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Beyond Asymmetry: the Changing Face of Sino-Indian Diplomatic, Security and Economic Relations (1950s-2000s)

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Abstract

China and India are two countries that had been in the positions of ally and rival in modern history. After the Cold War, there was a change in the relationship between China and India. India, being one of the important neighboring countries of China, its diplomatic and military strategy holds the key to China's security in its western border and has great impact on China's foreign policy. The main focus of my dissertation is the asymmetrical relationship between China and India from 1950s to 2000s through synthesis studies of the political, economic, and security connections between the two countries. This research analyzes the impact of the structural change in South Asian regional politics on both China and India. The dissertation examines the constraints derived from the asymmetrical relationship and ways to improve cooperation of the two countries.

The main contributions of this dissertation are as follows:

Firstly, my thesis analyzes the development of Sino-India relations from diplomacy, economy and security perspectives since the Cold War. I study China and India's border dispute in the past and India's rapid economic development in recent years and how the economic development of both countries changes the Sino-India relations. Studying the asymmetrical relations of China and India, I argued that the Sino-India economic trade cooperation and its link to China's economic developing strategy and political diplomatic strategy are two significant factors to the bilateral relationship of the two countries.

Secondly, I argue that the foreign policy adopted by the regional powers in South Asia and the change of South-Asia's political structure have great impact on Sino-India relations and the security of China. This study offers valuable references to India's security policy and China's strategy on its western boundary in the present era.

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Introduction

1. Background, purpose and the methodology of the thesis

Sino-Indian relationship is the relation between two developing countries with asymmetrical national capability of which China is normally considered as the stronger side. China and India are neighboring countries, sharing a 2000-kilometer boundary. In the post-Cold War era of multi-polarization, India’s rapid developed economic and military strength and major shift in its foreign policy has attracted attention from scholars and policy maker alike. The western media and scholars see India as “the rising power” or “emerging power” (Schaffer 2002: 25). IT tycoon Bill Gates predicts that the next super power of software is neither Europe nor Japan, but India (Han 2003:1).

In the 1990s, particularly after 1997, China paid more attention to its relations with the US, Russia, Japan and European countries, but not India. However, when the leaders of these big countries busily engaged with each other, India began its nuclear test in May 1998. The event made the world recognized the importance of India. On the geopolitical perspective, India as a regional power in South Asia is an important neighbor on the southwest of China. In view of this, India’s diplomatic and military strategies, economic strength and developing potentiality would have great impact on China. Given that India is the biggest regional power after China, how the two nations

handle the security relations on each other is an interesting question. For instance, what are the principles of political and diplomatic strategy of the two countries? How the two nations understand each other's rise? How can the current economic and trade relations between the two countries be understood? These are all the important issues on the Sino-India relations.

This thesis adopts the following three research methods for a thorough study of the aforementioned research questions:

A. Hermeneutics—Historiographic method, narrative analysis and asymmetry theory

Taking the advantages of the historiographic method, this research conducts case studies on the basis of second hand resources and interviews. (Alvesson & Sköldbberg 2000: 69). As Sino-Indian relations belong to the field of international relations, and historiographic method is very useful in this area. It is because the relationships between states are developed through history. This thesis also used narrative analysis. It is because this research method focuses on how the past shapes perceptions of the present and how the present shapes perceptions of the past, and how both shape the perceptions of the future (Alvesson & Sköldbberg 2000:72). In this sense, Brantly Womack's (2003) asymmetry theory is of particular relevant to this study. It is because asymmetry theory studies the perceptions and misperceptions that derived from the "imbalance of vulnerability between the stronger and weaker sides in an asymmetric relationship" (Womack 2003: 92) For example, if India sees China as a threat, the "China threat" perception is likely to affect how the Indian leaders and their people to remember the Sino-Indian border war in the 1960s. In contrast, it would be easier for China and India to sign a free trade agreement had both countries see each other as a partner rather than a rival. There are, of course, many theories in the existing field of International Relations (e.g. neo-realism and neo-liberalism) and all these theories naturally affected Womack's theory. The focus of this thesis, however, is the asymmetrical bilateral relationship of China and India but not a

comprehensive review of the current IR theories from the perspectives of Sino-Indian relations. This thesis adopts Womack's asymmetry theory as theoretical framework.

B. Comparative studies

Existing scholarship has demonstrated that India and China are comparable in many aspects. Both India and China have a long history, vast territory, multi-nationality, and both experienced colonialism of the West. China and India are seen as a comparable sample for development studies (Bhalla 2000: 247-48). Nevertheless, given the significance of this topic, existing comparative studies on India and China are inadequate. Steven A. Hoffmann (1999) and Neville Maxwell (1981) have done a comparative research on China and India. Their works, however, focus only on the border dispute aspect. Gupta's (1990) work on the history of Sino-Indian relations compares the Sino-Indian political and social development through historical enquiries, but Gupta survey, which is almost two decades old, is not up-to-date and far from comprehensive. As a matter of fact, most of the current studies on this topic such as Murty (1987), Sun (2000) and Xu (2003) focus either on China and India and failed to offer a comprehensive comparison of the two regional powers. In view of this, my study adopts a comparative methodology. For example, I will compare the pattern of foreign policy transformation and the rise of national capability of China and India.

C. Critical method—Combine the Macro and the Micro studies

Since critical theory focused on the relationship between groups on the one hand and between developed and developing world on the other (Alvesson & Sköldbberg 2000:139), I intend to take the political, diplomatic, economic and security relations of China and India as the main thread, and analyze other related relations at the same time, such as the India-Pakistan relations, the China-America-India relations, the America-India-Pakistan relations and the China-Russia-India relations. I will discuss

these complicated relations with my analysis of Sino-Indian relations in my thesis in order to avoid the parochialism and unilateralism.

Most of the data in my thesis are based on secondary resources. These sources are collected from books and articles. Some of these sources are available in the Internet. In addition, I also conduct interviews with scholars and specialists. All my interviews are conducted through academic discussions and the personnel I interviewed offered only their academic opinions. I adopt these opinions as reference of my research only if these views are substantiated by the published sources.

2. Disposition

This thesis is composed with an introduction followed by three major chapters and a concluding chapter.

Chapter 1 traces the relations of China and India during the Cold War period. In particular, it will discuss the three phases of uneven development of the relationship and studies the cause of the India-China border war, and explicates the policies that two countries took on each other.

Chapter 2 studies China and India's politics and diplomatic relations in the post-Cold War. The chapter will study the great powers policies realignment in South Asia and India's corresponding diplomacy, which had far-reaching implications to China's boundary security strategy. The chapter will also studies India's "two-sided" policies toward China and analyzes the common interests in political and diplomatic realms that both countries shared.

The third chapter explores the Sino-Indian economic partnership after the Cold War. In particular, this chapter will focus on the developing route of both countries on economic trade and exchange issues, and the importance of China and India's

cooperation in economy. The chapter will demonstrate how these issues affected China's development and boundary security strategies.

The concluding chapter will provide a summary of the main findings of the thesis. It will discuss the future development of the relationship of the two countries. I argue that enhancing trust between China and India is the important key to develop a better relationship in the future.

Chapter 1. The development of Sino-Indian relations during the Cold-War

In his work on the asymmetry relations in international politics Brantly Womack argues that "different countries have different capacities, and different capacities create differences in interests and perceptions between the relationship of stronger and weaker sides. According to the imbalance of vulnerability between the stronger and weaker sides in an asymmetric relationship are the origins of misperceptions among nations (Womack 2003:92). I will argue, in this chapter, that Womack's theory is relevant to the development of the Sino-Indian relations.

In this chapter I will trace the development of Sino-Indian relations during the period of Cold War. Crucial historical events such as the Sino-Indian border dispute and policy implementation of Chinese and Indian governments regarding the bilateral relations of the two countries, will receive particular attention.

1. The period of cooperation (1950-1958)

On April 1st 1950, China and India established diplomatic relations and India became the first non-socialist country that accepted the Chinese Government. There are three main reasons that China and India accepted each other at the beginning, although they

have different social ideology and political system. Firstly, both of the countries had suffered the aggression by the colonialism for a long time before obtaining independence status.¹ As new founded regimes, both the countries need a peaceful environment to consolidate the political power and develop their economy. Secondly, at that time imperialism and colonialism still existed in many countries. China and India had the same stand on issues regarding decolonization. Thirdly, China and India are both big power in Asia, their independence had great impact on the political landscape of Asia. In October 1949, Nehru stated that the Chinese government is a very stable and powerful government that will get support from its people and India should accept this government (Sudhakarbhat 1967:9).

1.1 India's privilege in Tibet and the Five Principles of Peaceful Coexistence

Tibet is a part of China from the ancient times. However, India intended to inherit the British privilege of Tibet after independence. In the beginning of 1950s, the Chinese government has formulated a "common program" of which stipulate that all the imperialistic privileges must be suppressed (Tang 2003:32). Womack's theory has indicated that even if the weaker side (B) were the next largest country in the stronger side's (A) universe, A would have less interest in the relationship than vice versa, because A would have less to gain or lose in focusing on the weaker side (B) (Womack 2003:96). As in the Chinese case, the Chinese government did not suppress India's demands directly, because: Firstly, India is not an imperialistic country and it's not suitable to treat India as the western colonists. Secondly, the most pressing matter of the moment for China in the early 1950s was the Korean War because it directly threatened the northeast part of China. Observing the international environment, the Chinese government decided to get well with India and maintain stability of the western part of the nation (Han 1988:133).

¹ India proclaimed independence on August 15, 1947.

In June 1952, the premier Zhou Enlai met with the Indian ambassador to China. Zhou stated that the Tibet issue was a legacy of British aggression of China. The privileges based on the unequal treaty between British and old Chinese government was something of the past. Thus, the Sino-Indian relations on Tibet issue should be rebuilt through negotiation (Han 1988:175). Zhou Enlai emphasized the following two points: Firstly, China did not accept the imperialistic privileges in Tibet. Secondly, the two countries should solve the problems by negotiation through common diplomatic channels. In view of this, Zhou Enlai suggested India changed the Indian delegation in Lhasa to the Indian consulate general in Lhasa (Wang 1998:84), and a Chinese consulate general in Bombay would set up in reciprocate. Zhou's suggestion was, as Womack puts it, "While B's (the weaker side) status objective within the relationship is acknowledgement, A's (the stronger side) status objective is deference." (Womack 2003:97). Both China and India benefited from the solution.

On the other hand, after establishing diplomatic relations with India, China advanced the Five Principles of Peaceful Coexistence in the 1950s. It was special significant for both China and India, because its basic target is to solve the India's privilege on the Tibet issue.

A China-India bilateral talk was held in Beijing during Dec.31 1953 and Apr. 29 1954. On Dec.31 Zhou Enlai had an audience with the delegations and raised the Five Principles of Peaceful Coexistence of "mutual respect for territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each other's internal affairs; equality and mutual benefit; peaceful coexistence".

After a long time negotiation, on Apr.29 1954 an agreement about business and transport between Tibet and India was signed. The Five Principles of Peaceful Coexistence was reiterated in the foreword of the agreement. According to this agreement, the Tibet issue was solved appropriately. It made great effect in the history of international relations. Firstly, the British privilege in Tibet was abolished, the

Chinese sovereignty and national dignity were defended; Secondly, the Tibet issue was solved appropriately according to the Five Principles of Peaceful Coexistence, the bilateral relations were improved although India lost the privilege in Tibet; Thirdly, the Five Principles were raised in the bilateral treaty and were regarded as basic principles when dealing with the relations between the two nations (Wang 1998: 52).

In June 1954, Zhou Enlai began his official visit to India. This is the Chinese leader's first visit to India. In the press conference on June 27 Zhou further elaborated the Five Principles of Peaceful Coexistence¹ (Wang 1998:97), and a joint statement was signed the next day that reaffirmed the Five Principle of Peaceful Coexistence as the norm of diplomatic relations (Xin Hua Weekly 1954[7]: 52).

The Five Principles of Peaceful Coexistence laid a foundation for China's diplomatic policies in the next 50 years. Three years after the pronouncement of the Principles, China successfully solved the boundary problem with Burma, Nepal, Mongolia, Pakistan and Afghanistan based on the Principles.

1.2 Nehru's policy toward China and the discordance between China and India

About Nehru's policy, I interviewed professor Lu Wei, who holds a position in the Department of History, Peking University. The following content in this section is based on the interview as well as readings in this field.

Nehru attempted to build India as a great power. He said that India could not be a country of the second class in the world (Nehru 1956:57). The position he fixed for India in the world was not compared with South Asia countries, but compared with the US, Russia and China (Hewitt 1992:195). Nehru dreamed India to become one of

¹ These five principles include: "the sovereignty of all countries of the world is equal. All countries, strong or weak, rich or poor, are equal members of the international community and have the equal rights to participate in world's affairs. Respect the national conditions of various countries and seek common ground while reserving difference. Every country has the right to choose its own social system and path of development independently....."

the strongest countries in the world and his dream was reflected on the foreign policies made by the Nehru government.

In the 1950s, an important content in the Indian foreign policy was developing relations with China. However, there were two opposite sides of the Nehru's policy towards China: India intended to develop its relationship with his biggest neighbor—China. But on the other hand, the nationalist sentiment affected India's decision making when dealing with the boundary problem and Tibet issue. India tried to confirm the illegal McMahon Line and stirred up the internal affairs of China, especially the Tibet issue (Gupta 1990:77). Therefore, although the Sino-Indian relations seem to be friendly and peaceful in the 1950s, there were certain conflict-prone elements in the Sino-Indian relationship.

On the boundary problem, Nehru advocated to extend the borderline to the China side as far as possible. Neville Maxwell, a famous British expert of Sino-India relations, held that the decisions made by Nehru government toward boundary problem in 1951 and 1954 would inevitably cause a conflict (Maxwell 1981:59). Nehru has said in the parliament in 1950 that the McMahon Line is the border of India (Maxwell 1981:64). And then a new map was published by the Indian mapping bureau, the word "Undemarcated" on the McMahon Line was disappeared. On the Tibet issue, Indian government has intervened in the process of Tibet liberation, and it regarded the Tibet entrance by the PLA (the Chinese People's Liberation Army) as "aggression" (Gupta 1990:216).

In the asymmetrical theory, the change of the stronger side's (A) posture from friendship to hostility requires an incident that is taken as an affront to A's status, honor and power or a reframing of relations with the weaker side as part of some larger crisis worthy of A's attention (Womack 2003:99). The Nehru government's attitude on the boundary problem and Tibet issue were exactly this kind of incident that ultimately caused the Sino-Indian border war.

2. Period of Conflict and Calcification (1959-75)

2.1 Troubles left by British colonists --- the Simla Conference and the McMahon Line

Simla Conference was held by Britain during October 1913 and July 1914. China, Britain and Tibet attended the conference. Its focus was the Tibet issue. The Chinese representative emphasized that Tibet is a part of China, rejected the proposal of Tibet independence, and refused to sign on the “Simla treaty” which was denied the Chinese sovereignty in Tibet. The Conference did not confirm the border between China and India, but Henry McMahon, the chief representative of Britain, made a secret deal with the Tibet representative Lonchen Shatra, and demarcated the eastern borderline between India and Tibet, which was called “McMahon Line”. McMahon made this as a part of the Simla treaty, but because China refused to sign the treaty and the local government could not conclude the treaty with foreign government according to the International Law, therefore, the McMahon Line was illegal (Baxter 2002:117).

2.2 The border dispute and Nehru’s forward policy

In March 1959, the Indian government supported the Dalailama in the serf owner rebellion in Tibet, which chilled the Sino-India relations. Nehru asked for the territory just after the rebellion and the Indian army went across 2 miles over the McMahon Line, occupied Longju and some areas on the north of McMahon Line. Then the Indian army launched the Longju incident on August 25 and the Kongka Pass incident on October 20. The Sino-India relations worsened rapidly (Jain 1981:57).

Zhou Enlai wrote to Nehru several times and claimed that the border dispute should be solved based on the Five Principles of Peaceful Coexistence. Zhou Enlai reiterated

that China did not accept the McMahon Line, but in order to keep a peaceful border, the Chinese army never crossed over the line and the Indian government should recall its troops from the areas it has invaded. Zhou suggested the premiers of the two countries might hold talks and try to solve the boundary problem peacefully (Wang 1998:189).

In April 1960, Zhou Enlai went to New Delhi to attend the talks, but the talks have run into obstacles because of the Indian government's obstruction and Nehru's "Forward Policy". The talks were to end in failure.

The border war between China and India was broken out on October 20. The Chinese army gained the initiative in the war and the Chinese government made suggestion again to solve the problem by negotiation, but the Nehru government rejected it and asked China to recall the troops to the "boundary prior to September 8 1962". In a letter to Zhou Enlai, Nehru asserted that no matter how hard, no matter how long it would take, India would never give up (Nehru 1965:206). The border war resumed at that day. Two days later the Indian troops were utterly routed, withdrew to the south¹. On November 21, 1962, the Chinese government proclaimed that the Chinese frontier guards would cease fire along the entire Sino-Indian border from November 22 (Lu 1996:176).

Nehru gave up his Forward Policy at last. The Chinese army started withdrawing on December 1st as per the permission. The Indian prisoners of war were repatriated to India from China. The border war lasted for only one month but it greatly influenced the Sino-India relations. It was a shadow of the Sino-India relations although it brought a peaceful border between the two sides for tens of years, the boundary problem seriously restricted the development of the bilateral relations.

¹ See appendix.

However, India had already been defeated in the border war. Why did the Indian government refuse to solve the dispute in a peaceful way? Why did Nehru insist the Forward Policy? Here is a summary of my findings after my interview with professor Lu wei:

Firstly, the international situation was to India's advantage. In the 1960s, the Sino-Soviet relations broke off and the US carried out the anti-China policy, China's disadvantageous situation made Nehru unrealistically optimistic and he did not expect China would use forces (Wang 1998:290). **Secondly**, the domestic difficulties China had faced made Nehru falsely estimated China's reaction. At that time, China's economic construction came across serious difficulties, the second five-year plan had a negative growth, and the 3 years' of natural calamity brought China in an awkward situation. Then Russia tore up the contract, withdrew the experts, and stopped the support to China, these reasons weakened China's national power. Besides these factors, the situation of Taiwan Strait was strained. Indian government thought that China would pay more attention to these crises and had no time to consider the problem in western border. In addition, the Indian government's underestimation of the ability of Chinese troops was another reason. **Thirdly**, a series of domestic crisis and social problems surfaced in India. In order to stabilize the volatile situation, and reduce the government's pressures to win the general election in 1962, Nehru took the venturesome policy to divert the attention of Indian people.

According to the asymmetrical theory, once a stronger side moves into a general climate of hostility toward the weaker side, it will be at least as difficult for the stronger side to make the transition in the other direction back to friendship (Womack 2003:99). It was true that China and India did not return to a friendly relationship in the wake of the border war but contrary to the aforementioned theory, their relations came into a period of relaxation. In this sense, the so-called "unfriendly" relationship between two enduring rivalries may not as conflict-prone as scholars like Brantly Womack has expected.

3 Period of relaxation (1976-88)

3.1 The change of international environment and the foreign policy realignment of the two countries

3.1.1 Policy realignment of China's diplomacy

The international situation was tended to relaxation from 1970s to the end of 1980s, peace and development became the mainstream in this period.

After 1970, the Nixon government pursued the “relaxation” strategy toward Russia, and stopped the Vietnamese War in Asia. The adjustment of the US-Soviet relations made great influence to the world.

In this period, the Chinese “Culture Revolution” was just over, the most pressing matter of the moment was the economic reconstruction, and the peaceful border relations would furnish a nice environment for it. In order to improve the peripheral situation, China developed the relations with Japan in the east and adjusted the relations with India in the west. Womack's theory has claimed that the actual pushing of concrete disputes can occur without immediately raising the question of ultimate consequences for the relationship (Womack 2003:106). China and India's case seems to confirm his argument. In 1978, the vice president Deng Xiaoping pointed out that China intended to improve the relations with India, if the boundary problem could not solve immediately, the two countries might develop the relations in other fields and left the boundary problem until the friendship was fixed (Zhonggong zhongyang wenxian yanjiushi 2004:391).

In February 1979, the Indian foreign minister Vajpayee visited China. Deng Xiaoping had an audience with the Indian delegation and said that China and India should seek

common points while reserving difference and the boundary problem can be solved by negotiation (Zhonggong zhongyang wenxian yanjiushi 2004:489). In June 1981, Huang Hua, the Chinese vice premier and foreign minister, visited India. The two parties held talks on the boundary problem and agreed to solve the contentious problems by negotiation.

3.1.2 Adjustment of India's diplomacy

In the 1970s, the Sino-US-Soviet relations were improved, which caused the adjustment of Sino-India relations indirectly. Firstly, the Sino-US relations were ameliorated, and they contended with the Soviet Union in alliance. This situation made India in an isolated position. Secondly, because the US and China increased the support to Pakistan, India lost the dominant position toward Pakistan. These reasons made Indian government adjusted its foreign policy.

In 1977, the Bharatiy Janata Party (BJP) came into power instead of the Indian National Congress (also known as the Congress Party). It pursued the policy of nonalignment, on the other hand, it pointed out the Indira Gandhi government's mistakes when implement the nonalignment policy—preferred Russia rather than the US. The BJP ameliorated the relations with the US and other western countries, intended to find a balance between the US and Russia so that could get more supports from both sides. About the relations with China, the BJP claimed to ameliorate the Sino-India relations. In 1980, Indira Gandhi came into power again, and the bilateral talks about the boundary problem were held in the end of 1981 (Murty 1987:92).

3.2 The border negotiation and Rajiv Gandhi's visit to China

China and India held 8 talks to negotiate the boundary problem from December 1981

to November 1987. China raised a package plan¹ and intended to solve the problem of the eastern, western and central border. However, India insisted to confirm the eastern part first. India intended to make the McMahon Line legal. Because the two countries held different opinions, the boundary problem was not solved (Fang, Liu & Wang 1999:86).

Rajiv Gandhi acceded to the premier's position after Indira Gandhi was assassinated. He focused on the development of domestic economy and technology and claimed that the Sino-Indian relations were ameliorating and India was trying to find a perfect way to solve the problem (Sidhu, Waheguru & Yuan 2003: 83). Along with China's reform and opening, Rajiv Gandhi gave up the balance policy, began to resume the friendship with China.

As recommended by Womack, the stronger side should give the weaker side the appropriate attention for the best management of the relationship and avoid confrontation (Womack 2003:101 and 105). His claim can be proved by the following events. In October 1985, the premier Zhao Ziyang had an audience with Rajiv Gandhi during the celebration of the United Nation's 40th anniversary. Zhao iterated China's policy toward South Asia and particularly mentioned that the Chinese government sincerely hoped to ameliorate the relations with India (Xinhuashe xinwengao 1985:23). The next day Rajiv Gandhi stated to the journalists that he discussed the boundary problem with the Chinese premier and India was interested in ameliorating the relations with China (Xinhuashe xinwengao 1985:52).

Rajiv Gandhi made an official visit to China during December 19 to 23 1988, the two countries' premiers changed the opinions about the boundary problem and agreed that

¹ The package plan was raised by Deng Xiaoping in 1980s, it included 3 aspects: **Firstly**, the boundary problem existed for a long time, if the two countries could understand each other, the problem was not difficult to be solved by negotiation. There was no menace between China and India, the only trouble was the boundary problem, the two countries should do something to resume their friendship (Deng 2004:731,861). **Secondly**, China and India might strengthen their relations on trade, economy and culture etc. if the boundary problem could not be solved in a short period. The friendship and cooperation between the countries needed to be improved (Deng 2004:862,731). **Thirdly**, China does not accept the McMahon Line.

it should be solved by negotiation. Rajiv's visit relaxed the strained relations and dispelled the mistrust between the two countries. The Sino-India relations came into a period of cooperation in the next 10 years.

In this chapter I focus on the Sino-Indian relations during the Cold War from the perspective of asymmetry theory on international politics. In this period, China raised the Five Principles of Peaceful Coexistence to solve the Tibet issue and pursued the friendship with India, however, the Indian government's attitude toward the boundary problem and Tibet issue finally caused the border war. After 1976, their relations came into a relaxation period. Both parties adjusted their foreign policies, and finally agreed to solve the boundary problem through negotiation. In the next chapter I will focus on their relations in the post-Cold War period.

Chapter 2 Sino-Indian political and diplomatic relations after the Cold War

This chapter will focus on the China and Indian political and diplomatic relations on the post-Cold War era. The present chapter will discuss the foreign policy changes among the great powers in South Asia and India's corresponding diplomacy of which generating profound influences to the Sino-Indian border issue. The chapter will review India's "two-sided policies" to China analyze the political and diplomatic strategic interests from both the Chinese Indian perspectives.

1. The transformation of international politics in South Asia after the Cold War

After the Cold War, the US and Russia adjusted their policies toward South Asia and India changed its foreign policy direction accordingly. Consequently, the political landscape of South Asia was changed. The present section will demonstrate that the

great powers policies realignment in South Asia had far reaching implications for Sino-Indian relations. In particular, the present chapter will argue that the new political climate in the region has become a significant destabilizing factor to the southwest boundaries of China.

1.1 US and Russia policy realignment toward South Asia

During the Cold War era, the US and USSR, as two axis, contended for hegemony in South Asia. The confrontation between US-Pakistan against USSR-India was thus developed under the framework of US-Soviet global rivalry. In the 1960s-1970s, China and Pakistan established political, economic and diplomatic relations and the relations between China and the US started to thaw under the help of Pakistan (Tang 2003:98). In view of the new development in international politics, India regarded China as an ally with the US and Pakistan in South Asia, and believed a China-US-Pakistan axis had emerged. This made India get close to Russia and subsequently a cooperation treaty was signed between the two nations. This is accorded with Womack's asymmetry theory, India as the weaker side in the Sino-Indian relations and its good relations with a country stronger than China gave India a sense of status security even if no military bond is involved. Although India's relation with Russia is even more asymmetric than its relation with China, it relieves the tension of the more urgent relation with China by complicating the status picture (Womack 2003:97). In this sense, the formation of alliance in South Asia not only showed the cooperation between the US and Pakistan, the tie between China and Pakistan and the alliance between Russia and India, but also showed the confrontation between India and Pakistan, US and Russia, China and India, China and Russia. The delicate circumstances have been a main driving force for these countries to adjust their strategic setting according to their respective national interests.

Firstly, the US adjusted its policy toward South Asia and improved its relations with India. The US strengthened the cooperation in defence and economy with India, and

recognized India's core status in South Asia. India stood as a foreign policy priority than Pakistan for the US under the Bill Clinton administration. This line of policy did not change until the George W. Bush government took over. The relations between the US and Pakistan were not as close as during the Cold War era. The strategic status of Pakistan in South Asia was less important for the US decision makers after the disintegration of the Soviet Union. Meanwhile, India was a powerful country with nuclear weapon. It was a calculated move for the US to cooperate with India to provide a steady prospect for South Asia on the one hand and restrain China with India's support on another (Yang 2003:33). Furthermore, India was an emerging market with great economic potential. Some American leaders believe that there is a vast range of prospects for economic cooperation with India and it is important to increase the investment to India (Yang 2003:34).

In the meantime, in order to become a great power of the region and even the world, to defend China, and also to import the fund and technology from the US, it is important for India to adjust its strategies to improve the relations with the US.

Russia's South Asian policy also shifted in the post-Cold War era. The focus of Russia's policy toward South Asia since 1990s was to resume friendship and build a strategic partnership with India. The waning of the Cold War changed Russia's rivalry relationship with China, US and Pakistan. A more benign international environment allowed Russia to focus on domestic political and economic reform and the special relations as military alliance between Soviet and India during the Cold War were no longer existed. Boris Yeltsin, the president of Russia, visited India in 1993. The two countries signed a cooperation treaty to improve the political relations of the two nations. After that, they frequently exchanged high-profile visits and signed a series of treaties on strengthen the bilateral cooperation. In October 2000, the President Putin visited India, he reconfirmed that Russia supported India to become a permanent members of the United Nations Security Council and two countries signed a strategic partnership declaration.

Generally speaking, along with the policy realignment of the US and Russia toward South Asia and the change of India's foreign policy, the pattern of South Asian international politics changed. The confrontation between the two axis powers no longer existed.

1.2 The Sino-Indian relations constructed by the changing pattern of South Asian international politics

Under the Cold War framework, the confrontation between the two axes (China, US, Pakistan—Soviet, India) seriously hindered the development of Sino-Indian relations. Although the relations had relaxed during this period, the distrust and confrontation on the boundary were never disappeared between China and India. Their major differences were the boundary problem and issues concerning Tibet.

On the other hand, the great powers policies adjustment in South Asia has great impact on Sino-Indian border issues of which indirectly affected the bilateral relations of the two nations.

Firstly, the US-Indian relations were improved and they considered containing China as their common interest. From the US's perspective, India is one of regional powers that is able to affect the balance of power in Asia. In developing a cooperative relation with India, the US is able to check China's influence in the region. In the period of Clinton government, the US regarded China as a potential adversary in its national defense strategic setting (Guojia anquan tongxun 2001:28). The US believes that Russia and China will become competitive adversaries of the US after 2015. After the Bush government came to power, the US claimed publicly that China is the competitive adversary but not the partner of the US, although this keynote was changed after 911 because of the needs of anti-terrorism, the US still saw China as a rival (Tang 2003:152).

India had similar interest with the US as it believes that the China's rise as a great military power in particular was a threat to India's security. The asymmetric theory has indicated that in a relation, "the stronger side signals its powerful disapproval (but nothing more), this is taken as a threat by the weaker side, who then moves closer to the third party" (Womack 2003:103). The tension between the desire of establishing a productive bilateral relationship with China and the perceptions of seeing China as a potential enemy was tremendous for the Indian decision makers, and this was one of the reasons that India tried to get closer to the US (Sun 2000:49). In sum, neither India nor the United States wishes to see China's domination in Asia.

Furthermore, China was not the only reason for the US-Indian cooperation. For India, its economic construction needed the funds and technological supports from the US after the Soviet Union collapsed. On the other hand, it also needed a good relation with the US if India intended to become a permanent member of the Security Council of the United Nations.

Besides, India also sought to improve relationship with Russia and the improvement of Russia-Indian relations has great impact on the boundary security of China and India from geopolitical perspectives (Tang 2003:109).

However, there were conflicts of interest between India's big power strategy and the global strategy of the US. In addition, the nuclear non-proliferation issue was also an important factor that restricted the US-Indian relations. In view of the US military operations in recent years, South Asia was one of the main focuses of the US's anti-terrorism and global strategies. India, being a big country in South Asia, intended to dominant the South Asian affairs and control the Indian Ocean to the South. The purpose of India pursued a non-align foreign policy was to keep itself out of the big power control and maintain an independent status and freedom in its foreign policy decision-making. Therefore, there were both cooperative and conflict-prone factors in

the US-Indian relations. On the other hand, there was greater significance to restrain the US rather than China in regards to the restoration of the Russia-Indian relations. It was because the economic and military strength of China has not strong enough to threaten Russia, and both China and Russia are the founding members of the Shanghai Cooperation Organization (SCO). Besides, China and Russia signed the Supplementary Agreement on the eastern Boundary in October 2004, the boundary dispute between the two countries were fundamentally solved (Sun 1998:36).

Generally speaking, the time for “India-Russia alliance confronted China” was passed, now Russia will not fight against China for India and India’s foreign policy of containing China with Russia’s help was outdated. And on the other hand, the US will not risk its relations with China by siding with India. As Womack has pointed out that “for any third party the question of partnering with B (the weaker side) in a climate of hostility will ultimately be one of its desired relationship with A (the stronger side) and only residually a question of its relationship with B, because in general the relationship with A will be more important to a third party.” (Womack 2003:99). In sum, the changing pattern of the South Asian international politics brought a complicated influence to China’s security and Sino-Indian relations.

2. The development of the Sino-Indian political and diplomatic relations

In the end of the 20th century, the dual nature of Indian policy toward China was that India intended to establish a cooperative relation with China but simultaneously India’s aim of being a great power and being on an equal footing with China made it considered China as its main adversary and potential threat (Sun 2004:2).

2.1 Toward a normalized Sino-Indian relationship

In 1990s, the Sino-Indian relations were improved steadily. These improvements can be summarized in the following aspects:

Firstly, as shown in the following table, the mutual visit between high-level leaders of China and India has increased:

Year	Visit (Person & Position)	Content & Significance
Oct.1989	Wu Xueqian, Chinese Vice-Premier	Discussed the bilateral relations and the regional problems, indicated that the high-level contact would be continued
Dec.1991	Li Peng, Chinese Premier	Discussed the boundary problem, both sides agreed to maintain a demilitarized zone around the line of actual control prior to the final settlement of the border issue
May.1992	S.D. Sharma, Indian President	Indian president's first visiting China since the diplomatic relations was established
Sep.1993	Rao, Indian Premier	The "Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control in the India-China Border Areas" was signed. The two countries promised that they "should respect and strictly honor the Line of Actual Control" prior to the final settlement of the border issue
Jul.1994	Qian Qichen, Chinese Vice-Premier	Proposed to establish a new cooperative relationship of China and India
Nov.1996	Jiang Zemin, Chinese President	Four agreements about boundary problem were signed, and lay a foundation for Sino-Indian cooperation on regional security in the future. The two countries agreed to build a constructive partnership toward 21 st century on the basis of the Five Principles of Peaceful Coexistence (Tang 2003:202).

As demonstrated above, the Sino-Indian relations developed smoothly in the 1990s, the Five Principles of Peaceful Coexistence was emphasized by both China and India, the confidence measures were built on the border issue concerning the "Line of Actual Control" for the first time, and the high-level dialogue between the two

countries was maintained till 1997.

Secondly, India and China were able to strengthen the cooperation in economic, trade and cultural exchange in the post-Cold War period. For instances, the trade between the two countries increased rapidly for several years since 1993. In comparison to the year before, 32% increased in 1994, 29.9% in 1995, 20.9% in 1996 and 30.2% in 1997. Only in 1998 and 1999 the trade incremental rate was decreased to 5% and 3.4% because of the Asian financial crisis and the Sino-Indian diplomatic relations (Nanya yanjiu 2000:21). The Sino-Indian total import and export volume reached 1.83 billion US dollars-worth, almost seven times increased than that of 1990 (Lin 2005:54). Along with the relaxation of Sino-Indian relations, the diversified exchange of cultural missions increased. The first agreement on cultural cooperation between the two countries was signed in May 1988. The “Chinese Cultural Festival” and “Indian Cultural Festival” were held in India and China in 1992 and 1994. These cultural communications greatly contributed a better understanding between the two countries (Lin 2005:68). The China-India case confirms the effect of “ritual diplomacy”. In ritual diplomacy the major purpose is not the transactional content of the event, but the provision of an occasion in which the stronger side acknowledges the weaker side, and the weaker side’s deference to the stronger side can be demonstrated and voiced without either prejudicing their cases on specific issues (Womack 2003:106). The economic and cultural cooperation provided that “occasion” for China and India.

2.2 The retrogression of Sino-Indian relations under the shadow of Indian nuclear policy

In January 1964, Homi Bhabha, the chairman of Indian Atomic Energy Commission, had stated that the regular deterrence could provide relative deterrence, and the nuclear deterrence provides absolute deterrence. Therefore, it was necessary for India to possess the nuclear deterrence (Moshaver 1991:31). Ten years later, India exploded

its first nuclear device in May 1974, and became the sixth country that tested the nuclear device. From then on, India claimed to pursue a peaceful nuclear policy, and insisted that it never intend to produce nuclear weapon till late 1980s (Blackwill & Carnesale 1993:34). After the Cold War, the international society strengthened the international mechanism of nuclear nonproliferation, and most of the countries in the world, included China, signed “the Nuclear Nonproliferation Treaty” and “the Comprehensive Test Ban Treaty” (Frieman 2004:57). However, India refused to sign these treaties for the treaties did not stipulate the nuclear countries to abandon the nuclear weapon they had (Barnaby 2001:58).

As India made a unilateral decision in nuclear test, a vicious spiral of nuclear arms race ensued. Following India’s steps, Pakistan began to develop its nuclear weapon, making the South Asian nuclear competition apparent to all. When the international society fulminated against the India-Pakistan nuclear arms race, the Indian Defense minister, George Fernandes pronounced on television that the nuclear test was conducted to defend threats from China. According to the asymmetry theory, “a casual gesture of dissatisfaction or an expression of an extreme wing of its domestic political spectrum” of a country would likely be a threat to its international counterpart (Womack 2003:102). In the case of Sino-Indian relations, however, India warned that China was its “potential threat number one” (Burns 1998:3) and this claim was well beyond the limitation of “a casual gesture”. Later, the Indian premier Vajpayee stated in a letter to Clinton that India faced a nuclear-weapon state of China on the boundary and that China had invaded India in 1962, although India tried to improve the relations with China in the last ten years, the distrust was never disappeared since the boundary problem has not solved. Vajpayee accused China of supporting a neighboring country of India (i.e. Pakistan) to develop nuclear weaponry (Xu 2003:55). However, from the first day it gained nuclear weapons, China has solemnly undertaken not to be the first to use nuclear weapons at any time and in any circumstance and unconditionally not to use or threaten to use nuclear weapons against non-nuclear-weapon states or nuclear-weapon-free zones (“China’s Endeavors

for Arms Control, Disarmament and Non-Proliferation” Sep.1 2005). China has already ceased the nuclear test two years before the nuclear competition between India and Pakistan began.

India’s overattention to China, as Womack’s theory indicated, directly shifted China’s attitude from friendship to hostility (Womack 2003:102). In response, China ceased the political exchange with India, and indicated that China would defend world peace and regional stability. In meeting with the president of Agence France Press (AFP) on June 3 1998, Jiang Zemin declared that China is against the nuclear test and the nuclear arms race in South Asia and that India was the creator of tense situation in the region (Renmin ribao 1998[15 May]). At the same time, China strengthened the communication and cooperation with the US in attempts to defuse the South Asia nuclear crisis. During President Clinton’s visit to China, the head of the two countries issued a joint statement on June 27 1998, condemning and demanding India and Pakistan to stop the nuclear tests and unconditionally sign “the Comprehensive Test ban Treaty” (Renmin ribao 1998[28 June]).

From strategic perspective, China and the US had overlapping areas of interest on the issue of preventing nuclear proliferation in South Asia. Although the US hoped to contain China with the aid of India, the strategy of India to become a nuclear weapon state and the main strength of the region was against the US’s benefit and its global strategy. India intended to use the US to defend China, but isolated itself by challenge the nuclear nonproliferation mechanism and irritated the US.

2.3 The normalization of Sino-Indian relations after 1999

2.3.1 The creation of a relaxing atmosphere for Sino-Indian relations

The Sino-Indian relations were improved in 1999 after the tortuous period in the year before. The improvement of relationship was developed on the basis of two important

factors.

Firstly, India adjusted the propaganda of its “China Threat” claim and emphasized good-neighborly relations with China after facing pressure internationally to defuse the nuclear crisis. The Five Principles of Peaceful Coexistence was re-emphasized by the two countries. Besides, the two countries decided to establish bilateral dialogues on security issue, and it began in March 2000. It is to be noted here that the Indian Defense Minister Fernandes who had openly accused China of being “India’s potential threat number one”, visited China in April 2003, when the “SARS” was spread in China. He organized the medical aid to China after he went back to India. His visit shortened the distance between China and India and also set a stage for the Vajpayee’s visit in June 2003.

Secondly, the Sino-Indian relations had been restored to normal at the year of the 50th anniversary of their diplomatic relations established. The Indian president made an official visit to China in May 2000 and during his visit the Chinese president Jiang Zemin raised four points on developing the Sino-Indian relations. Jiang’s statement included the expansion of economic and trade cooperation and seeking common ground while putting aside differences. The Chinese premier Zhu Rongji was invited to visit India in January 2002, several cooperation agreements were signed between China and India during his visit. Zhu Rongji expressed China’s willingness to establish a constructive and cooperative partnership with India based on the Five Principles of Peaceful Coexistence.

2.3.2 The adjustment of the Vajpayee Government’s policy toward China

In the early times of the Bharatiya Janata Party’s reign, Vajpayee considered China as India’s competitive adversary according to his jingoistic strategy. However, this strategy made India isolate itself from the international community (Gao & Zhang 1995:67). In addition, the US began to cooperate with Pakistan after the “9.11”. These

made Vajpayee government adjusted its foreign policy to improve the international relations and strengthened the cooperation with neighbor-countries. Vajpayee was invited to visit China in June 2003. This visit brought the Sino-Indian relations back to normal (Lin 2005:99). The normalization of Sino-Indian relations includes the following aspects:

Firstly, the political trust was strengthened between the two countries. Both countries believed that there are more common interests than differences and reiterated that none of the two parties should use or threaten to use force against the other. The “China Threat” perception was officially contradicted by the Indian leadership. The two countries decided to develop a long-term constructive and cooperative partnership based on the Five Principles of Peaceful Coexistence (Lin 2005:101).

Secondly, the two parties reiterated that they would find a fair and rational solution of the border issue through negotiation.

Thirdly, India accepted Tibet Autonomous Region is a part of China, and no anti-China political activities were permitted in India. As response, China accepted Sikkim as a state of India by signed a “memorandum of understanding” (Lin 2005:104).

Fourthly, the two parties came to an understanding on the issue of “War on Terrorism”. The second anti-terrorism consultation was held between China and India before Vajpayee visited China, and they agreed to promote the anti-terrorism cooperation through bilateral dialogues (Lin 2005:108).

Finally, both countries radically strengthened the bilateral relations on every level in every field, and the differences should be solved through a fair and rational solution that could accept by both parties. According to the asymmetry theory, the friendship can be accomplished through the use of discourse that articulates the vital interests of

both sides (Womack 2003:104). In this case, China and India reached a common understanding on diplomatic discourse that the differences between them should not affect the development of bilateral relations, and according to their common interests, the military and bilateral trade cooperation should be developed before the boundary problem was got to the final settlement (Lin 2005:111).

When Vajpayee carried out the multi-faceted diplomacy and developed the foreign relations with China and other countries, the Bharatiya Janata Party was failed in the general election in May 2004. The Indian National Congress came into power and Manmohan Singh became the premier. Nevertheless, the National Congress did not change the policy toward China and the Singh government continued to improve the Sino-Indian relations.

2.3.3 The integrated development of the Sino-Indian relations

The Chinese Premier Wen Jiabao visited India during April 9 to 12, 2005. The two countries reached a wide range of consensus (e.g. trade cooperation and border peace arrangements) on extending the mutually beneficial cooperation by signing a joint statement (Renmin ribao 2005[Apr.12]).

Brantly Womack has claimed, “if A (the stronger side) presents its action in terms and values shared by B (the weaker side), B is more likely to be drawn into a dialog rather than a confrontation” (Womack 2003:105). His claim seems to explain India’s warm reception of Wen’s visit.

Womack’s theory also explains China’s position in supporting India’s bid of becoming the permanent member of the United Nations Security Council (Renmin ribao 2005[Apr.13]). In return, India reiterated that Tibet Autonomous Region is a part of China and no anti-China political activities were permitted in India.

Generally speaking, Wen Jiabao's India visit ended with conspicuous achievements on both politics and diplomacy and improved the Sino-Indian relations greatly.

3. The common grounds on political and diplomatic interests between China and India

China and India have different social system and ideology, however, both of them are developing countries with big population. They needed to accelerate the economic development at home and improve their status in the international society. Therefore, although there were some contradictions between China and India, they still had common standpoints in some major international issues.

Firstly, in the 21st century, India was solicitous of being a strong power in the world, so the independence and nonaligned foreign policy became even more important, and these were similar with the independent and non-offensive diplomatic policy of China. In sum, China and India had common grounds on issues such as anti-hegemonism, national sovereignty, anti-unipolarity and promoting multi-polarization.

Secondly, the two sides share common ideology on national sovereignty. On the issue of sovereignty and human rights, China emphasizes on respecting the sovereignty of other countries, and opposing interfering in the internal affairs of other countries by using "human rights" as a pretext. In a similar vein, India advocates that the improvement of the human rights should consider the conditions of different countries. In 1999, India fulminated against the North Atlantic Treaty Organization (NATO) waged the battle of Kosovo. The Indian premier Vajpayee maintains that no countries should act as a world cop (Cheng 2000:24).

Thirdly, after the reform and opening-up, China focused on the central task of economic construction, and concerned the development of countries located in the southern hemisphere. For example, China's paramount leader Deng Xiaoping was one

of the advocates of the South-South Cooperation of establishing the New Order of International Economy (Wang 1993:84). On the other hand, India wants to maintain its role as the leader in the Nonalignment Movement, so it not only had to improve the relations with big powers, but also had to develop the cooperation with developing countries. On the issue of international order, India advocated to strengthen the South-South Cooperation and North-South Dialogue and establish a New Order of International Economy of which considering the benefit of all countries especially the developing countries according to the UN principles (Wang 1993:121).

Fourthly, both countries pursued a peaceful peripheral environment for their own development, although the border dispute existed. China persisted in building a good neighborly relationship and partnership with its neighbors and pursued a policy of good neighborliness and friendship (Yang 2003:176). On the other hand, India created a favorable environment by pursuing the multi-faceted pragmatic diplomacy. In the recent years, India improved the relations with China and positively pursued the solution of the boundary problem. It endeavored to develop good relations with Southeast Asian and South Asian countries. A ceasefire in Kashmir on November 25, 2003 was one of the results of this policy.

Besides, good relations with peripheral countries, especially China and Pakistan, are certainly helpful for India's bid for a permanent member of the United Nations Security Council for years (Yang 2003:73).

In sum, China and India, at the two sides of an asymmetric relationship, had common understanding on major international issues. As suggests by symmetry theory the diplomatic task for each side of the asymmetric relation is to make it of mutual benefit (Womack 2003:95). Although China and India raised the similar points based on their own interests, they reached agreement on the basis of mutual benefit.

In this chapter, I focus on the Sino-Indian political and diplomatic relations after the

Cold War. I have analyzed the foreign policies taken by powers to South Asia and India's correspondingly adjusted policies, which brought complicated influences to China's southwest boundary and even relations between the two countries. Obviously, there are disparities in capacities between China and India, and "the difference in capacity creates a difference in perspective" (Womack 2003:92). India's big power dream made it regarded China as its competitive adversary. Its overattention toward China negatively influenced their relations (Womack 2003:101). However, there were also common interests and similar diplomatic position of Sino-Indian political and diplomatic strategy. Both China and India reiterated that the normalization of bilateral relations would be developed normally prior to the final settlement of the border issue. Therefore, to seek common ground while reserving differences is very important to the Sino-Indian relations. In next chapter, I will argue that this assumption is also applicable when the two nations dealt with their economic relations.

Chapter 3 The Sino-Indian economic relations after the Cold War

This chapter will focus on the economic partnership between China and India after the Cold War. I will analyze the developing route of the two countries on economic trade and exchange, compare their developing levels and speed, and further analyze India's economic potentials and advantages in the future. Furthermore, the importance of China and India's cooperation in economy, which relates to China's development and boundary strategy will be discussed in this chapter.

1. The development of Sino-Indian economic and trade relations after the Cold War

After 1990s, along with China's economic reform and India's free market economy, the economic and trade relations between the two countries were developed and

because of these developments the Sino-Indian relations improved greatly.

1.1 Background of the bilateral economic and trade development

1.1.1 Prerequisite: steady political relations

The development of Sino-Indian economic and trade relations was almost synchronous with their political relations development, both included four periods: beginning, halt, restoration and improvement.

From 1950s, after establishing the diplomatic relations, the trade exchange between China and India was began, although the total volume of trade was only 260.38 million USD during 1950 to 1962 (Chen 2005:87). After the Sino-Indian war in 1962, the bilateral trade relations came to a halt. The Sino-Indian relations started thawing in 1976, and the BJP, which advocated improving the relations with China came into power in 1977. The Sino-Indian economic and trade relations were resumed after 15 years' stagnation. China and India held talks every year since early 1980s. They negotiated the issues of trade cooperation and cultural exchange, except the boundary problem. The trade and cultural exchange were the provision of an occasion for the stronger side to acknowledge of the weaker side and also give opportunities for the weaker side to show deference to the stronger side (Womack 2003:106). In the previous chapter, I have applied the same assumption to explain the Sino-Indian diplomatic relations and in the present chapter, I argue that this assumption is applicable also to the economic relations of the two countries. As a matter of fact, the two countries granted each other the most-favored-nation treatment in 1984, and after the Cold War (1991) the total volume of trade reached 264.8 million USD, analogous to the total volume from 1950s to early 1960s (Chen 2005:99).

The Sino-Indian political relations developed nicely in 1990s, they kept the high-level dialogue even when their relations were intense in 1998. The bilateral trade kept

increasing in most years of 1990s, just in 1998 and 1999 the increasing rate reduced to 5% and 3.4% because of India's nuclear test, India's "China Threat" perception and the Asian financial crisis. After 1999, the trade volume went up significantly¹ along with the change of foreign policy principles and Indian Foreign Minister Singh visited China. In sum, the steady political relations are the prerequisite of Sino-Indian trade relations.

1.1.2 Complementarities between bilateral trades

The complementarities can be reflected by the structure of imports and exports. The main goods that China exported to India were finished and half-finished goods, and the main goods that India exported to China were raw products and half-finished goods.

In 1990s, the main goods that India imported from China were products of chemical industry, and engineering goods were in the second place. Along with the changes of the bilateral trade structure, the export of high added value products was increased. In 2002, the main goods that India imported from China were machine and transport equipments (780 million USD, growth rate: 87%), the products of chemical industry reduced to the second place (710 million USD, growth rate 37.5%), and the raw product was 470 million USD (growth rate: -11.5%) (Han 2003:190).

The main product that China imported from India was iron sand. India was the third largest provider of iron sand to China. Besides, cotton, chemical and granite were also the main goods China imported from India. Basically, the growth rate of raw products that India exported to China was slowed down, and the half-finished products were increased. In 2002, India's raw products exports to China was 910 million USD,

¹ Compared with January 1999, the bilateral trade-increasing rate reached 46.5% in the same period of 2000. In 2002, the bilateral trade volume was 37.5% increased than 2001. Since 2003, along with the improvement of Sino-Indian political relations, their trade relations developed rapidly, especially in 2004, the volume broke 13,000 million USD (Chen 2005:102).

growth rate was only 10.2%, and the industrial products were 1360 million USD, growth rate was 56.3% (Han 2003:198).

In sum, there were enormous potentials remain untapped in Sino-Indian cooperation. The development of the bilateral political relations provided a good environment for their trade cooperation (Bhalla 2000:9). In order to promote the bilateral trade, a border trade agreement between Sikkim and Tibet was signed during Vajpayee visited China in June 2003.

1.2 The limitation of the bilateral trade and the development conception

1.2.1 The limitation of mutual complements in economy and the low level trade

Both China and India were developing countries with big population, they faced economic reform, opening-up, industrial and agricultural modernizations at home. Besides, they had similar economic pattern and product structure that limited the economic mutual complements. Take the raw and processed materials for example, the products that China needed for domestic construction were also needed by India, and India also intended to export the products that China wanted to export, such as chemical products (Han 2003:63).

The similarity of the export products in the international market also reflected the limitation of Sino-Indian economic mutual complements. For instance, jewelry, handicraft, tealeaf and tobacco leaf, these were main export products of China and India. They competed with each other in the international market. Catering industry was another example. Both Chinese and Indian food was popular in western countries. It was obviously that the similarity of their economic structure limited the mutual complements of their products (Han 2003:65).

From 1990s, the bilateral trade kept increasing, the trade volume continuously

enhanced, and the border trade developed. However, compared with the speed of their economic development, both China and India's trade was in a low level. For instance, in 2002, the Sino-Indian trade volume almost reached 5000 million USD, more than China's total trade volume with all other South Asian countries, but it only occupied 0.8% of China's and 4.8% of India's total foreign trade volume (Tang 2003:113). Till 2005, India did not in the top ten of China's trade partners. Canada, as the No. 10, occupied only 1.4% of China's total foreign trade volume, but India, as a neighbor country, did not reach this level. Even now, China's products shared much less market than the US and European Union in India. Therefore, to develop the Indian market will be one of the most important approaches to expand China's foreign trade.

1.2.2 Proposal for promoting bilateral economic and trade cooperation

The above situation shows that the Sino-Indian economic and trade cooperation was still in a low level, it was not harmonious with the scope and speed of their economic development, there were great potential of their cooperation, especially in the aspect of economic technological cooperation.

According to the asymmetrical theory, the stronger side has to pay attention to the vantage point of the weaker side because of the salience of the opportunities and risks that it presents (Womack 2003:92). In this sense, the potential of cooperation in developing the IT industry between India and China deserves attention. As India's IT industry developed speedily in recent years, China intended to cooperate with India. The Chinese premier Wen Jiabao emphasized the importance of Sino-Indian economic technological cooperation during his visit in India in 2005. He pointed out that if China and India cooperated in the field of IT and leaped into the front ranks of the world, the Asian century of IT industry would come, if the development of IT industry indicated the development of economy and technology, it would brought a bright future to China and India (Renmin ribao 2005[12 December]). According to the analysis of Indian Industry Federation, India's IT export would reach to 60,000

million USD, if complemented advantages with China, the prospect would be cheerful.

The president of Indian industry Federation raised several suggestions in the seminar on promoting the Sino-Indian investment and trade that held in Beijing in December 2004¹. Later in April 2005, a 5-year plan of Sino-Indian economic and trade cooperation was signed in New Delhi. And a new idea to advance the Sino-Indian economic and trade cooperation was raised by China in 2004 establishing a Sino-Indian free-trade area before 2015. The area will contain 2.3 billion people, more than 12 million square kilometers land and 1700 billions USD GDP and more than 700 billion volume of foreign trade. The free-trade area will positively push the bilateral economic and trade development, they expected the bilateral trade volume will reach or more than 20 billion USD in 2008, and 30 billion in 2010 (Sun 2004:98).

2. Analyzing the Sino-Indian economic and trade relations from a strategic perspective

2.1 China's strategy of economic development

2.1.1 Domestic: service for the state development

The Chinese official states in the Report on the 2004 "Work of the Government" that the domestic development should combine with the opening to the outside world, and strengthen the competitiveness in the international market. In a world of economic globalization, the competition was heating up and China has to adjust the foreign market structure in order to promote the imports and exports trade. At the present, the trade between China and India was still in a low level, so China should pay more

¹ These suggestions include strengthening the regional communication and cooperation; exerting advantages, for instance, it could be cooperated between China's hardware and India's software; developing the communication in the field of education; further extend the fields of trade; improving the communication and cooperation in service industry, and etc. (Han 2003:204).

attention to extend the trade with India.

Besides, energy security played an important role in China's economic development. It was also important in Sino-Indian trade relations, in recent years, the energy (especially petroleum) shortage of China caused the import quantum of petroleum increased rapidly. It was estimated that 40% of China's petroleum consumption would be imported in 2010. China's main petroleum importing source was from the Bay areas, and the international sea lines of communication (SLOCs) were concentrated in Indian Ocean. India was the strongest power in the littoral countries along the Indian Ocean. Therefore, to develop the trade relation with India was important to the national economy of China. China's cooperation with India once again confirms Womack's theory that the stronger side should watch carefully to the weaker side to get more opportunities for its own development (Womack 2003:92).

2.1.2 External: open up the South Asian market

China's hope to expand South Asian market depends on the Sino-Indian trade development to some extent, and this is one of China's economic development strategies. Although South Asia was one of the poorest areas in the world, it resided 1/5 of the world's population, the trade cooperation with South Asian countries would provide China a huge market with 2.6 billion population and great potential.

Firstly, the Sino-Indian trade cooperation was the cooperation between the two big developing countries with the biggest population in the world. Pakistan used to be the biggest trade partner of China in South Asia for a long time because of the political reason. Along with the change of the South Asian political landscape after the Cold War, India became the biggest trade partner of China in South Asia instead of Pakistan since 1994 (Chen 2005:67).

Secondly, the Sino-Indian relations were an important factor that influenced the

economic and trade development between China and South Asian countries. China has already established good relations with other South Asian countries and cooperated with them in several fields. However, one important factor that could not be ignored was the India's perceptions on its relations with China and other South Asian countries, just as the "China Threat" perceptions as discussed above. On the contrary, the positive development of Sino-Indian relations will secure the trade cooperation between China and South Asian market.

In general, South Asia is an important area for China and improving the economic and political relations with South Asian countries was a crucial link of China's strategy of stabilizing its surrounding regions, and the main approach of strengthen China's influence in South Asia was to extend the trade scale and improve the Sino-Indian relations. India simultaneously plays the role of the stronger side vis-à-vis South Asian countries and the weaker side vis-à-vis China. From the perspectives of the asymmetrical theory (Womack 2003:97), India is the biggest country that wants to be the overlord in South Asia, and other South Asian countries were on the guard against India. According to this theory, India should watch carefully when China intends to develop trade with other South Asian countries, and on the other hand, the South Asian economy could be developed through the cooperation between China and India. In sum, India plays an important role in South Asia and without India's participation, the regional prosperity and trade development of South Asia was impossible to fulfill. On the other hand, the trade among other South Asian countries has to pass through India, since they are not bordered with each other, and the trade cost would be rise without India's transit permit. It thus clear to China that it is necessary to improve the Sino-Indian relations if China intends to develop relations with other South Asian countries.

2.1.3 Strengthening bilateral relations via trade exchange

According to Womack's theory, the intention of the weaker side as part of a sequence

may be broken up by the inattention of the stronger side, with some being ignored and others being distorted by lack of context (Womack 2003:102). In light of current situation, Chinese people are ignorant about India. Most Chinese people thought that India is a poor and dangerous country with big population and messy environment. These misperceptions can be eliminated by strengthening the communication between the two countries via trade exchange. However, the communication was limited by the lack of mutual trust. If the two countries intended to extend the trade scale, they have to strengthen the business communication and diplomatic exchange, promote the mutual understanding and establish the political mutual trust (Han 2003:29).

Since the economic problems were not sensitive as the political issues, it would be easier to deal with the trade problems. The estrangement and misunderstanding left by history might be clear up through extending the trade between countries. Judging from the current situation of Sino-Indian trade, the trade volume and the economic scale were out of proportion. China's market share in India was very low. There was great potential for their cooperation. The trade communication provides a space that the political problems can be solved without immediately raising the question of ultimate consequences between the two countries (Womack 2003:105). Deng Xiaoping articulated that the boundary problems in the Sino-Indian relations were not difficult to solve through a reasonable approach, the roundabout way was the most effective method.

In this chapter I have focused on the Sino-Indian economic partnership after the Cold War. Through a comparative study of the economic potential of China and India in the above, I have argued that the economic and political relations of the two countries work in tandem in their overall bilateral relations. Political relations were the prerequisite of the economic relations and economic relations promoted the political relations. Although there are rooms for improvement for trade mutual complements, both countries will be advantaged, if cooperation is developed through a proper approach. It was possible to find a win-win solution for both countries economically

and politically in the future.

Conclusion

Both China and India are developing countries of Asia with big population. At the present, they are facing domestic social transformation and economic reform. To this end, both countries have similar viewpoints and common interests in several fields, therefore, it is important for them to improve cooperation and mutual trust.

1. The improvement of mutual trust is important for Sino-Indian relations

According to their common interests, China and India have to strengthen cooperation, and it is imperative for the two countries to abandon the Cold War mentality and improve their mutual trust.

The mutual trust between China and India was at a low level since the border war. Therefore, when the world or the regional political pattern changed, the distrust was an obstacle for the two countries to take it as a chance to improve their relations. For instance, although China insisted that it would safeguard world peace and never seek hegemony, India still maintained its “China Threat” perceptions.

As discussed in this thesis, there are three reasons for their lack of mutual trust, firstly, the shadow cast over by the border war. Although the war lasted only one month, it brought negative effect to the bilateral relations. Secondly, as two neighboring countries, they have competitive interests in geopolitics; therefore, it is not surprise that they guarding against each other. Thirdly, they regarded each other as rival as one party’s rise became a threat to the other.

To strengthen the mutual trust is a crucial approach in the development of the

Sino-Indian cooperation. The border dispute is a direct obstacle of the Sino-Indian relations. However, the biggest problem is a cognitive one. Other than the impact of war, the legacy of the British colonial rule and the limitation of communication during the Cold War were factors that caused misperceptions. These misperceptions have negative impact. As discussed, the misperceptions will “tend to produce a vicious circle in which the interpretation of the actions of the other side becomes further and further removed from the other side’s subjective intentions.” (Womack 2003:92). Therefore, in the post Cold War era, if the two countries can enhance mutual trust and seek common points while reserving difference, the negative effects from the misperception may be reduced, making the boundary problem easier to solve.

2. Beyond asymmetry: the new era of Sino-Indian relations

The development of Sino-Indian political and economic relations is accord with the interests of both countries. Both countries have common strategic interests and there were basis for economic and diplomatic cooperation. As discussed, although India intended to contain China with the US, it made effort to improve the relations with China, on the basis of its non-aligned policy and great power strategy.

My research has shown that the two countries have paid great attention to the bilateral relations, and focused on the further improvement of these relations. As discussed, this feature in the Sino-Indian relations confirms by the asymmetric theory that if the stronger side (China) presents its action in interests shared by the weaker side, the weaker side (India) is more likely to be drawn into a dialog rather than a confrontation (Womack 2003:105).

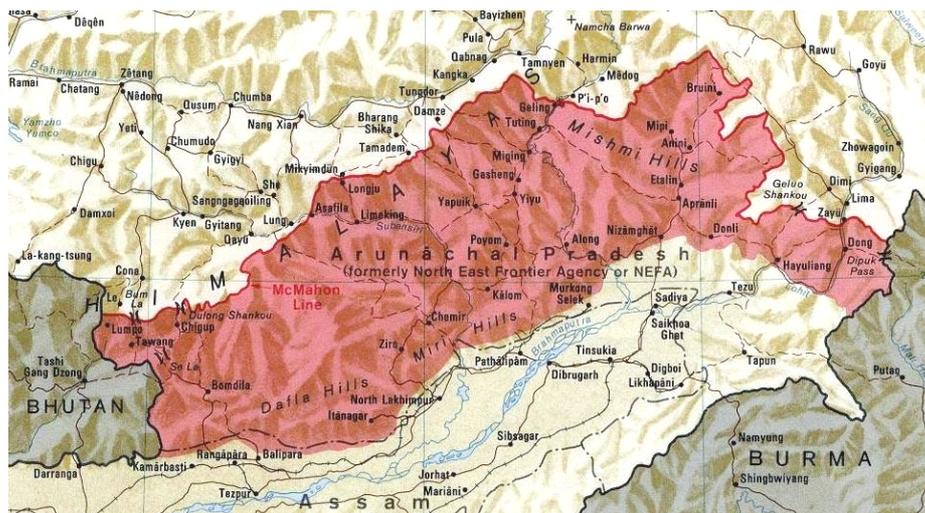
My research shows that the Sino-Indian relations will likely to improve in the future. Although India devotes attentions to the national power in its great power strategy, as long as the asymmetry exists between the two countries, India will try to maintain its friendship with China. The chief economist of Morgan Stanley in the US has claimed

that it is almost impossible for India to catch up with China in 20 years (Han 2003:109). Under this situation, both China and India interested in further developing their relations.

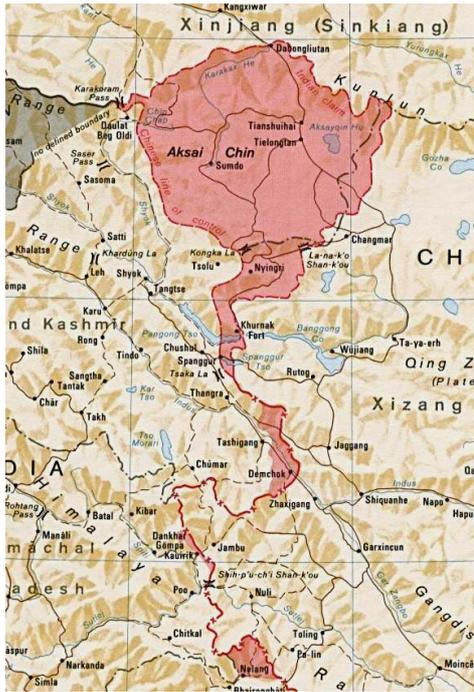
On the other hand, there are also destabilizing factors in Sino-Indian relations, the main obstacle is the boundary problem, and as shown in this thesis, it cannot be solved in a short time. Therefore, it takes time to give the border dispute a thorough solution. However, although the border dispute is a hard nut to crack, it will not become the major obstacle of bilateral relations. On the contrary, as demonstrated in this thesis, the potential for cooperation for both countries, such as in economic and trade will create opportunities for China and India to go beyond their asymmetrical relations and moderate their distrust (misperception) on each other and make great contributions to Asian political and economic development in the 21st century.

Appendix

Maps of China-India border:



Sino-Indian Border (eastern sector).1962



Sino-Indian Border (western sector).1962

(Sources:http://www.worldlingo.com/wl/services/S1790.5/translation?wl_srclang=en&wl_trglang=zh_cn&wl_url=http%3A%2F%2Fen.wikipedia.org%2Fwiki%2FSino-Indian_split July 20,2007)

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Interview

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