

Tales of the Dragon and the Elephant

A Study of Contemporary Sino-Indian Relations

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PREFACE *(in Dutch)*

Het idee voor deze studie heb ik gekregen in een boekenwinkeltje tijdens de zomer van 2010 in Mumbai, India. Ik vroeg me af – als werkstudent die de opleiding spreidde over twee jaar – waarover ik mijn masterproef zou schrijven. Op dat moment was ik aan het einde van een lange reis gekomen, waarin ik een fractie van het Subcontinent had gezien. Peinzend over een reisbestemming voor de zomer 2011, viel mijn oog op een gids over China. De vraag die ik me toen stelde, was: wat zou de relatie van India zijn met die andere Aziatische grootmacht, China? Op dat moment reikte mijn kennis niet verder dan de Sino-Indiase oorlog van 1962 en de nucleaire crisis van 1998. Naarmate ik me meer verdiepte in de materie, besepte ik dat het Sino-Indiase vraagstuk één van de meest bepalende factoren zal worden van de 21^{ste} eeuw. Voor mij is deze studie niet alleen het eindwerk voor het behalen van een diploma, maar vormt het ook het sluitstuk van een lange periode. Ik wil mijn dankbaarheid uiten aan Professor Jan Melissen voor het verschaffen van nuttige kritieken en aan onderzoeker Jonathan Holslag voor het gebruik van de kaarten. Mijn dankbaarheid gaat ook uit naar Mitte Schroeven voor het filteren van fouten bij het nalezen. Maar dit werk had ik nooit kunnen voltooien zonder de liefde en steun van mijn echtgenote Evy Raes.

*Tim Nelissen
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ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BASIC	Brazil, South-Africa, India, China
BRIC	Brazil, Russia, India, China
BRICS	Brazil, Russia, India, China, South-Africa
BJP	Bharatiya Janata Party
CECA	Comprehensive Economic Cooperation Agreement
DDA	Doha Development Agenda
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
JEG	Joint Economic Group
JSG	Joint Study Group
GDP	Gross Domestic Product
INC	Indian National Congress
IOR	Indian Ocean Region
IR	International Relations
LoAC	Line of Actual Control
LOC	Line of Control
MAED	Mutually Assured Economic Destruction
MoU	Memorandum of Understanding
NPT	Nuclear Non-Proliferation Treaty
UNSC	United Nations Security Council
UAE	United Arab Emirates
US	United States of America
WEF	World Economic Forum
WTO	World Trade Organisation

INDEX

0. Introduction	7
1. Two schools of thought	11
2. Dragon-Elephant tango: a tale of liberal optimism	17
2.1 Liberalism	17
2.2 Variables	18
2.2.1 <i>Public perception</i>	18
2.2.2 <i>Economy</i>	20
2.2.2.1 <i>Economic complementarity</i>	22
2.2.2.2 <i>Economic cooperation and integration</i>	23
2.2.3 <i>Territorial disputes</i>	25
2.2.4 <i>Triangular strategic relation: China-India-US</i>	27
2.3 Conclusion	29
3. Dragon-Elephant fight: a tale of realist pessimism	30
3.1 Realism	30
3.2 Variables	31
3.2.1 <i>Public perception</i>	31
3.2.2 <i>Economy</i>	33
3.2.3 <i>Territorial disputes</i>	36
3.2.3.1 <i>Regional struggle for power</i>	38
3.2.4 <i>Triangular strategic relation: China-India-US</i>	39
3.3 Conclusion	41
4. Assessing the tales	42
4.1 Assessing the tale of liberal optimism	42
4.1.1 <i>Variables</i>	42
4.1.2 <i>Merits & demerits</i>	45
4.2 Assessing the tale of realist pessimism	46
4.2.1 <i>Variables</i>	46
4.2.2 <i>Merits & demerits</i>	50
4.3 Rearranging the theoretical framework	50
4.3.1 <i>Dragon-Elephant seesaw: a tale of liberal pragmatism and realist scepticism</i>	51

5. Reflections on the Dragon-Elephant relations	53
5.1 Constructivism	53
5.2 Other issues	55
5.3 Future outlook	57
6. Conclusion	60
7. Bibliography	64
APPENDIX I: Maps	71
APPENDIX II:Timeline	75

'The two new emergent Asian giants are likened to "dragon" (China) and "elephant" (India), and there are only two schools of thought in international commentaries: either the dragon and the elephant will tango, or they will fight each other for supremacy.' (Chung, 2010: 15)

0. Introduction

The history of modern Sino-Indian relations resembles the enchanting Himalayan region in between the People's Republic of China and the Republic of India¹: an alternation of high peaks and low valleys. Since both countries came into existence shortly after the Second World War, they have been caught in an atmosphere that hovers between partnership and rivalry.²

Initially, the bilateral relations were very promising. In the 1950's, relations between China and India³ can be described with the Hindi catchphrase 'Hindi-Chini Bhai-Bhai' ('India and China are brothers.'). Both leaders, Indian Prime Minister Jawaharlal Nehru and Chinese Chairman Mao Zedong, agreed to the five principles of *Panchsheel*, also known as the five principles of peaceful coexistence, in 1954. At the end of the decade, disagreement rose over the unsettled border, a legacy of the former British colonizers. The dispute resulted in the Sino-Indian War of 1962 and shattered the dream of Sino-Indian *brother-hood*. The easy Chinese victory led to the Chinese annexation of Aksai Chin. India was left with feelings of humiliation and betrayal of trust and confidence (Ranganathan, 2010: 72). Both nations retreated behind the *Line of Actual Control*⁴ (LoAC) and bilateral relations reached freezing temperatures. The 1970's saw cautious improvements in Sino-Indian relations. A considerable turning point came when China dropped political endorsement to Pakistan's claim of self-determination in the Jammu and Kashmir region and supported the Simla Agreement between India and

¹ Both countries are subsequently referred to as China and India.

² The Republic of India gained independence from British rule on 15 August 1947. The communist leader Mao Zedong proclaimed the People's republic of China on 1 October 1949, after defeating the Kuomintang leader Chiang Kai-Shek.

³ See figure 1 and 2.

⁴ The LoAC is a 4000 km. line that demarcates the border between China and India. This term only gained legal recognition from the 1990's onwards.

Pakistan in 1972.⁵

The first top-level visit since the Sino-Indian War of 1962 took place only in 1988, bringing together Indian Prime Minister Rajiv Gandhi and Chinese leader Deng Xiaoping. The mid 1990's saw a dawning of economic cooperation that would play a more and more important role in the following years. The 1998 Pokhran II nuclear crisis cast a shadow over bilateral relations at the turn of the millennium. On 11 and 13 May 1998, India set off five nuclear devices at the border. Indian neighbour and eternal rival Pakistan retaliated on 28 and 30 May of the same year with similar explosions. Global fear rose that a nuclear war was at hand (Sidhu and Yuan, 2003: 1). India's actions were not only directed at Pakistan. The Prime Minister Atal Bihari Vajpayee wrote in a letter to US President Bill Clinton:

'We have an overt nuclear weapon state on our borders, a state which committed armed aggression against India in 1962. Although our relations with that country have improved in the last decade or so, an atmosphere of distress persists mainly due to the unresolved border dispute. To add to the distress that country has materially helped another neighbour of ours to become a covert nuclear weapons state.' (Malone, 2011: 138)

More than a decade later, the fallout of the nuclear crisis seems to have dropped and the economic interdependence has increased. In the last fifteen years China and India have gone from being on the verge of conflict to a cooperative spirit in common fields of interest. From rivalry to partnership. From China versus India to *Chindia*. This shift lies at the surface of Sino-Indian relations. But where do the historical disagreements fit into the picture? The ambivalence in bilateral relations leads us to the central research question of our study: what is the true nature of contemporary Sino-Indian relations? And, do we have to view it in terms of rapprochement or hostility?

⁵ The Simla Agreement followed the Indo-Pakistani War of 1971. It called for the settlement of differences through peaceful means and secured the *Line of Control* (LOC) as an almost permanent border.

The central research question is not a - scientifically preferable⁶ - *why-question*, but it can be justified for two reasons. Firstly, there are two leading schools of thought in the Sino-Indian debate. One is in favour of rapprochement, the other hostility. To avoid stance taking, it's necessary to approach the topic in an unprejudiced manner. And secondly, a *what-question*, or a *how-question*, has its merits when used as a research question in this matter (Athwal, 2008: 15). According to Alexander Wendt, the difference between why and what or how-questions originates from the difference between causal and constitutive analysis (Wendt 1999: 77). The former explains the causal effects of an event, while the latter seeks to explain the constitution of an event. Historians often engage in non-causal explanation when they do not explain why an event happened, but what the nature of the event was in the first place. Scholars do this when categorizing events under concepts as inflation, cooperation, rebellion, conflict, détente, etc. The what- and how-questions should receive serious attention because as Wendt sees it: 'theories which answer "what?" or "how-possible?" questions explain the world' (Wendt, 1999: 86).

In the wake of the central research question, sub-questions appear that will also be dealt with in our study. How did the true nature of contemporary Sino-Indian relations come into existence? What have been the areas of bilateral cooperation or conflict in the last decade? What are the forces or mechanisms at work? What is the role of decision-makers, media and other decisive actors? And, probably the most spellbinding question of them all, what does the future have in stall for Sino-Indian relations? Our study is not a dry historical analysis, but a scientific work and should also be read this way. It is not the aim to only describe contemporary bilateral agreements and disagreements, but to point out

⁶ In the 'Leidraad Masterproef Internationale betrekkingen en diplomatie' preference is given to a why-question: 'de probleemstelling kan begrepen worden als de centrale onderzoeksvraag die de onderzoeker zich stelt bij de uitwerking van de studie. Het betreft een WAT- of (nog verkieslijker) (own underscoring, red.) een WAAROM-vraag' (Sauer en Van Alstein, 2010-2011: 7).

mechanisms at work through the use of international relations theory.

Now, what's the relevance of a study that focuses on Sino-Indian relations? The importance of this topic is threefold. First of all, together China and India account for 37% of the world's population. Theoretically, our study concerns one in every three people inhabiting our planet. Secondly, due to their economic successes, China and India have become major players on the international stage. According to some scholars, they're challenging the *Pax Americana* (Jha, 2010). The Indian-American journalist Fareed Zakaria refers to China as 'The Challenger' and India as 'The Ally' against American global dominance (2008: 87, 129). The Sino-Indian axis is claimed to be the second most important of the 21st century after the US-Chinese axis (Van Kemenade, 2008: 163-164). The rise of China and India in international relations is causing a reorganisation of the balance of power on the global stage. Finally, the rise of these two new global superpowers also complicates the geostrategic situation in the Asian region. The combination of two hegemonic powers sharing a border results in an interesting balance of power (Sidhu and Yuan, 2003: 3). The conclusion is that Sino-Indian ties are of regional and global importance. Therefore, one can't stress the relevance of this topic sufficiently.

Our study is divided in five chapters. In the first chapter, we'll have a look at the field of Sino-Indian studies and find out that, currently, there are two leading schools of thought opposing each other (1. Two schools of thought). In the two consecutive chapters, we'll discuss four issues of contemporary Sino-Indian relations, using each school of thought (2. Dragon-Elephant tango; 3. Dragon-Elephant fight) In the fourth chapter, we'll assess the findings of the previous two chapters and contemplate a third view (4. Assessing the tales). And finally, we'll reflect on the theoretical framework, other issues, and the future outlook of Sino-Indian relations (5. Reflections on the Dragon-Elephant Relations).

1. Two schools of thought

The last decade - and certainly the last five years - has seen an explosion of interest in Sino-Indian relations. Throughout the 1980's and a major part of the 1990's there was little literature focusing on the topic: the existing academic studies focused mainly on the 1962 Sino-Indian war (Sidhu and Yuan, 2003: 2). After the 1998 nuclear crisis, the bilateral ties between China and India began to receive wide attention. What does our study then hope to add to the Sino-Indian debate? The field of contemporary Sino-Indian studies has seen a strong polarisation. Our study aims at critically assessing the two main schools of thought in order to arrive at a comprehensive view of Sino-Indian relations that can be situated close to the present reality.

In his essay 'The Rise of India and/versus the Rise of China: "Chindia" or Rivalry?', the Richmond University professor Vincent Wei-cheng Wang distinguishes 'three contrasting' ways of looking at the Sino-Indian relationship: geoeconomics, geopolitics, and geocivilizations (Wang, 2010: 24). Geoeconomics implies that economy is at the centre of bilateral ties. Both countries have rising economies and can flourish through a synergy of interdependence and economic cooperation. Geopolitics offers the 'standard tenets of realism' (Wang, 2010: 24): military build-up, security dilemma, competition, and, eventually, conflict. China and India have the urge to become regional and world powers. At the top, there is only place for one. Geocivilizations is a 'reflectivist, rather than a rationalist' theory (Wang, 2010: 25). This approach is based on the historical, religious, cultural, and ideological similarities between the two ancient civilizations. This last approach is often overlooked in the Sino-Indian debate and will therefore not be addressed, for now. In general, Wang opts for the classic taxonomy, but we're in favour of a more loaded terminology that corresponds with the reality of contemporary Sino-Indian relations.

If we apply the terminology of Wang to the quote of the Chinese historian, and authority in the field of Sino-Indian relations, Tan Chung we tap into a stream of enlightening imagery.⁷ Chung draws on the tradition to liken China to a dragon and India to an elephant. In case of an encounter, there are two possibilities: the creatures will engage in a synergetic tango or in a fight for supremacy. The first school of thought relies on the eastern positive imagery, concerning the two creatures. In China, a dragon stands for potent and auspicious powers.⁸ In India, the elephant often symbolizes strength and the elephant god Ganesh plays an important role in Hindu religion.⁹ The second school of thought draws on negative, mostly Western, imagery. The dragon is perceived as a dangerous serpentine. The elephant is seen as an animal of war, like in Persian or Carthaginian history. Tan Chung's imagery has a strong explanatory power and shows huge similarity with Wang's classification.

To construct the framework of our study, we're going to add a third theoretical approach to Sino-Indian ties. The Belgian scholar Jonathan Holslag discerns also two main schools of thought in contemporary Sino-Indian relations. (Holslag, 2010: 2) On one side, there is *liberal optimism*. This school corresponds with Wang's geoeconomics and Chung's Dragon-Elephant tango. At the opposite side, we find Holslag's view on Sino-Indian relations, labelled *realist scepticism*. We're going to discard this term, for now. Instead, we'll use *realist pessimism*, a concept that unites Wang's geopolitics and Chung's Dragon-Elephant fight. Liberal optimism and realist pessimism are the two leading *tales* that are told about the Dragon and the Elephant.

⁷ See quote following the index: page 6.

⁸ A common proverb in China is: 'Hoping one's son will become a dragon.' Meaning hoping someone's son will become outstanding or excellent.

⁹ Ganesh is an Indian god with a human body and elephant head, worshipped as a token of wellbeing.

The liberal-realist polarization runs like a fault line through the Sino-Indian debate. In the article 'Getting Asia Wrong: The Need for New Analytical Frameworks' (2003), the American professor David Kang claims that this paradigmatic rupture has led to a trench war in which both parties try to prove themselves right and undermine the insights of the other party. Kang pleads for new theoretical input. Our study¹⁰ serves a holistic aim; we want to create a theory to read contemporary Sino-Indian relations. To arrive at this aim, we will submit both tales to a critical analysis, hoping to dismiss *paradigmatic collateral damage* and to retrieve only the useful insights. Then, we will locate our position in the polarized field. At the end, we will obey Kang's plead for new theoretical input.

Now, what are the relevant dimensions in contemporary Sino-Indian relations? Or in other words, what are the variables that will be submitted to the two tales? In *China and India: Cooperation or Conflict?* (2003) the scholars Waheguru Pal Singh Sidhu and Jing-Dong Yuan summarise nine issues determinative for the future of Sino-Indian ties: the border issue, the status of Tibet and Sikkim, the mutual threat perception of being encircled by the other, the nuclear issue, the two triangular strategic relations (China-India-US and China-India-Pakistan), trade, terrorism, and domestic polity. (Sidhu and Yuan, 2003: 4) As Sidhu and Yuan correctly foresaw, these issues are still relevant within contemporary Sino-Indian relations. But some topics have been shifted to the rear in the academic field and in the press releases.

Sidhu and Yuan's study was written in the wake of the 1998 nuclear crisis and therefore pays great attention to the nuclear topic. Although the nuclear issue in itself is still relevant today¹¹, it seems to be of lesser

¹⁰ Our study builds on the work of Jonathan Holslag who overcomes the same obstacle by tackling it 'in a holistic way' (Holslag, 2010: 3).

¹¹ To the dissatisfaction of the Chinese, the Americans recently signed a nuclear deal with India, the '123 Agreement' (see 3.2.4).

importance in contemporary Sino-Indian relations. Since an in depth analysis of all the enumerated issues in the paragraph above is too elaborate for the limited scope of our study, we'll apply Rosenau's level of analysis-system to guide us in our choice of issues. The level of analysis-system creates insight in the foreign policy of a country through discerning three levels of influence that together lead to foreign policy decisions: the individual level, the national level, and the international level (Hudson, 2008). To arrive at a substantial study, we have chosen four variables that operate at certainly one of these three levels: public perception, economy, the territorial disputes, and the triangular strategic relation: China-India-US.

The first variable is (mutual) public perception. To start with, we need to point out that we do not intend to measure public opinion. Public opinion is difficult to measure and in constant flux.¹² Therefore, it is far more interesting to watch which actors weigh on public opinion through imposing their perception on Sino-Indian relations. These actors can be top-level politicians, military leaders, experts, strategists, and so on, but also small groups of people, like elites or lobby groups. Another important actor weighing on public perception is the media. Who are the actors steering the public perception on Sino-Indian relations towards liberal optimism or realist pessimism? And, how do they do it?

The second variable is economy. The present day economic successes of both countries find their origin in liberalization processes at least two decades ago. After the death of Mao Zedong, Deng Xiaoping started liberalising the economy from 1978 onwards. India opened up to world economy much later, in 1991 under Prime Minister P.V. Narasimha Rao

¹² The BBC World Service is an important source of data concerning public opinion. But these polls are fragmented and do not give us a panoramic view of how public opinion has evolved the last decade. The fragmented figures can be manipulated to ground either tale. For example, Holslag sees an evolution of Sinophobe feelings in India between 2005 and 2007. (Holslag, 2010: 107) But are these figures substantial enough to draw such conclusions?

and Minister of Finance Manmohan Singh¹³. Each country has used a different approach to liberalization. In China economic policies have been directed by a strong central government, typical for a one-party system. Because of the complex nature of democracy, India has a less state directed economy, but this hasn't put a brake on domestic entrepreneurship (The Economist, 2010: 11). In both cases, the economic changes have started bearing fruit in the last decade. China and India have become major economies that can benefit from each other, but at the same time they are rivals in the global market. How strong are the economic ties? What are the bilateral trade figures? Is there any economic cooperation or integration? Or, do we have to speak in terms of competition and rivalry?

The third variable is the territorial disputes between China and India. After the British colonizers left, the border between China and India, especially the Western and Eastern Sector¹⁴, became a repeated source of dissatisfaction between the two parties. The western sector is located north-west of Nepal. The eastern sector, referred to by Indians as 'Arunachal Pradesh' and by Chinese as 'Southern Tibet', is situated in between Bhutan and Myanmar¹⁵. After negotiations in 1993 and 1996, both parties accepted the LoAC. But to this day, the border issue still is a major source of discontent. Under territorial disputes we also rank the disputed status of Sikkim and Tibet. Where do we have to locate the territorial disputes in Sino-Indian relations? What's the influence of the growing interdependence? Has there been any progress in the past decade?

¹³ Dr. Manmohan Singh is the present Prime Minister of India.

¹⁴ See figure 3.

¹⁵ Also referred to as Burma, especially by the UK and the US who do not recognize the military junta leadership.

The fourth variable is the triangular strategic relation: China-India-US. During the Cold War, global politics was reduced to the polarization US versus Soviet Union. Communist China, at first, chose the side of the Soviet Union, but after a disagreement became more and more isolated from world politics. India hovered cleverly in between, but chose officially no side as founding member of the Non-Aligned Movement. After the Cold War, the global system was reshaped. Following the 1998 nuclear crisis, the US introduced sanctions on India. In the past decade China has risen from mediocre regional player to global power, challenging American supremacy (Zakaria, 2008: 87). What's the attitude of the US? Are there any alliances being forged? What's the view of liberal optimism on the triangular situation? What does realist pessimism say?

The choice of the four variables does not necessarily exclude the other issues that Sidhu and Yuan point out. These issues are not isolated, but intertwined and might be addressed in the margin of our study. For example, the war on terrorism plays a significant role in the triangular strategic situation between China-India-US. The variables that we've chosen, weigh on the foreign policy of both countries at the three levels of analysis. The actors that weigh on public perception can, broadly, be located on the individual level. Economy and the territorial disputes are influences for foreign policy on the national level. To a small extent, the latter has also an international dimension because of the role of Pakistan in the Jammu and Kashmir region. The triangular strategic relation plays a role of significance on an international level. Through choosing variables that operate at the various levels and submitting them to the two schools of thought, we can offer a *substantial* view on Sino-Indian relations.

2. Dragon-Elephant tango: a tale of liberal optimism

During the April 2005 visit of the Chinese Premier Wen Jiabao to India, Indian Prime Minister Manmohan Singh expressed his optimism about Sino-Indian relations: "India and China can together reshape the world order" (Van Kemenade, 2008: 7). A month later, the Indian politician Jairam Ramesh published his book *Making sense of Chindia: Reflections on China and India* (2005), epitomizing the liberal optimist view. At the other side of the border, the Chinese historian Tan Chung presents a similar view on Sino-Indian relations. Both men stress a Sino-Indian rapprochement based on cooperation, away from conflict. In the slipstream of Ramesh and Chung, other scholars and experts support the idea of liberal optimism in Sino-Indian relations.¹⁶

2.1 Liberalism

The origins of liberalism as an international relations theory can be traced back to the beginning of the interbellum. After the horror of World War I, the 28th American president Woodrow Wilson answered the call for optimism with his view on international relations, later dubbed *utopian liberalism*. At the basis of liberalism lie three core assumptions (Jackson and Sørensen, 2007: 97):

- a positive view of human nature;
- a belief in progress;
- a conviction that international relations can be cooperative, rather than conflictual.

The even more dramatic events of World War II proved Wilson's view on international relations theory inaccurate. But in the 1950's, 1960's, and 1970's liberalism received new input, leading to various theories under the umbrella of neoliberalism: sociological liberalism, interdependence

¹⁶ Chung (2008, 2010), Ramesh (2006), Athwal (2008) and to a lesser extend Sen (2010), and Whalley (2010).

liberalism, institutional liberalism, and republican liberalism (Jackson and Sørensen, 2007: 42-45). The theoretical input for liberal optimism will mostly focus on the former two.

2.2 Variables

Now, we'll have a look at what liberal optimism tells us about public perception, economy, territorial disputes, and the triangular strategic relation: China-India-US in Sino-Indian relations.

2.2.1 Public perception

The first noteworthy top-level meeting between China and India, after the 1998 nuclear crisis, was the visit of Chinese Prime Minister Zhu Rongji to India in 2002. The main focus was on economic issues. It was the starting point for a deepened contact on state, sub-state, and corporate level that has led to a positive perception of Sino-Indian relations.

Zhu's visit marked the first actual re-engagement in bilateral ties at a top level. In April 2005 during a visit to India, the Chinese Premier Wen Jiabao openly supported India's claim to a permanent seat on the United Nations Security Council (UNSC), announced a first strategic dialogue at the vice ministerial level, and proclaimed 2006 to be the China-India Friendship Year (Chinese embassy in India, 2005). In his November 2006 visit to India, Chinese President Hu Jintao issued a Joint Declaration and established a 10-point strategy (Islam, 2009: 10). Impulses for Sino-Indian rapprochement came not only from state, but also from sub-state governments. Chinese and Indian provinces and major cities have been playing an important role in this process. On a provincial level, economic cooperation has been developing between the Chinese south-western provinces of Yunnan and Sichuan and the Indian north-western provinces of Assam, Arunachal Pradesh, Meghalaya, Manipur, Nagaland, Mizoram,

Sikkim and West Bengal. A first major project was the revival of the ancient Southern Silk Road in 2000. In the following years other transportation links were opened.¹⁷ The capital of Sichuan, Chengdu, has undertaken various initiatives to attract Indian IT-companies (Holslag, 2010: 58). So, on a sub-state level, Chinese and Indian local officials have engaged in contact to explore commercial opportunities.

Whereas at first the Sino-Indian rapprochement was government directed, in recent years also non-state actors have continued to deepen the economic ties. According to sociological liberalism, international relations are not only about state-to-state relations. Transnationalism plays at least an equally - if not to say a more - important role. According to the American scholar James Rosenau, transnationalism is:

“processes whereby international relations conducted by governments have been supplemented by relations among private individuals, groups, and societies that can and do have important consequences for the course of events” (Rosenau, 1980: 1).

The concept of transnationalism can also be identified in Sino-Indian ties. At both sides of the border, relations intensified not only on a diplomatic, but also on a corporate level. The fabric, that *trans*-cends nationalism, is economy. In 2005, the Indian corporate giant Tata reported augmenting its revenue in China to US \$ 200 million (The Hindu Business Line, 2005). China’s leading consumer electronics group TCL invested US \$ 150 million in an Indian factory to produce televisions, DVD players, and air conditioners (Holslag, 2010: 57). In the slipstream of high officials many corporate businessmen from both countries have been attending the ‘India-China Joint Economic Group on Economic Relations and Trade, Science and Technology’ (JEG), a ministerial-level dialogue mechanism established during the visit of Prime Minister Rajiv Gandhi to China in 1988 (Ministry of Commerce China, 10 January 2010 - 1). Prior to 2000,

¹⁷ See below 2.2.2.2 Economic cooperation and integration.

Indian companies were apprehensive about the increasing imports of cheap Chinese goods and the growing competition in the markets of neighbouring countries. Since then, the mindset of the Indian corporate world has been convinced of the potential that lies in China (Holslag, 2010: 58).

To conclude, Sino-Indian rapprochement is an *elite* process directed by, especially, top-level politicians and supported by the private sector in both countries.

2.2.2 Economy

According to interdependence liberalism, the higher the level of transnational relations, the higher the level of interdependence. Interdependence is the mutual dependence between countries, i.e. the fact that 'people and governments are affected by the actions of counterparts in other countries' (Jackson and Sørensen, 2007: 103). The bilateral trade and Foreign Direct Investment (FDI) play an important role in the growing economic interdependence between China and India. But first, we need to shed a light on the economic situation of both countries.

In the last decade, China and India have become economic giants. The major growth of the two countries can be explained by the integration in the global economy. The share of trade (export and import) relative to the Gross Domestic Product (GDP) has increased decisively in China and India, notwithstanding the setback of the 1997-1998 Asian financial crisis and the recent global financial crisis. In China, trade rose from 35% of the GDP in 1990 to 70% of GDP in 2007, in India from 16% to 46%.¹⁸ Comparably, there are even larger increases in FDI inflows. The increase of FDI in India went from \$2 billion per year in 2003 to \$ 20 billion in

¹⁸ The figures that are used in our study are taken mainly from World Bank statistics: <http://databank.worldbank.org/ddp/home.do>

2008. The increase in China happened considerably earlier: in 1990 FDI was estimated around \$ 2 billion per year, in 2007 it was around \$ 70 billion per year. An in-depth analysis of the reason for this exponential growth in both economies would go beyond the scope of our study.¹⁹ But to give an idea: in China, the share of exports in primary goods decreased from 50% in 1980 to 5% in 2008; at the same time the share of exports in manufactured goods went up to almost 95% (National Bureau of Statistics, 2009). This change in economic focus has led to a massive positive impact on Chinese economy.

The economic interdependence between China and India is largely based on trade and FDI (Whalley, 2010: 13-16). World Bank data concerning the FDI flow are fragmentary, but indicate enormous growth in the last decade. If we have a look at the amounts of growth in export, we see similar tendencies. China's export to India has grown more than 20 times to the staggering amount of \$ 31,58 billion from 2001 to 2008. Indian export to China has grown 15-fold to \$ 20,26 billion in the same period. In general, the bilateral trade has risen explosively: it increased from \$ 14 billion in 2004 to almost \$ 60 billion in 2010. In December 2010, Indian Prime Minister Manmohan Singh and Chinese Premier Wen Jiabao agreed to raise the bilateral trade to \$ 100 billion by 2015 (The Hindu, 2010). Sino-Indian trade won't be saturated in the near future. On the contrary, it is promised a bright and shiny future. At the current rate of growth, China will be expected to export services and goods worth more than \$ 100 billion to India by 2012. India in turn is expected to touch the \$100 billion mark by 2015 (Whalley, 2010).

These impressive figures can be ascribed to the complementarity of both economies and the process of cooperation and integration.

¹⁹ For more information see Van Kemenade (2008), Athwal (2008).

2.2.2.1 *Economic complementarity*

During his visit to India in 2002, the Chinese Prime Minister Zhu Rongji held a memorable speech at the headquarters of Infosys in the Indian silicon valley Bangalore explaining the essence of the Sino-Indian axis: 'We are number one in hardware and you are number one in software exports. If we put the hardware and the software together, we can become the world's number one and make progress together' (Cherian, 2002: 3). Complementarity means that each country separately focuses on a certain domain of economy, the sum of the two results in mutual benefit.

Since the above speech was held, the economic cooperation has diversified - bearing in mind the contemporary domains that cover Sino-Indian trade, but complementarity still is a key factor. At the 2005 World Economic Forum (WEF) in Davos, the Indian Minister of Commerce and Industry Shri Kamal Nath urged for a deepening of the bilateral economic ties, based on a diversification of the complementarity-argument. Kamal Nath claimed that India's economic strength was located in IT-software, whereas China's strength was in IT- hardware. Likewise, India's strong suit in auto-components, pharmaceuticals and chemicals, and machine tools were matched by China's forte in electronics, toys, and machinery. Holslag claims that the complementarity of both economies had gone up from 0,38 in 1996 to 0,61 in 2007 (Holslag, 2010: 70).²⁰ India's strength lies partially in the primary sector of raw or semiprocessed goods, consisting of 70 percent of export in unprocessed materials. China's strong suit lies in the secondary sector, the production of fabricated commodities, constituting 81 percent. In the tertiary sector, India represents 42 percent of total exports while China's specialization is limited to 8 percent (Holslag, 2010: 70). These figures prove the economic compatibility of the two nations.

²⁰ Zero in this ratio stands for no, and one for absolute complementarity in the economic domain.

Complementarity does not only lead to bilateral opportunities, but also to the avoidance of competition in foreign markets. Thus, in the words of Kamal Nath: "I do not see this as an 'India vs China' debate, but rather in an 'India with China' context" (Kamal Nath, 2005).

2.2.2.2 Economic cooperation and integration

In the past decade, various steps have been taken to deepen the economic ties through cooperation and integration (Holslag, 2010: 59-62).

First, since 2004, talks have been taking place to establish a Free Trade Agreement (FTA) and a Comprehensive Economic Cooperation Agreement (CECA) between the two countries, due to the growing bilateral trade (Holslag, 2010: 82). A Joint Study Group (JSG) was appointed to investigate the implementation of the necessary measures. Early conclusions of the JSG reported that the top ten export products accounted for 80% of the trade in both directions. Therefore, it proposed an India-China Regional Trade Agreement for trade and investment. The JSG recommended not just promoting trade and investment, but also establishing governmental information exchange, technological exchange, industrial cooperation, agricultural cooperation and the development of a common energy security (Whalley, 2010: 22). Following the conclusions of the JSG, both parties considered the possibility of forming the biggest free trade area in the world.

Second, the economic bonds in the financial sector were intensified. On 7 April 2006, the first China-India Financial Dialogue took place in New Delhi. (Ministry of Foreign Affairs of the People's Republic of China, 2006) The conclusion of this meeting was that the impact of the two powers on the global financial system brought about unexpected responsibilities. A change in policy decisions by their central banks could generate severe

financial consequences for both countries. Therefore, a combined approach was necessary.

Third, enormous effort has been made to establish transportation links in order to facilitate economic integration. In 2006, India and China agreed to an increase of seven to forty-two flights per week between the two nations (Holslag, 2010: 60). Not only in the air but also on land decisions were made to increase trade and reduce transport time. In 2003, China and India agreed to reopen the Nathu La Pass in Sikkim. On both sides of the border, access roads were established to facilitate trade. Similar plans were revealed for the Stillwel Road, a historical passageway from the Indian city Ledo across Myanmar to the Chinese province of Yunnan (Chakraborty, 2010). Hitherto, the Indian government was reluctant to develop this transportation link because of the fear for a Chinese advantage in the event of military action (Holslag, 2010: 60). The plans to explore the Stillwel Road symbolize a remarkable change in bilateral relations.

Fourth, both countries have agreed to cooperate - or at least not hinder one another - in the field of energy resources. In 2006, a new landmark agreement was reached when both countries signed the Five Memorandums of Understanding (MoU) in the area of oil and natural gas. India's petroleum minister Mani Shankar Aiyar claimed:

"China and India recognize that unbridled rivalry between them only results in the seller of the assets being benefited, irrespective of which of the two countries wins the bid." (People's Daily, 2006)

This agreement was the result of a struggle between Chinese and Indian oil companies to acquire oil concessions in Angola, Nigeria, Kazakhstan, Ecuador, and Myanmar. On top of that in November 2006, Indian President A.P.J. Abdul Kalam and his Chinese counterpart Hu Jintao announced a Joint Declaration on civilian nuclear power (Siddharth Varadajaran, 2006). Although the content of the program was vague, it

shifted the attention of the Indian nuclear program, a remnant of the 1998 nuclear crisis, from a military to a commercial dimension and it symbolized China's acceptance of India as a responsible nuclear power (Holslag, 2010: 61).

2.2.3 Territorial disputes

The growing economic cooperation has caused a spillover effect into other areas and moved sensitive issues to the background. Interdependence liberals believe that increasing economic interdependence discourages and reduces violent conflict between states.

On 12 April 2005, Wen Jiabao and Manmohan Singh signed a joint statement to establish a 'Strategic and Cooperative Partnership for Peace and Prosperity' (Chinese embassy in India, 12 April 2005). The statement was a plea for a deepening of economic cooperation. But on the side, more sensitive issues were addressed. The statement affirmed that both China and India were prepared to find a reasonable and mutually acceptable solution for the boundary question. Both parties would make joint efforts to acquire peace and tranquillity in the border region and exchange maps for the further alignment of the LoAC. Similar promises had already been uttered in previous agreements in 1993 and 1996. But the most striking paragraph focused on the status of Sikkim and Tibet. Both countries recognized Tibet Autonomous Region as belonging to China and the Sikkim State as part of India (Chinese embassy in India, 12 April 2005). The underlying reason for this big concession on both sides was probably the facilitation of the transport links for economic purposes through the Nathu La Pass in between the two regions. The statement also read that the partnership between the two countries:

“[was] based on mutual and equal security, development and prosperity of the two peoples; and contributes to jointly addressing global challenges and threats” (Chinese embassy in India, 12 April 2005).

The economic interests of both countries have been confronted with various challenges and threats in the stretch between Pakistan and Myanmar. In the border region, China and India face similar risks, like terrorism, drug trade and organized crime. Another major factor that leads to an unstable situation in the region is the domestic instability in the border countries, Pakistan, Nepal, Bhutan and Myanmar. These countries can function as a refuge for illegal and anti-state activity.²¹ Domestic problems that penetrate deep into China and India seem to manifest themselves most vividly in the border region because of the lack of government control. On the Chinese side, there have been problems with Tibetan insurgency and Islamist Uyghur secessionists of Xinjiang. The Tibetan insurgency is a remnant of the annexation by China of the once sovereign Tibet. The Islamic Uyghur secessionists are gathered in the 'East Turkestan Liberation Organization' and advocate an independent state called East Turkestan in the Western Chinese province Xinjiang. On the Indian side, the Naxalites and Islamic terrorists cause the biggest threat for regional, but also national security. The Islamic terrorists reside especially in the Kashmir region. The Naxalites are an amalgamation of leftist resistance groups that operate in the Red Corridor, a strip of land that extends from the northern-eastern state Sikkim to the south-eastern state Andhra Pradesh.

Interdependence liberalism would prescribe that in the unstable border region enhanced security cooperation would unfold, to facilitate cross-border economic activities. In the past decade China and India have undertaken such initiatives to tackle terrorism and cross-border criminality. In 2002, a bilateral anti-terrorism mechanism was established (Holslag, 2010: 152). At a lecture in Beijing in 2008, Manmohan Singh urged "to collectively fight terrorism and extremism in all its forms" (The

²¹ For an extensive analysis and the role of these countries in regional instability see Holslag (2010) and Van Kemenade (2008). This dimension of Sino-Indian relations lies in the margin of the territorial disputes and is, therefore, beyond the scope of this study.

Tribune India, 15 January 2008). With regard to criminal activities in the border region, China and India have agreed to work together to battle drug trade in the border region. In 2000, both countries signed an agreement to tackle the trade routes from Myanmar. Three years later China, India, Myanmar, Laos, and Thailand held a round table meeting which resulted in the Chiang Rai Declaration on drug control (Holslag, 2010: 153). The Czech scholar Karl Deutsch claimed that transnational relations between societies can lead to security communities, i.e. "a group of people which has become 'integrated'" (Deutsch, 1957: 5). At the border of China and India one cannot yet speak of security communities, but initiatives have been taken from both sides.

2.2.4 Triangular strategic relation: China-India-US

During the 1988 meeting in Beijing between Deng Xiaoping and Rajiv Gandhi, the former told the latter:

"If there should be an Asian Age in the next century, then it could only be realized after both India and China become developed economies." (Van Kemenade, 2008: 6)

The old Chinese leader was urging young Gandhi to focus on creating a stronger Indian economy to compete against Western dominance, alongside with China. Looking back on the last decade, Deng would have been satisfied with the economic progress that both countries have made individually and, especially, collectively.

From this angle US participation in Sino-Indian relations has not been very fruitful. One of the possible scenarios for the 21st century, proposed by the Indian-American journalist Fareed Zakaria in *The Post-American World* (2008), is a shift of Western dominance, led by the US, to the surging countries, especially China and India (Zakaria, 2008).²² From this perspective the triangular relationship is a dysfunctional one, but brings

²² See also 0. Introduction.

China and India together. An example of the changed attitude towards each other was the 2003 visit of - former China basher²³ - the Indian Minister of Defence George Fernandes to Beijing. The visit gave a positive injection into Sino-Indian troubled relations (Van Kemenade, 2008: 150-151). At this point we're leaving the liberal discourse, and are approaching Sino-Indian relations from a realist angle, but we maintain an optimistic view on Sino-Indian relations.

At certain points, China and India have been teaming up against the US, and the western, developed states, in the international arena. The reason for this coalition is mutual benefit. The Dutch expert Willem van Kemenade (2008) believes that neither China nor India prefer an Asia that is subjected to US dominance. Instead both countries want to claim their rightful place as leading global powers.

'If they settle their differences and deepen cooperation and engagement they can perhaps establish a multi-polar world in which US power in Asia is moderated.'
(Van Kemenade, 2008: 151)

A manifestation of this trend can be seen in international fora. In 2007, the Chinese commerce Minister Bo Xilai and his Indian counterpart Kamal Nath uttered their concern to not neglect the interests of the developing countries in the Doha Development Agenda (DDA) of the World Trade Organisation (WTO). They urged the developed members, the US and Western European countries, to make concessions, like removing trade distortions and opening up their markets (Ministry of Commerce and Industry of India, 2007). Before the December 2009 Copenhagen Climate Conference, China and India signed an agreement concerning a common stance and approach in the climate debate (Whalley, 2010: 20). China and India have repeatedly stressed that developing countries should not be expected to set and reach the same goals for the reduction of greenhouse gasses as developed countries, who have a greater historical

²³ In a TV interview during the 1998 nuclear crisis, George Fernandes said that China was India's number one threat.

responsibility for the emergence of present and future climate problems.²⁴ So, not only in the economic sphere, but also in the climate debate China and India have been teaming up for a common cause.

2.3 Conclusion

If we perceive Sino-Indian relations from this point of view, we have to admit that both countries have been engaging in a synergetic tango during the last decade. On both sides of the border, politicians and businessmen have taken initiatives to explore the possibilities that lie in economic cooperation. The bilateral trade between China and India has been booming. The secret behind this evolution is economic complementarity and cooperation that leads to an integration of both economies. In the territorial disputes, progress has been made and the mechanisms have been installed to arrive at a proper solution for the border issue. Together China and India have been trying to shift the global preponderate from the Western to the Asian side. To conclude, the tale of liberal optimism tells us that interdependence steers away from conflict. In fact, it paves the way for rapprochement and peaceful cooperation between the Dragon and the Elephant.

²⁴ The China-India bond was part of a joint negotiated position developed by the so-called BASIC-countries (Brazil, South-Africa, India and China). During the Copenhagen summit, China and India refused the proposal to not exceed their greenhouse gas emissions after 2025 (Whalley, 2010: 21).

3. Dragon-Elephant fight: a tale of realist pessimism

'Divine Matrix' was the name of an Indian secret military exercise that was leaked in the 'Hindustan Times' in March 2009. The training visualised a war scenario that will take place 'before 2017' in which China is expected to first commence an information attack followed by a 'swift war that could have menacing consequences for India' (Hindustan Times, 23 March 2009). This article fits into the idea of realist pessimism, a realist view on Sino-Indian relations with the ever-present gloomy prospect of war. The authoritative work here is *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (2001) by the American scholar John Garver. In his book he gives pride of place to the border dispute, the nuclear threat and the geopolitical rivalry. In the wake of Garver, various scholars have stated their belief in Sino-Indian hostility.²⁵

3.1 Realism

Within the domain of realist international relations theory a distinction is made between classical realism and structural realism.²⁶ To understand classical realism one must trace its origins in the international relations debate. Classical realism came into existence in the 1930's as a response to the failures of utopian liberalism. At the basis of classical realism lie the following ideas and assumptions (Jackson and Sørensen, 2007: 60-61):

- a pessimistic view of human nature;
- a basic scepticism that there can be progress in international politics;
- an understanding that a state is a unitary actor;
- a high regard of states for the values of national security, state survival, and self-interest;
- a belief that the international system is characterized by anarchy;

²⁵ Garver (2001), Holslag (2010), Subrahmanyam (2010), Pant (2010)

²⁶ The latter is also called contemporary realism or neorealism.

- a conviction that international relations are necessarily conflictual and that conflicts are ultimately resolved by war.

Whereas classical realists emphasize a pessimistic view on human nature and the defence of state interest (Morgenthau, 1948), structural realism focuses on the structure of the system that is anarchic and leads to a balance of power between states (Waltz, 1979). Classical realism is a rather normative theory that can be applied to many historical periods. Structural realism is rather scientific and is currently the dominating theory, for the simple reason that it is 'the most prominent theory in the United States, which is home to by far the largest number of international relations scholars in the world' (Jackson and Sørensen, 2007: 61).

3.2 Variables

We will draw from classical and structural realism to approach the variables and create insight into Sino-Indian relations from the perspective of realist pessimism.

3.2.1 Public perception

In China and India, there are various actors that play an important role in creating a hostile, conflictual atmosphere amongst the two countries. Probably, the most important reason is a widespread belief of politicians and scholars in basic realist assumptions concerning international relations. Professor Vincent Wei-cheng Wang experienced during his research that many of the experts, the politicians, the scholars, and the diplomats 'seemed to accept certain basic realist premises and their arguments confirmed the geopolitics paradigm' (Wang, 2010: 24).

In the military and intelligence corner, strategic provocative exclamations have been made on both sides of the border. In 2009, the Indian Air Chief Marshal Fali Homi Major said that little was known about "the actual

capabilities of China, their combat edge or how professional their military is" (The Indian Express, 24 August 2009). When asked what the biggest threat was, China or Pakistan, the Air Chief said that the former was "certainly a greater threat" (The Indian Express, 24 August 2009). A few months later, a remark of a Chinese analyst of the Ministry of Defence was leaked: "If China takes a little action, the so-called Great Indian Federation can be broken up" (The Hindustan Times, 11 August 2009). The analyst referred to the supposedly thin fabric that holds together the twenty-seven states and seven union territories of India. In the Indian press this utterance received wide coverage. And an official response by the Indian Ministry of External Affairs was necessary to cool down the heated emotions (The Hindustan Times, 11 August 2009). Especially in India, those experts who tend to be suspicious of the other side's intentions often dominate the coverage of Sino-Indian news.

The media plays an important role in arousing distrust and uncertainty in both countries. The abstract promise of economic cooperation is given less attention than the pessimistic prospect of an impending attack. The 'Divine Matrix' story is one of many examples. Another example was the possible threat of a Chinese attack on India, mentioned in 'The Times of India', and several other media on 12 July 2009 (The Times of India, 12 July 2009). It was suggested that China would attack India by 2012 primarily to divert attention from its growing domestic troubles because of the financial crisis. The insinuation received wide coverage in Indian media, which focused more on sensationalizing the issue than on analyzing the genuineness of the statement (Pant, 2010: 94). At the other side of the border, the Chinese media also picked up the story and gave it another twist. An impending Chinese attack on India was unthinkable, but a rising conflict between the two countries could occur in one scenario: an aggressive Indian policy towards China on the border issue, obliging the latter to use force against the former. Chinese media dismissed the 'China will attack India' accusations in the Indian media as a pretext for a

deployment of Indian troops in the border region (Pant, 2010: 94).

Apparently, an openly critical attitude towards the neighbour does not only sell newspapers, it is also a way of waging opposition in India. Indian opposition parties have a tendency of criticizing the cabinet for affirming bilateral ties with electoral benefit as their ultimate goal. The arguments that are used often refer to an intrusion in the integrity and sovereignty of the Indian nation, inspiring nationalist feelings. During the visit of the Chinese president Hu Jintao to India in 2006, Member of Parliament Lal Krishna Advani of the Hindustan nationalist Bharatiya Janata Party (BJP) voiced severe disapproval of the government's positive attitude towards arch enemy China (Holslag, 8 January 2008: 7). It is remarkable that the same party, when in office a few years earlier, laid the foundations for better Sino-Indian relations.²⁷ If criticizing a moderate governmental stance in Sino-Indian relations has its electoral benefit, is a question that remains unanswered here. But it is indisputable that it leads to a negative public perception of the neighbour.

3.2.2 Economy

In a letter to the chief ministers, dated 15 November 1954, the first Indian Prime Minister Jawaharlal Nehru wrote:

“The most exciting countries for me today are India and China. We differ, of course, in our political and economic structures, yet the problems we face are essentially the same. The future will show which country and which structure of government yields greater results in every way” (Saith, 2010: 49).

If Nehru would still be alive today, he would be quite disappointed with the present situation.

Currently, there is a grave discrepancy in economic and other domains between China and India. The best parameter to measure economic

²⁷ The BJP was in office from 1998 till 2004.

success would be the GDP per capita. According to World Bank statistics, China's GDP per capita was almost triple the size of India's in 2008. If we have a look at trade figures and FDI, it is clear that China takes the lead.²⁸ Also in other domains China seems to be ahead of India. In his essay 'Divergence, Convergence, 'Pervergence'' the Indian scholar Ashwani Saith makes a similar conclusion when comparing foreign reserve, production, energy use, patents, maternal mortality rate, and so on (Saith, 2010: 50-51). Saith concludes that if China and India 'were competing in a development race, China had won hands down by a massive margin' (Saith, 2010: 52).

According to structural realists, the balance of power implies that the relation between states is a zero-sum game: one wins and the other loses. In this system of anarchy, inter-state cooperation is impossible. Opposite to what liberals think, realists believe that the international economic market is just another battleground. In the case of Sino-Indian relations, China is the superior economic power that dominates India. China seems to utilize its superiority in bilateral economic relations. Until 2002, there was a small trade deficit between China and India. But since 2006, it has been growing at a rapid pace. Three years later, the trade deficit was a bit more than \$ 15 billion. At the present rate, the trade imbalance will take on gigantic proportions (Whalley, 2010: 18). The Indian Prime Minister Manmohan Singh has repeatedly expressed his concern, but little action has been undertaken so far. Noteworthy is that in his statements Singh never mentions a reduction of Chinese products on the Indian market. But instead, he urges Indians to export more to China (The Economic Times, 13 April 2011). Similar occurrences of the power imbalance between the two countries can be seen in the trade negotiations.

²⁸ See trade figures in previous chapter (1.2.2 Economy).

Following the conclusions of the JSG²⁹, China wanted to push India into entering a Free Trade Agreement. But in April 2008, India officially refused; four reasons lie at the base of this decision (Whalley, 2010: 22). First, India would have to lower its tariffs to Chinese norms, leading to less state income. Second, Indian industries feared a flood of cheap Chinese goods driving them out of their own market. Third, India would have to confer Market Economy Status on China, but it refused. It deemed China's pricing arrangements as not transparent. Fourth, the Indian government has repeatedly accused China of dumping practices. Of the 677 anti-dumping initiations at the World Trade Organisation against China between 1995 and 2008, 120 came from India. So, a bilateral FTA was out of the question for India. Instead an indirect FTA, under the authority of the Association of Southeast Asian Nations (ASEAN), came into effect in January 2010, resulting in a China-ASEAN FTA and an India-ASEAN FTA. Nevertheless, the effect seems to be equally unfavourable for India. The China-ASEAN FTA foresees lower import tariffs for goods from ASEAN countries that form the stronghold of Indian export to China. The result is a further increase of the trade deficit.

The growth in bilateral trade described in the previous chapter between India and China must be seen relative to the growth of their total trade and FDI flows. In that light, the bilateral trade seems to be less impressive. After border trade recommenced in July 1992, India's exports to China increased sharply. In 1994 India's export to China represented only 1,3% of their total export, in 2008 this figure rose to 11,3%. China's exports to India also increased from 0,5% in 1994 to 2,5% in 2009, but clearly not as dramatically. China has come to be India's largest trading partner, overtaking the US and United Arab Emirates (UAE) in the last two years (Whalley, 2010: 12). The conclusion is that India finds itself in an inferior position. It needs China economically more than vice versa.

²⁹ See previous chapter (2.2.2.2 Economic cooperation and integration).

3.2.3 Territorial disputes

According to classical realists, the anarchic character of the international system causes national security to be the highest priority on the list of a state. Due to the fear of the other's intentions or as a deterrent, the state acquires security through military expenditure. In return - for the same reasons - the other state will do the same. Therefore, absolute security is an illusion. This phenomenon is called the security dilemma and can be identified in the Sino-Indian territorial disputes.

The territorial disputes lie at the heart of the Sino-Indian frictions. Although confidence-building measures have been established between the two parties in the past two decades, the tension still remains. The agreed demilitarization process must be seen in the right perspective. As Holslag claims: 'While the presence of troops in the immediate border area has decreased, the build-up of conventional force does continue' (Holslag, 2008: 9). At the Chinese side, there is a strong presence of offensive arms systems that are being modernized. Around 400,000 soldiers were stationed near the border region in 2008, which accounts for 20 percent of the total military manpower. The Indian army has recently undertaken a massive reorganization by formalizing its Long Term Integrated Perspective Plan 2012-2027. This document makes clear that whereas in the past India has always focused on a potential two-front war with Pakistan and China, the major focus has now shifted to the Chinese border (The Diplomat, 9 February 2011). The military strategy at the other side of the border remains unclear. What worries Indians is 'the opacity that seems to surround China's military build-up, with an emerging consensus that Beijing's real military spending is at least double the announced figure' (Pant, 2010: 99). This feeling of insecurity and ignorance concerning China's intentions is one of the classic ingredients of a security dilemma.

At the same time, reports of incursions into hostile territory have been

made. Especially Chinese troops have been making incursions into Indian territory. At the Western Sector, above Nepal, Chinese soldiers have been patrolling into Indian territory at Pangong Tso, Chushul, and Lipu Lekh. Similar events have been taking place at the eastern sector, at Arunachal Pradesh, near Tawang and Sumdorong Chu. From 2000 up to 2007, Indian troops have witnessed an increase in the annual number of border violations from 90 to 140 (Holslag, 2008: 7). According to the Indian scholar Pant, a dramatic rise of Chinese intrusions into the Indian territory has taken place since 2008, most of them along the border in the regions of Arunachal Pradesh and Sikkim (Pant, 2010: 95-96). These military provocations lead to a dangerous tit-for-tat game that might result in a spiral model. In combination with the arms race at both sides of the border, a war seems to be inevitable.

On a political level, China has publicly reopened the debate on Arunachal Pradesh. In February 2008, it criticized Indian Prime Minister Manmohan Singh's visit to the region (The Times of India, 18 February 2008). Beijing has also contested Indian administrative and political action in the state. Even recently, reports have been made of two sportsmen who were denied access to China because of non-valid 'stapled' visas, issued by Chinese officials in Arunachal Pradesh. The official explanation was that China couldn't allow these citizens because they were from a disputed area (The Times of India, 12 January 2011). The Indian scholar Harsh V. Pant concludes that:

'the recent rounds of boundary negotiations have been a disappointing failure with a growing perception in India that China is less than willing to adhere to earlier political understandings on how to address the boundary dispute' (Pant, 2010: 96).

A solution for the border issue seems to be further away than ever.

The security dilemma at the border is enforced by four additional factors (Holslag, 2008: 29). First, the military establishment offers a gloomy prospect that is often recognized and answered to by the central

government. In a reaction, the defence community at the other side of the border is given arguments to endorse similar projects. Second, track dependency exists among military leaders who were trained with 1962 scenarios in mind. Third, as explained above, the media often gives a platform to those experts who tend to be suspicious of the other side's intentions. Fourth, as will be discussed below, the US plays a decisive role in this situation. Both parties perceive the entire territorial dispute as a zero-sum game: the slightest concession is at the same time interpreted as the loss of that player and the gain of the other.

3.2.3.1 Regional struggle for power

The territorial disputes between China and India form the microclimate for a competition that is taking place in the wider Asian region between the two powers, a competition for regional hegemony. The American scholar John Mearsheimer claims that all states want to become regional hegemons. He refers to his theory as offensive realism, which relies on the supposition that great powers "are always searching for opportunities to gain power over their rivals, with hegemony as their final goal" (Mearsheimer, 2001: 29).

According to the Indian scholar Harsh V. Pant, the regional hegemon China will never allow a power centre like India to manifest in its periphery because it might hinder its ambitions as a regional and global player. This explains why China maintains an *all-weather* friendship with Pakistan; attempts to increase its influence in the domestic situation of common neighbours like Nepal, Bangladesh, Sri Lanka, and Myanmar; and is reluctant to back up the US-India nuclear pact. Pant claims that China is trying to suppress the rise of India as a player in the international system, or in his realist discourse: it 'has started tightening the screws on India' (Pant, 2010: 98). The Dutch expert Willem van Kemenade draws the same conclusion: 'China is (...) using (...) India's *Near Abroad* as its own

backyard' (Van Kemenade, 2008: 7) With India's rise as an economic and political power of global significance, Sino-Indian ties are at a critical juncture.

China's growing influence in its own backyard conflicts with what Indians call their *Look East Policy*. Since the beginning of the nineties, India has tried to establish commercial, cultural, and military ties with its East-Asian neighbours: Myanmar, Phillipines, Singapore, Vietnam, Cambodia, Sri Lanka, and Thailand. India has done so out of necessity, because the majority of the countries in its region figure on the *Failed State Index* and are, therefore, unreliable partners (Van Kemenade, 2008: 7). This evolution hasn't passed unnoticed in China. China's refusal to accept India's expansion manifests itself most clearly in its opposition to the permanent membership of India and Japan in the UNSC. China would 'loathe sharing' its status as permanent member of the UNSC and nuclear weapon state 'with any other state in Asia' (Pant, 2010: 97). Since China's rise, India and Japan have been balancing against the regional hegemon on various occasions. It was Japan that backed India's candidacy for membership of the ASEAN. India's *Look East Policy* seems to be bearing fruits.

This regional struggle for power in South Asia is one of the issues addressed by the scholars Sidhu and Yuan in their study of Sino-Indian relations: 'the mutual threat perception of being encircled by the other' (Sidhu and Yuan, 2003: 4) Both countries gravely fear being encircled by the other. Where this situation will lead, will become clear in the near future.

3.2.4 Triangular strategic relation: China-India-US

From a structural realist point of view, one can argue that we now, after the collapse of the Soviet Union in 1991, live in a unipolar world, with the

US as the global hegemon. At the global level, China is the challenger of the US. To suppress China's rise, the US needs to counterbalance China's status as a regional hegemon through supporting India in their quest to become the regional Asian hegemon. The rise of China as a major regional and global player has led to an *imbalance of power* in the Asian region. According to Pant, not only has the US been teaming up with India to restore the balance of power in the region, it has even been helping India transform into a major power centre (Pant, 2010: 97). It is needless to say that the US-India bilateral relations have been flourishing in the past decade, notwithstanding a problematic start.

The US president Clinton was alarmed by India's 1998 Pokhran II tests. In order to avoid the possibility of an emerging nuclear war between India and Pakistan, the US started a two-level initiative to cease the Indian nuclear program. Officially, Washington imposed sanctions on New Delhi and, behind the screens, meetings were set up to make India sign the Nuclear Non-Proliferation Treaty (NPT).³⁰ When George W. Bush Junior came into US office in 2000, the bilateral relations with India improved and the ties with China deteriorated. Bush's mantra was: "China is not a strategic partner... India is a democratic counterweight" (Van Kemenade, 2008: 146). The US subsequently lifted the sanctions against India and the two countries found each other in their common war against terrorism. In 2005, the new US Secretary of State Condoleezza Rice stated that the US would "help India become a major world player in the twenty-first century" (Van Kemenade, 2008: 153). That same year, the US and India started talks on a civil nuclear agreement. After three difficult years of negotiating on a national and an international level, the Indian External Affairs Minister Pranab Mukherjee and his counterpart US Secretary of State Condoleezza Rice finally signed the 'US-India Civil

³⁰ Fourteen meetings between the US Deputy Secretary of State Strobe Talbott and the Indian BJP politician Jaswant Singh took place in the following two years.

Nuclear Agreement³¹.

According to the former Indian ambassador to China C.V. Ranganathan, Beijing has been watching India's renewed relationship with the US with concern. The 'US-India Civil Nuclear Agreement' has opened the door for India to engage in international collaborations in this matter. The likelihood of long-standing bans being lifted on the sales of sophisticated equipment in the military field, if India opts for American products, are seen by China as conscious attempts to build up India as a power centre to balance against China (Ranganathan, 2010: 78). The regional balance of power is put under pressure through the input of the US. From this angle, one could claim that the US would benefit from a Sino-Indian war in every aspect.

3.3 Conclusion

When we perceive Sino-Indian relations from this point of view, the border issue still seems to lie at the heart of bilateral ties the past decade. It is the source of a security dilemma, enforced by the media and officials, political and military, which both offer a platform for provocative exclamations. The border issue is the microcosm for the regional power struggle that is unfolding between the giant China and the rising giant India. The role of the US is to balance against China through supporting India. Economy is just another battleground in which this heightened competition takes place. To conclude, the tale of realist pessimism tells us that the Dragon and the Elephant are on a collision course because they are entangled in a struggle for power. An armed conflict, be it in the near or far future, is lurking around the corner.

³¹ Also known as the 123 Agreement.

4. Assessing the tales

The two tales discussed in the previous chapters offer a view on the same Sino-Indian relations of the last decade. Striking is the difference in the conclusion that is drawn. Liberal optimism sees a growing cooperation and realist pessimism believes a conflict is at hand. Of course, both tales carry some truth in them, but do they cover the whole range of Sino-Indian relations? An assessment will disclose the merits and demerits of the two tales.

4.1 Assessing the tale of liberal optimism

The tale of liberal optimism is centred around economic interdependence based on complementarity and cooperation. The prospect of common economic benefit has, indeed, brought the two countries closer to each other in the last decade. But does that mean we can speak of Sino-Indian relations in terms of cooperation and partnership?

4.1.1 Variables

The positive public perception of Sino-Indian relations is steered top down by the ruling elites. The national political elites have been the major advocates of the pursuit for bilateral common ground. Prime Ministers Wen Jiabao and Manmohan Singh stress the possibilities that lie in a pragmatic approach towards Sino-Indian relations. In the economic domain this call has been answered, but these initiatives are not carried and continued by the wider public opinion. Also the liberal phenomenon of transnationalism is still very thin in Sino-Indian relations for three reasons (Holslag, 8 January 2008: 14-15). First, the number of Chinese employed in India and vice versa is negligible. Second, the booming bilateral trade practically doesn't create any new jobs in both countries. Third, common knowledge about one another is lacking, certainly at the lower levels of society. This observation leads Holslag to conclude that the confidence in

Sino-Indian relations on both sides of the border 'is still low and that distrust persists at all levels of society' (Holslag, 2010: 103).

Notwithstanding the small basis of the belief in Sino-Indian rapprochement, it is very tenacious at the top level, certainly at the Indian side. For example, the Hindustan nationalists of the Bharatiya Janata Party (BJP) - when they were in the opposition seats at the end of eighties - opposed Prime Minister Rajiv Gandhi's positive approach towards Sino-Indian relations. Throughout the nuclear crisis, the BJP - but then in office - continued the hard line towards China. Afterwards they chose a milder stance, laying the foundations for the contemporary economic cooperation between China and India. Today, the ruling party, the Indian National Congress (INC) of Prime Minister Manmohan Singh, continues this line of policy. At the moment, the two major Indian parties, INC and the BJP, are advocates of strong ties with China for reasons of economic benefit (Holslag, 8 January 2008: 7).

Liberal optimism puts economy at the centre of Sino-Indian relations. But as the tale of realist pessimism has shown, the economic ties are not that intense and certainly not based on equality, keeping in mind the growing trade deficit.³² Also, the dream of complementarity has already undergone some changes throughout the decade and is fading due to the contemporary economic aspirations of both countries. China and India concentrate on further *diversifying* their export baskets. The Indian Eleventh Five-Year Plan (2007-2012) makes clear that New Delhi is aware that it is lagging behind in the secondary sector: 'The comparatively low share of India in the world export of manufacturers is reflected in its low share of manufacturing value added in GDP compared to (...) China' (Planning commission Volume III, 2008: 142) And plans are being made to expand the manufactured goods for export:

³² See 3.2.2 Economy.

'As far as trade is concerned, we need to exploit export opportunities opened by access to global markets by expanding our export of goods (...) Countries such as China have exploited these opportunities very well and we need to learn from their experience.' (Planning Commission Volume I, 2008: 265)

The Chinese government wants to direct its growth process towards those domains in which India is the leading economic power. In its Twelfth Five year Plan (2011-2015), Beijing reveals its major ambitions in the field of ICT and strategic new industries (Chien, 2011). To conclude, the complementarity-argument in Sino-Indian rapprochement might be ephemeral.

The announced spillover of interdependence into other domains of Sino-Indian relations has been fairly moderate. The breakthrough in the status of Sikkim and Tibet can be ascribed to economic integration, but the border issue is far from solved. On the contrary, the focus seems to have shifted to Arunachal Pradesh.³³ On top of that, the recognition of the status of Tibet has not solved the problem of the Dalai Lama residing in Dharamsala, in the Indian state Himachal Pradesh near the Chinese border. The whereabouts of the Tibetan spiritual leader remains a thorn in the eye of the Chinese government. Regional security cooperation between China and India is very limited. In fact, the border zone and the countries in between China and India remain the decor for the Sino-Indian competition.

The Sino-Indian front versus Western dominance, and especially the US, has various weaknesses as exposed by the entire tale of realist pessimism. The successes of the landmark visits of Chinese officials to India in 2005 and 2006 should also be nuanced. These visits were combined with trips to India's historical rival Pakistan. This aspect of the visits received wide coverage in the Indian media (Holslag, 8 January

³³ The Times of India (18 February 2008), The Times of India (12 January 2011).

2008: 3). After Wen Jiabao's four day visit in 2005, he stayed seven days in India's historical rival Pakistan. When back in Beijing, Jiabao withdrew his support to India's claim for a permanent seat in the UNSC, returning to a neutral stance, unlike the US who still supports India's claim. China and India's teaming up has been a rare phenomenon and should be regarded in a context of Western developed nations versus the new rising economies gathered in the BRIC(S)-countries: Brazil, Russia, India, China (South-Africa). Sino-Indian rapprochement in the international theatre is clearly based on pragmatic considerations and less on a profound partnership. As we will find out further on, the triangular strategic relation is more complex.

4.1.2 Merits & demerits

If we look at bilateral ties from a historical point of view, we have to admit that progress has been made. The last known border skirmish already dates back from mid 1987, at Sumdorong Chu Valley in Arunachal Pradesh. And the biggest setback, the 1998 nuclear conflict, took place more than ten years ago. The reverberations of the nuclear crisis were softened by the emerging economic interdependence at the beginning of the *noughties*. The pinnacle of Sino-Indian rapprochement was undoubtedly reached halfway through the past decade. The impression was raised that China started to perceive India as an amiable power. The years 2005 and 2006 were characterized by the landmark visits of Chinese Premier Wen Jiabao and President Hu Jintao to India. The year 2006 was even dubbed the 'China-India Friendship Year'. Liberal optimist scholars like Amardeep Athwal look back on the last decade as a new starting point for Sino-Indian partnership:

'There is no reason to expect that Sino-Indian relations will once again spiral downward given the positive momentum generated in recent years (...) Sino-Indian relations will continue to progress' (Athwal, 2008: 126-127).

If Sino-Indian rapprochement will continue to progress, we'll have to wait and see. But looking back on the last decade, this overtly optimistic view

seems a bit unrealistic. Even during the pinnacle of Sino-Indian convergence, ruptures were present in the China-India axis for the general situation to spiral downward. It isn't a surprise that the successors of the '2006 China-India Friendship Year' received far less attention: the '2007 Tourism Friendship Year', and the '60th Birthday of Sino-Indian Cooperation' in 2010. To conclude, the tale of liberal optimism has its merits, but one can't deny that it offers a one-dimensional view on bilateral ties. Instead of speaking in terms of optimism, shouldn't we be speaking in terms of *pragmatism*?

4.2 Assessing the tale of realist pessimism

The tale of realist pessimism puts the territorial disputes at the centre of Sino-Indian relations. Both countries are rivals, struggling for hegemonic power. The much-debated questions here are: how and when will the hostile atmosphere lead to war?

4.2.1 Variables

The negative public perception in both countries is countered by the pragmatic attitude towards Sino-Indian relations of the decision-makers. The former Indian ambassador to China, C.V. Ranganathan, notices that in their frequent meetings the premiers of India and China have reassured the public of both countries on numerous occasions (Ranganathan, 2010: 73). Noteworthy in this context is a statement in the Indian press made by the Chinese Premier Wen Jiabao, after a meeting with the Indian Minister of Commerce Anand Sharma. The latter paid a visit to China in the light of the eighth JEG dialogue. But due to rising tensions in the border area, the Chinese premier took the time for a personal meeting with Anand Sharma. In the press conference afterwards, Wen Jiabao urged both countries "to avoid being misguided by provocations from either side or by media sensationalism" (The Hindu, 20 January 2010).

Also lower ranked officials engage in the rationalizing of media hysteria, certainly in India. Repeatedly, Indian ministers, senior civil servants, and military officials have stated that the boundary is peaceful and calm (Ranganathan, 2010: 73). The reality is that both sides have shown common sense in dealing with public heightened emotions to avoid being pulled into a spiral model.

As liberal optimism shows, the growing interdependence between China and India is a fact. But realist pessimism pinpoints the cracks in the economic relations between China and India that justify a sceptic approach towards Sino-Indian ties. Firstly, bearing in mind the overall trade of the two nations individually, the bilateral trade is of modest proportions (Holslag, 2010: 62-64). Secondly, the China-ASEAN FTA has an unfavourable side effect for Indian commerce. And lastly, the trade deficit is growing and China has not been helpful in aiding the situation. Although recently, after a meeting with the Chinese at the end of 2010, Manmohan Singh underscored that the trade deficit will be dealt with (The Hindu, 2010). In what way and to what result is still unclear.

Realist pessimism places the territorial disputes and the security dilemma at the centre of Sino-Indian relations. Theoretically the security dilemma seems plausible, but in reality it offers a rather unsophisticated, narrow view: 'The security dilemma argument is too simplistic, as it ignores how (...) political engagement may be transforming the nature of the 'game'' (Athwal, 2008: 129). The agreements made in 1993, 1996, and 2005 have installed various mechanisms to halter an increased tension at the border (Ranganathan, 2010: 74). In addition, the responsible and reasonable behaviour of the decision-makers on both sides helps to defuse the dilemma. The impact of the territorial disputes on bilateral ties has been bounded. But its presence offers possibilities, as the American diplomat Joel Ehrenreich aptly put it:

"The border issue is unlikely to be a serious problem in the relationship, because both sides benefit from this 'festering' (sic) that allows them to justify more military spending and certain postures" (Wang, 2010: 18).

From this angle the territorial disputes are an excuse for the military expenditure at both sides of the border to increase regional and global importance.

The prospect of war, as proposed by realist pessimism, has not been overtly present in Sino-Indian relations the last decade. We need to realize that the tale of realist pessimism offers a narrow view on global politics. The international stage is reduced to an arena for the fight between the Dragon and the Elephant. But both governments have had more matters to take into consideration than their rivalry: 'In their separate rankings of security challenges, China and India rank each other far below domestic perils and Taiwan or Pakistan' (Holslag, 2008: 29). The chances of an armed conflict might have been limited, but the competitive, and at times rival, atmosphere is a fact. The realist scholar Harsh V. Pant believes that China is driven by 'its own strategic interests in an anarchic international system where there are no permanent friends or enemies, only permanent interests' (Pant, 2010: 103). China is the regional hegemon and sees the rise of India in the last decade as a serious obstacle for its own hegemony.

The tale of realist pessimism attributes a leading role to the US in stirring up the emotions between the two protagonists. Also this dimension of the tale should be nuanced. First of all, the improved Indo-US relations must be seen in the light of the 1998 nuclear crisis. After the crisis the US installed technological embargoes against India to halt further domestic developments in the nuclear field. In recent years the US has reviewed their stance on India and the nuclear issue. So Indo-US bilateral ties have gone from bad to better, but must not be mistaken for an intense partnership. Secondly, neither India, nor the US look upon the improved

ties as an act directed against China. Indian Prime Minister Manmohan Singh has stated: "I don't believe that having a good relationship with (the US) means we are opposed to China" (Ranganathan, 2010: 78). Of course, these official statements should be interpreted with the necessary caution. And finally, the density of US-Indian relations is not yet of those proportions as that of US-Chinese relations.

The Chinese and US economies are deeply entangled because of the large investments China has made in US treasury notes and bonds. China has the capacity to administer a severe financial blow to the US. Yet it doesn't do so. Why? Because this would lead to what the Dutch expert Van Kemenade calls an MAED, 'Mutually Assured Economic Destruction' (Van Kemenade, 2008: 164). This scenario wouldn't only bring down the American, but also the Chinese economy, and in addition all other economies with a global depression as a consequence. Therefore, the present situation is characterized by what US former Secretary of Treasury Larry Summers described in 2006 as a *Balance of Financial terror*: "a situation where we rely on the costs to others of not financing our current account deficit as assurance that financing will continue" (Van Kemenade, 2008: 164). This entanglement leads the British economic historian Niall Ferguson to conclude that the two are interdependent. China and the US are two sides of the same trans-Pacific bond, *Chimerica*:

'Their relationship isn't necessarily unbalanced; more like symbiotic. East-Chimericans (Chinese) are savers; West-Chimericans (Americans) are spenders. East-Chimericans do manufactures; West-Chimericans do services. East-Chimericans export; West-Chimericans import; East-Chimericans pile up reserves; West-Chimericans obligingly run deficits (...) As in all good marriages, the differences between the two halves of Chimerica are complementary.' (Ferguson, 4 March 2007).

To conclude, the triangular strategic relation shows that all countries are intertwined and can benefit from each other, but they fear a growing rapprochement of the other two parties. Van Kemenade sees in the

dynamics of the present China-India-US triangle a growing resemblance with the US-Soviet-China triangle of the second half of the twentieth century (Van Kemenade, 2008: 165). If the impact of the new triangle on the 21st century will be of the same magnitude, we will find out in the coming decades.

4.2.2 Merits & demerits

If we look back on Sino-Indian relations in the last ten years, we have to admit that the tale of realist pessimism is difficult to apply to the middle of the past decade. From a realist perspective, we could perceive this period of lowered competition as a *détente* in Sino-Indian hostility. The Dutch expert Van Kemenade has titled his study of contemporary Sino-Indian relations, to a certain extent influenced by structural realist theory, *Détente Between China and India: The Delicate Balance of Geopolitics in Asia* (2008). But since a few years the centre of gravity has been shifting towards realist pessimism: the negative media coverage, the trade deficit, the failing FTA negotiations, the struggle over Arunachal Pradesh, the balance of power in the greater Asian region, etc. The major value of this reading is that it pays attention to the issues that might cloud Sino-Indian relations. To sum up, the tale of realist pessimism offers a gloomy, dark image that doesn't always correspond with reality, but it warns the reader that Sino-Indian relations must be read with the necessary *scepsis*.

4.3 Rearranging the theoretical framework

The tales of liberal optimism and realist pessimism find themselves at the two ends of the same continuum. These two tales are extreme views on contemporary Sino-Indian relations. But neither extreme corresponds with the subtleties and complexities of present day reality. Sino-Indian relations must be located somewhere in between these two schools of thought.

4.3.1 *Dragon-Elephant seesaw: a tale of liberal pragmatism and realist scepticism*

By now, it has become clear that the simple optimistic-pessimistic dichotomy fails in describing and analyzing contemporary Sino-Indian relations. For a thorough analysis, we are in need of a different approach. At this point, it is necessary to recall the thoughts of the American professor David Kang on the Sino-Indian debate. Kang believes that the theoretical debate has led to some sort of paradigmatic *trench warfare*. (Kang, 2003) So far, we have tried to avoid any paradigmatic *collateral damage* through subjecting the two tales to a critical assessment. Also, narrow paradigmatic thinking is avoided through placing the two leading schools of thought on one continuum. The result is that the schools of thought aren't necessarily *contrasting*, like Wang claims (Wang, 2010: 24), but at some point are *complementary* for a study of Sino-Indian relations.

In between the two far ends of the continuum, we find a whole spectrum of nuanced terminology. We believe that contemporary Sino-Indian relations are not a tale of liberal optimism or realist pessimism, but rather of liberal pragmatism and realist scepticism. The former explains that both countries have found themselves at times in a position in which they realize they could benefit from cooperation. Some of the advantages are that: economic rapprochement has led to the further booming of the two economies; common stance taking in international issues has led to a stronger bargaining position at the table with the developed countries; the focus on economic ties leads the attention away from a hostile atmosphere; etc. The latter, realist scepticism³⁴, puts security issues at the centre and explains that both countries are in a competition. In

³⁴ The term *realist scepticism* is used by the Belgian scholar Jonathan Holslag (Holslag, 2010: 3).

addition, it points out the triggers that can cause the bilateral ties to gravely deteriorate: both sides nourish a strong belief in basic realist assumptions, the media causes the tension to rise; China and India find themselves in a regional struggle for power; the China-India-US triangular strategic relation is of growing importance and complexity; etc.

Sino-Indian relations are a tale of pragmatism that must be read with the necessary scepticism. The *ambivalence* that characterizes Sino-Indian relations can best be compared to a seesaw, with at one end the tale of liberal pragmatism and at the other the tale of realist scepticism. Halfway the last decade, the seesaw tilted towards liberal pragmatism, but in recent years, realist scepticism has put on more weight. To conclude, the strong suit of this third approach is that it incorporates the criticism of the two tales discussed at length and offers a more nuanced perspective. But *the* descriptive analysis of contemporary Sino-Indian relations does not exist, of course. Therefore, this approach is titled, like the previous ones: *a Tale of...*

5. Reflections on the Dragon-Elephant relations

This concluding chapter combines three separate reflections on the study presented in the previous ones. First of all, the international relations (IR) theory of constructivism offers interesting insights into Sino-Indian relations, next to the theories used in the previous chapters. Secondly, the variables discussed in our study are not the only issues of importance in the present bilateral ties. Recently emerged issues need to be studied as well to get a more *comprehensive* view on the contemporary situation. And finally, we will shed a light on what the future of Sino-Indian relations might bring.

5.1 Constructivism

Now, we are going to obey Professor David Kang's plead for new theoretic input by tapping into a third theory of international relations, constructivism. Realist and liberal theory are based on a *materialist view* of IR theory. The focus is on how the distribution of material power, such as military forces or economic potential, explains state behaviour. Constructivism, however, claims that the most important aspect of IR is not material, but social. The international system comes into existence because of *intersubjective* relations. In these relations, ideas play a central role. From the moment, thoughts and ideas change, then the outlook of IR will change. Thoughts and ideas construct the international system. Or, using the catch phrase of constructivist scholar Alexander Wendt: 'anarchy is what states make of it' (Wendt, 1992: 394). The preferences of the actors within the system are determined by ideological and cultural norms. Characteristic for the actor is the presence of psychological, normative, symbolical and historical constraints rather than the rational behaviour, claimed by liberal and realist scholars (Hill, 2003: 98-126).

How is constructivism compatible with the continuum described in the

previous chapter? This IR theory can be found in both schools of thought, but is of secondary importance as an explanatory theory. Bearing in mind Wendt's catch phrase, China and India do really see the international system in terms of anarchy. Liberal and, especially, realist theory are the dominating theories in the Sino-Indian debate. However, constructivism can be used to underscore reasons for optimism. For example, Wang's third way of looking at Sino-Indian relations *geocivilizations*, is a constructivist reading of common ground between Chinese and Indian civilization (based on history, religion, and culture) that is often included in liberal optimism (Wang, 2010: 25). The Chinese scholar Tan Chung starts his liberal optimistic book *Rise of the Asian Giants: The Dragon-Elephant tango* with a constructivist-inspired chapter on the similarities in both civilizations, titled 'Historical Odysseys' (Chung, 2008: 13). The following chapters of Chung's book disclose the liberal character of his discourse: 'Industrial development' and 'Information era' (Chung, 2008: 44-165). Constructivism can also be used to support a realist reading of Sino-Indian relations.

China's rise has resulted in huge asymmetries between both countries in terms of military strength, economic potential, regional and global status, and international influence. This existential reality has a psychological effect on Indian public perception of bilateral relations with China. The effect is twofold. On the one hand, India looks with great admiration at what China has realized and uses its northern neighbour as a measuring rod for its own realizations (Saith, 2010: 52-53). On the other hand, the humiliation and the betrayal of trust and confidence of the 1962 Sino-Indian war have left a scar on India's perception of China. As the former Indian ambassador to China C.V. Ranganathan explains: 'This perception persists even fifty years later despite several rounds of official discussions to address it' (Ranganathan, 2010: 72). Indians continue to watch their southern neighbours with a general feeling of distrust and apprehension.

The Indian media often taps into this narrative and helps feed negative emotions in Sino-Indian relations.

From this point of view, the theoretical input of constructivism in the discussion of contemporary Sino-Indian relations is rather limited. It serves a supportive function over the entire continuum.

5.2 Other issues

The list of determinative issues for the study of Sino-Indian relations proposed by Sidhu and Yuan (2003: 4), dates from 2003.³⁵ In the course of time, some issues of this list have shifted to the rear of the Sino-Indian stage. And new issues have emerged that play a significant role in contemporary bilateral ties. Here, we'll touch upon two issues in the light of liberal pragmatism and realist scepticism: energy security³⁶ and the Indian Ocean Region³⁷.

To grease the engine of their booming economies, China and India are in growing need of energy resources. The second chapter of our study briefly dealt with this topic.³⁸ The conclusion was that there is an emerging cooperation in the field of energy security between China and India. Holslag says that 'both states have slightly modified the policy and appear to start experimenting with forms of cooperation' (Holslag, 9 January 2008: 7). A coordinated, pragmatic approach towards energy security, unmistakably, offers advantages, but it is a recent phenomenon that is still far from having reached its full potential. Instead a competition for energy resources driven by a 'control-over-the-well-strategy' is pitting

³⁵ See chapter 1. Two schools of thought.

³⁶ For more information see Athwal (2008: 98-108), Holslag (9 January 2008), and Sidiropoulos (2011).

³⁷ For more information see Athwal (2008: 30-67), Holslag (2008), Van Kemenade (2008: 111), Kaplan (2010).

³⁸ See 2.2.2.2 Economic cooperation and integration.

Chinese against Indian companies in Angola, Nigeria, South-Africa, Ecuador, Kazakhstan, and Myanmar (Sidiropoulos, March 2011: 3; Holslag, 9 January 2008: 6). Noteworthy in this context is China's aggressive state-driven courting versus the moderately successful efforts of Indian private-sector companies (Redvers, 30 January 2010).

Attached to the energy issue is probably the biggest challenge for Sino-Indian relations in the 21st century: the strategic location of the Indian Ocean Region (IOR). The IOR is of great strategic importance because it connects the Strait of Hormuz and Bab el Mandeb with the Malacca Strait.³⁹ The former two function as the gateways for global seaborne oil and the latter is the narrow sea corridor through which the maritime supply for China, Japan, and South Korea passes. The strategic importance of the IOR is why China has embarked on the so-called *String-of-Pearls Strategy*. Beijing has started to establish naval hubs in the IOR to secure its grip on the region and to explore the possibilities of transporting energy resources by land. The String-of-Pearls Strategy conflicts with India's *Look East Policy* and naval ambitions (Athwal, 2008: 30). The combination of these conflicting interests has led to a strong naval presence of both countries in the IOR. Realist scholars speak of a security dilemma, because both countries have expanded their blue sea navy with offensive military equipment and there is an uncertainty about the intentions of the other side (Holslag, 2008: 27). There is also a small liberal pragmatic dimension. Because of common threats in the IOR, like *maritime terrorism*, India has proposed multilateral cooperation, including China, to secure the economic interests of all countries in the region (The Economic Times, 16 March).

³⁹ See figure 4.

5.3 Future outlook

It is impossible to tell which side the pendulum of Sino-Indian relations will be swinging in the near future. But given the present evidence, the pendulum has to be located in between liberal pragmatism and realist scepticism. The occurrences of the last years make us believe more near the latter than the former.

A liberal optimist scholar like Amardeep Athwal looks back on the Sino-Indian convergence of the last decade and claims that it 'is just beginning to unfold' (Athwal, 2008: 11). The Indian professor Prasenjit Duara underscores this optimism and believes that bilateral trade will touch \$ 200 billion within the decade (Duara, 2010: 29). But he believes a rapprochement can't be based on bilateral economic interdependence only. An international institution like ASEAN needs to support this process. According to Duara, ASEAN has revealed itself to be the most promising and durable regional structure in Asia. Although doubts can be raised here, bearing in mind the consequences of the China-ASEAN FTA for India. Nevertheless, ASEAN holds the advantage that it is militarily unthreatening and can serve as a hub for a vast network of Asian interdependences, not in the least for China and India. It can provide the platform to build broader regional institutions with the help of the major regional players: Japan, China, and India. To avoid further competition and conflict in the entire Asian region, integration needs to be pursued:

'To be sure, competition, political tensions and aggressive posturing will remain a part of the scene as long as nation-states remain sovereign entities. But to opt for an ASEAN-centred regional design may well be our best bet' (Duara, 2010: 31).

Realist scholars in Sino-Indian relations perceive the success of liberal optimism as of temporary nature. The Indian scholar Harsh V. Pant, a firm believer of a Chinese containment policy towards India, believes that in the short term it is in the interest of China to have a good relation with India when it wants to devote its energy to economic development. But

Beijing's policy for medium to long term is clear: establishing pre-eminence in Asia and containing India (Pant, 2010: 102). The Belgian scholar Jonathan Holslag takes a more moderate stance towards Chinese intentions, but still sees a saturation of economic partnership. He claims that both countries will benefit from economic cooperation in the short run, but in the long run it'll inevitably lead to competition (Holslag, 2010: 64). From the moment China and India become economic competitors, integration and cooperation will cease and with it the tale of liberal optimism.

Even liberal theory raises doubts about the duration of economic bonds between two players. The British professor Andrew Moravcsik claims that state preferences are not stable, but *volatile*, depending on global economy (Moravcsik, 1997). A change in global economy might intensify the rivalry between the two economies. According to Holslag (2010: 71-72), the export competition will intensify in the coming years due to various factors. First, as explained above, economic complementarity will continue to decrease in the coming years.⁴⁰ Second, the problem of overcapacity might arise. Through the continuous government support for industrialization, the production process might be increased up until the point that the consumer markets become saturated. Third, at the moment there is a rising mood of protectionism in Western consumer markets. If this tendency continues, China and India will have to compete for the remaining open markets. The first cracks in the economic axis are already showing in the form of the rising trade deficit.

A growing competition between the two players, not only in the economic sphere, seems to be inevitable. A heightened competition for influence in the border region and neighbouring countries will persist as it is just 'part of the regular game of nations' (Subrahmanyam, 2010: 106). China can

⁴⁰ See 4.1.1 Variables.

put pressure on India by increasing its economic, diplomatic, or even military influence in India's neighbouring states. A heightened competitive atmosphere is unavoidable, but war in the near future is unlikely (Malone, 2011: 151). The recently deceased Indian Defence expert Krishnaswamy Subrahmanyam believed 'a major war between India and China can be, by and large, ruled out' (2010: 105). An important reason, as discussed above, is the growing interdependence between the two countries. But there are also practical reservations for the two nations to engage in a war (Subrahmanyam, 2010: 105-106).

First of all, China has become more and more urbanized and a high percentage of its army forces come from one-child families. Will Beijing risk damaging its infrastructure and find the domestic support for warfare with a neighbour? Secondly, the 'history repeats itself' argument is very weak. The present economic, military, and political situation is entirely different from fifty years ago. When the 1962 war broke out, China was entirely isolated and lacked any commercial and political relations with the rest of the world. India, on the other hand, was militarily an easy target. Today, the Indian army is stronger, more professionalized, and better prepared to deal with border contingencies than fifty years ago. And finally, if China, as strongest regional power, would engage in an armed conflict with India, it would compromise its position in the Asian region. India together with China's neighbours, Japan and South Korea, would be driven into the arms of the US, leaving China isolated. The conclusion is that an armed conflict along the LoAC should not be exaggerated.

Considering these expectations, Sino-Indian rapprochement is expected to grow, but at the same time a hostile atmosphere will cloud the bilateral relations. In the long run, realist scepticism is expected to outweigh liberal pragmatism on the Dragon-Elephant seesaw.

6. Conclusion

The central research question asked at the beginning of our study was: what is the true nature of contemporary Sino-Indian relations? And, do we have to view it in terms of rapprochement or hostility?

In brief, the answer to the question is: the true nature of contemporary Sino-Indian relations is *dual*. At the same time a process of rapprochement is taking place while both countries are nourishing feelings of hostility towards each other. Exemplary for the theoretical debate concerning Sino-Indian relations is that the two main schools of thought choose a side. The tale of liberal optimism stresses rapprochement and the tale of realist pessimism focuses on hostility in Sino-Indian relations. Both tales have their merits and demerits in reading the contemporary situation, but they do not correspond with the subtleties and complexities of the present reality. The true tale must be located somewhere in between. The tale of liberal pragmatism and realist scepticism fills this void. This third approach has shown that some aspects of both tales are not necessarily contrasting, but can be complementary. The bilateral ties show signs of ever-growing rapprochement, but at the same time reasons for conflict are lurking around the corner.

The intention of our study has been to propose a *holistic* way of looking at Sino-Indian relations. A few marginal comments need to be made concerning our approach. First of all, our study is characterized by an overt focus on the two leading theories in international relations: liberalism and realism. Other theories have either a supportive function or aren't discussed at all. The entire liberal-optimism-and-realist-pessimism continuum offers a framework to analyze contemporary Sino-Indian relations. It is also applicable to the 1962 Sino-Indian war, an example that fits in the tale of realist pessimism. But the framework has its limitations when used to analyse the period before the war. The bilateral relations of the 1950's were characterized by the Hindi catch phrase

'Hindi-Chini Bhai Bhai' and the concept of Panchsheel. This phase in Sino-Indian history was characterized by optimism, but only to a limited extent *liberal* optimism. The processes of economic interdependence and cooperation were present, but not as we know them today. Therefore, a constructivist analysis would be more suitable, keeping in mind the common history of colonial burden. A counterargument for this shortcoming of our analytical framework is that it is based on the outlook of the contemporary Sino-Indian debate: the liberal optimism and realist pessimism polarization runs like a fault line through the entire field of study.

Secondly, the framework of this study is meant to be holistic, not the findings. To arrive at a sufficiently comprehensive view on Sino-Indian relations, one needs to describe the other issues proposed by the scholars Sidhu and Yuan (Sidhu and Yuan, 2003: 4). Tibet and Pakistan are some of the quintessential dimensions of the topic. Because of the limited scope of our study, they have been attended to only in the margin. The effects of global events on bilateral ties also need to be taken into account. What is the consequence of the recent financial crisis on Sino-Indian relations? Logical reasoning would suggest that the bilateral trade received a temporary blow. What then is the recovery time? How and to what extent has it been restored? etc. Mitigating circumstances for the absence of this dimension do not only include the limited scope of our study, but also the lack of trustworthy figures concerning the impact of these recent events.

And finally, throughout our study we have opted for the adjective *Sino-Indian* relations to refer to the bilateral ties between China and India, instead of the more neutral *China-India* or, even, *India-China*. The use of the term Sino-Indian implies a deliberate prejudice as to the proportions of the two countries. To recall the words of the Indian scholar Ashwani Saith: if China and India 'were competing in a development race, China had won hands down by a massive margin' (Saith, 2010: 52). China

appears to exceed India in every aspect, be it in the field of military, economy, GDP, or anything else. Even when it comes to organizing a big event, China is no competition for India. Whereas the organizational side of the 2008 Summer Olympics in Beijing was an undivided success, the 2010 Commonwealth Games in India was not. Shortly before the latter event took place, the cover story of the popular Indian magazine *India Today* was not titled Commonwealth Games, but appropriately 'The Con Games' (India Today, 24 July 2010). During this event, images of filthy toilets, puddles with malaria-spreading mosquitoes, construction sites serving as sports arenas, lax security, and so on travelled around the world. Notwithstanding this unmistakable discrepancy between the two countries, some people do believe that India has the ability to outpace China.

In the article 'India's surprising economic miracle' (The Economist, 2 October 2010), two reasons are given why India has the ability to overtake China. The first reason is demography. In a few years time, China's workforce will start ageing, because of the one-child policy. India has a young and growing workforce and will benefit of this *demographic dividend* the coming decades. The second reason is democracy. It is true that the complexity of a democratic political system has a retarding effect on development. A strong central government, like in China, has the possibility to point the direction and adequately support commercial initiatives. Here lies the main difference: the Indian private companies 'are less dependent on state patronage than Chinese firms, and often more innovative' (The Economist, 2 October 2010). This different, independent capitalism is more vigorous than China's state-directed type. Chinese companies will thrive under intelligent leadership, but will decline under a new *Great Leap Forward*. To conclude, in the far future one might speak of bilateral ties in terms of *Indo-Chinese*, but for now the adjective *Sino-Indian* is the most appropriate.

The general conclusion of our study is that in the past decade China and India have shown a pragmatic attitude towards rapprochement, especially in the economic sphere. Both countries have explored the advantages of establishing transport links, raising bilateral trade, increasing bilateral FDI, cooperation towards energy resources, a joint stance on the international stage, etc. Nevertheless, both countries are still far from having reached the full potential of a cooperative approach. It is in the interest of both parties, especially India, to further explore the possibilities. But since a few years, the process of rapprochement has slowed down, leading to scepticism. The issues clouding bilateral relations and causing hostility are: the economic competition, the rising trade deficit, the border dispute, the struggle for influence and power in the neighbouring countries, the struggle in the Indian Ocean Region, etc. Noteworthy in this context is the role of the political elites in alleviating the tensions. After a period of progress and reasonable stability, Sino-Indian relations have entered a difficult, next phase. The phase of confirmation.

There's an old Chinese proverb saying: 'Two tigers cannot share one mountain' (Malone, 2011: 336). Well, if the Dragon and the Elephant want to realize Deng Xiaoping's dream of an *Asian Age*, then they will have to learn to do so.

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- **Figures**

Figure 1: Map of People's Republic of China (2011),

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Figure 2: Map of Republic of India (2011),

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Figure 3 and 4: see Holslag (2008)

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APPENDIX I: Maps

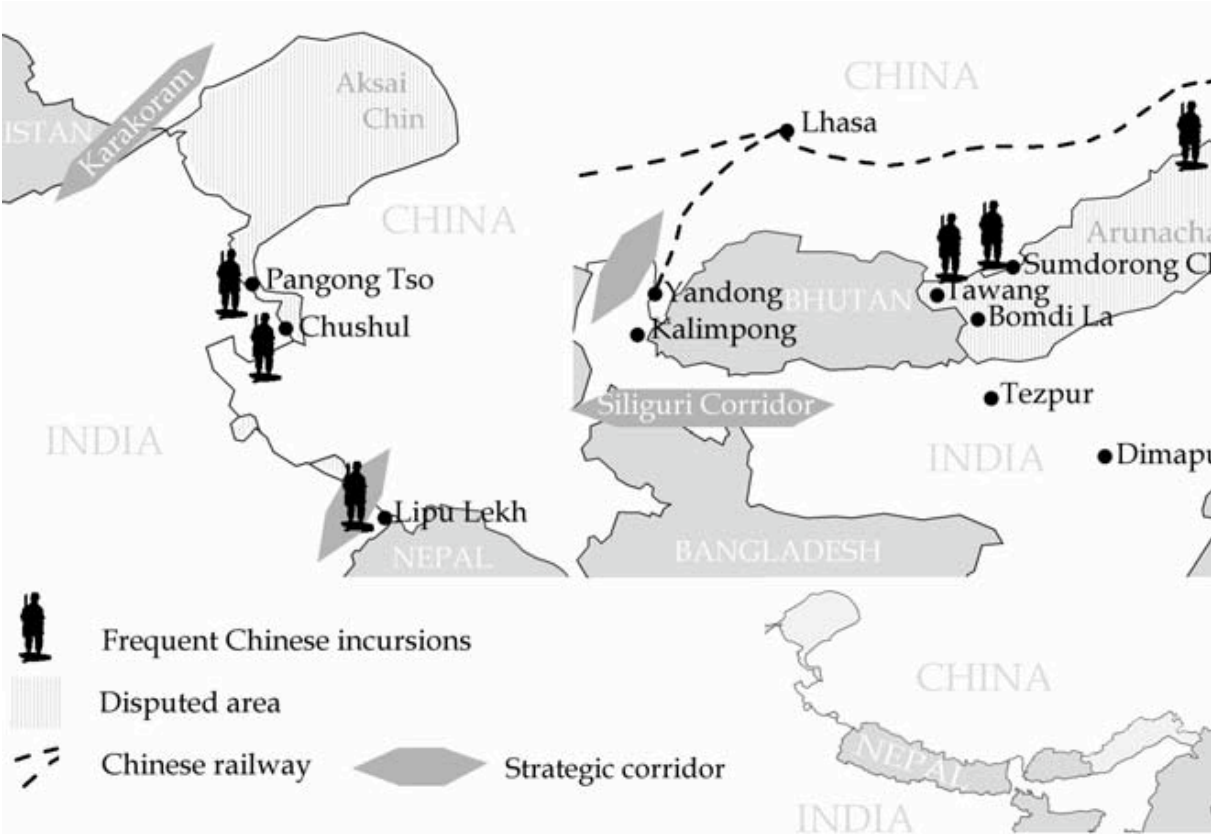
Figure 1: Map of People’s Republic of China



Figure 2: Map of Republic of India

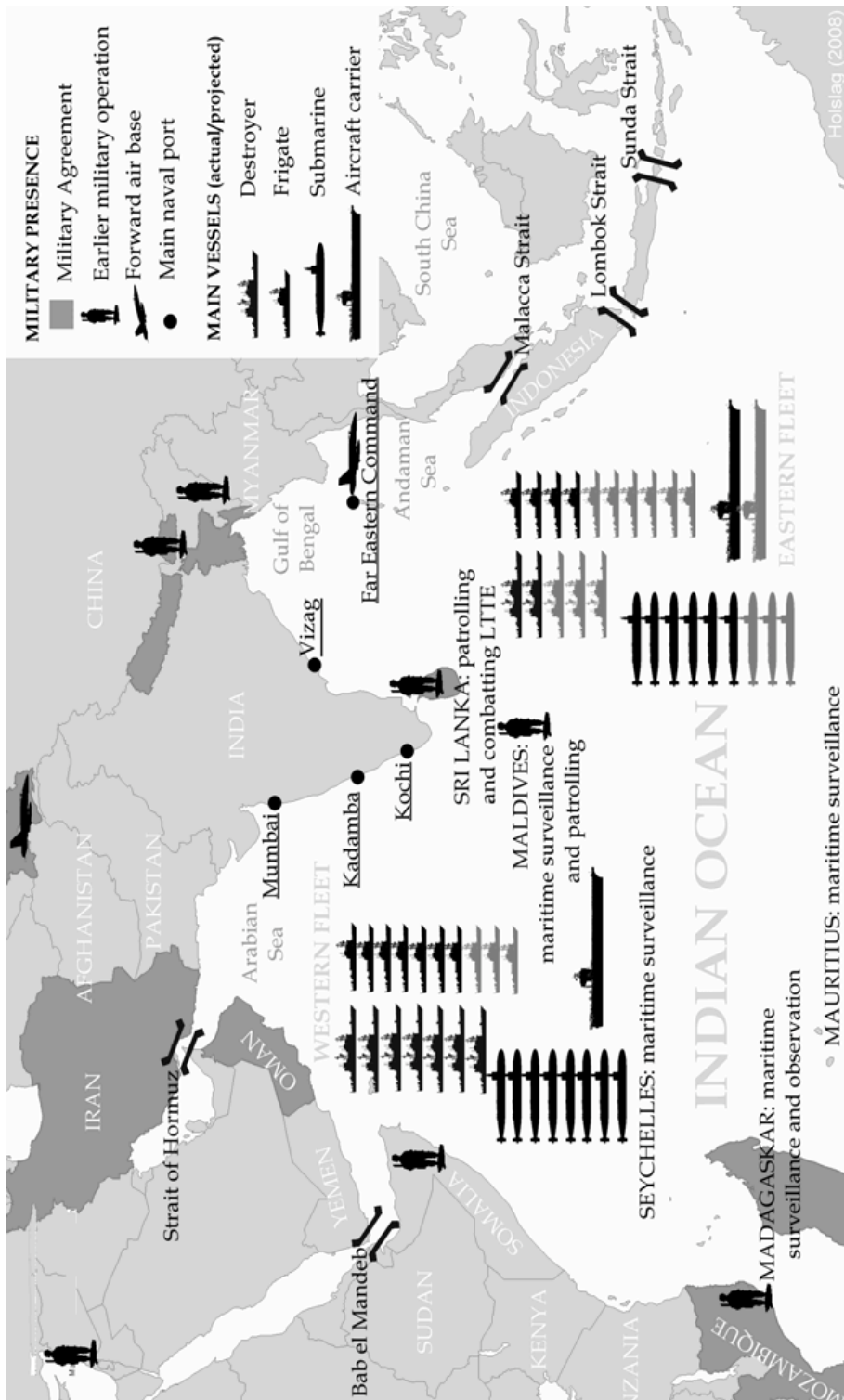


Figure 3: Map of Eastern and Western sector



With courtesy of Jonathan Holslag

Figure 4: Map of Indian Ocean Region



With courtesy of Jonathan Holslag

APPENDIX II: Timeline

Date	Event
15 August 1947	The Republic of India gains independence.
1 October 1949	The People's Republic of China is founded.
29 April 1954	The 'Agreement on trade and intercourse between Tibet Region of China and India', including the 'Five Principles of Peaceful Coexistence' (also known as Panshcheel), is signed at Beijing.
20 October – 21 November 1962	The Sino-Indian war takes place.
1 October – 2 October 1967	The 1967 Sino-Indian skirmish, also known as the Chola Incident.
2 July 1972	The Simla Agreement is signed.
December 1978	The start of the first wave of economic liberalization, called 'Socialism with Chinese characteristics', in China.
Mid-1987	The 1987 Sino-Indian Skirmish in Sumdorong Chu Valley, Arunachal Pradesh.
19 – 23 December 1988	Indian Prime Minister Rajiv Gandhi visits China.
1991	The start of the economic liberalization in India.
September 1993	Indian Prime Minister P. V. Narasimha Rao visits China.
November – December 1996	Chinese President Jiang Zemin visits India.
July 1997	The start of the Asian Financial Crisis.
11-13 May 1998	Pokhran II test explosions take place, conducted by India.
28 and 30 May	Pakistan conducts nuclear tests under the codenames Chagai I and Chagai II.
June 2000	Indian President Kocheril Raman Narayanan visits China.
13-18 January 2002	Chinese Prime Minister Zhu Rongji visits China.
22-27 June 2003	Indian Prime Minister Atal Bihari Vajpayee visits China.
9-12 April 2005	Chinese Premier Wen Jiabao visits India.

May 2005	<i>Making sense of Chindia: Reflections on China and India</i> by Jairam Ramesh is published.
8 August 2005	Indian Minister of Commerce and Industry Shri Kamal Nath addresses WEF in Davos.
7 April 2006	The first meeting of the China-India Financial Dialogue is held.
31 May 2006	China and India sign the 'Five Memorandums of Understanding' for natural resources.
November 2006	Chinese President Hu Jintao visits India.
13-15 January 2008	Indian Prime Minister Manmohan Singh visits China.
8-24 August 2008	Summer Olympics take place in Beijing.
March 2009	Indian secret military exercise takes place under the codename 'Divine Matrix'.
20 January 2010	The Indian Minister for Commerce and Industry visits the Chinese Premier Wen Jiabao.
10 October 2010	Indian External Affairs Minister Pranab Mukherjee and US Secretary of State Condoleezza Rice sign the 'US-India Civil Nuclear Agreement'.
3-14 October 2010	Commonwealth Games take place in New Delhi.
January 2011	Two Indian sportsmen from the disputed area Arunachal Pradesh are not allowed to enter China, because of stapled visas.