denial that compounds Indian anxieties. Indeed, Beijing’s reluctance to sign a bilateral no first use agreement or to take part in strategic-level nuclear stability talks with New Delhi has deepened mistrust and threat perceptions among Indian officials.<sup>75</sup> This situation could, over time, prompt New Delhi to step-up its efforts to modernize and expand India’s nuclear capability. It also creates a significant obstacle to the global nuclear arms control agenda. Indeed, efforts to establish a nuclear stability regime between China and the United States or to create arsenal-capping understandings between India and Pakistan — essential for progress on the stalled Fissile Material Cut-off Treaty — could flounder if India and China were to regard each other as a major reason for expanding their nuclear options.

This highlights the urgent need for nuclear security dialogue between New Delhi and Beijing. For this to occur, China must recognize India’s status as a nuclear peer and explicitly declare that its no first use policy applies toward India, notwithstanding the fact that India remains outside the Nuclear Non-Proliferation Treaty. Given the prevailing asymmetry in the India–China deterrence relationship — China is widely considered to have a second-strike nuclear capability for use against India, whereas India is only beginning to develop its own capability for a second-strike against China — such assurances are all the more important.<sup>76</sup> Although it is difficult to envisage a scenario in which either state would issue nuclear threats against the other, establishing clearly defined nuclear doctrines, red lines and crisis management mechanisms is crucial to preventing nuclear rivalry or escalation.

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<sup>75</sup>See Jing-dong Yuan, Sino–Indian Relations: A New Beginning (January 19, 2002). *Asia Times Online*.

<sup>76</sup>See, Perkovich, G (2004). The nuclear and security balance. In *The India–China Relationship: What the United States Needs to Know*, FR Frankel and H Harding (eds.), pp. 182–194. Washington: Woodrow Wilson Center Press and Columbia University Press.

## 5. Facilitating Accommodation: A Role for Smaller Powers?

Despite the risks and challenges underscoring Sino–Indian relations, smaller states in the Indo-Pacific are not entirely helpless in preventing great power rivalry from jeopardizing their national and regional security. But to what extent can small and middle powers help to facilitate better relations among Asia’s rising giants?

Regional institutions and middle power diplomacy cannot fundamentally alleviate the strategic mistrust and competitive impulses of the India–China relationship. Of course, it is worthwhile to attempt to enmesh both states within regional institutions, forums and normative practices.<sup>77</sup> Given their broad mandate and Indo-Pacific footprint, the EAS and its security subsidiaries, the ARF and ADMM+8, are logical bodies within which India–China relations might begin to improve. After all, it is worth recalling just how far New Delhi and Beijing have come in their embrace of Asian regionalism. Barely a decade ago, engagement-minded states like Singapore and Australia were merely hoping to involve Asia’s giants in dialogues on regional security. In the coming years, these states may well lead the way in setting the agendas for a range of regional institutions.<sup>78</sup> Nevertheless, Asian regionalism is hardly a panacea for Sino–Indian competition. Indeed, if competitive coexistence descends into strategic rivalry, smaller powers and multilateral organizations will become the diplomatic terrain over which India and China flex their muscles.

To prevent a worsening of the India–China relationship, a much greater degree of mutual understanding is required. At present, it remains disturbing how poorly India and China comprehend each other’s cultures, concerns and national objectives. Very few of their scholars, officials or analysts spend prolonged periods of time in each other’s country. Official bilateral security engagement — such as the annual defense dialogue — is

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<sup>77</sup>For an excellent account of the role of “omni-enmeshment” in Southeast Asia, see Goh, E (Winter, 2007/2008). Great powers and hierarchical order in Southeast Asia: Analyzing regional security strategies. *International security*, 32(3), 113–157.

<sup>78</sup>For an overview of Asia’s regionalism since the 1990s, see Green, MJ and B Gill (eds.) (2009). *Asia’s New Multilateralism: Cooperation, Competition and the Search for Community*. New York: Columbia University Press.

dangerously superficial, while nonofficial “second track” initiatives fare little better. Although China has a large number of government funded research institutes, only a small number include specialists on South Asian relations. Meanwhile, many Indian analysts have an exaggerated, one-dimensional notion of China as a threat, while other parts of Indian society still view Beijing through the rose-tinted glasses of an antiquated socialist solidarity.

It is here that small and middle powers may be able to help at the margins. Diplomatically nimble states such as Singapore and Australia not only have an interest in great power stability, but have many opportunities to raise mutual awareness. Through a variety of second track dialogues, collaborative research projects or, in time, joint defense exercises and minilateral forums, such regional stakeholders may be able to provide venues for New Delhi and Beijing to develop mutual understandings and a modicum of cooperation.<sup>79</sup> Such endeavors would not mean that “facilitator” states are shedding their own uncertainties about the strategic implications of a powerful China or, for that matter, a powerful India. Of course, creative diplomacy by small and middle powers might simply be ignored by great powers that lack an inclination to compromise. In this respect, much will depend on the degree to which India and China recognize the scale of their common challenges and shared interest in managing strategic tensions.

## **6. Conclusion: Unraveling Rivalry**

Dire predictions about impending rivalry between China and India serve a didactic purpose for both great powers and the wider Indo-Pacific region. Such assessments warn about what crises might come to pass, providing an added incentive for diplomatic efforts to forestall and manage tensions at an early stage. The danger, however, is that prophecies of doom might involve a self-fulfilling dynamic. In an age when each state’s negative messages about the other spreads instantaneously through their media saturated societies, this is a particular concern for maintaining Sino–Indian stability.

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<sup>79</sup>Rory Medcalf, *Squaring the triangle: An Australian perspective on Asian security minilateralism* (December, 2008). *NBR Special Report*.

The next decade will be crucial in shaping the long-term trajectory for relations between Asia's two rising giants. There is a limited window of opportunity to build patterns of dialogue and mutual trust before a relationship of competitive coexistence is at risk of becoming something far more dangerous and potentially antagonistic. While smaller powers may be able to help at the margins, stabilizing Sino-Indian relations will require enlightened leadership in New Delhi and Beijing and an improved awareness of each other's imperatives as a great power.

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