

ISAS Brief

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India and China: Towards Slow and Steady Cooperation

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Indian Prime Minister Dr Manmohan Singh's visit to China from 13 – 15 January 2008 was a step in the direction of keeping the momentum of building incremental and evolutionary cooperation between the Asian giants. No breakthroughs were expected and none happened. There was no bilateral free trade agreement (FTA) which China, sitting on a comfortable and increasing trade surplus of about US\$10 billion, was keen on. Nor was there any conclusion of a "Framework Agreement" on the resolution of boundary issue that India has been looking forward to. The Chinese side was not forthcoming on endorsing the Indo-United States Civil Nuclear Cooperation, nor in assuring India that its request to the Nuclear Suppliers Group (NSG) in the context of Indo-United States nuclear deal will be supported by China.

And yet the visit was "positive" and "successful" in which ever way one looks at it. The two countries signed 11 documents of mutual understanding and cooperation on subjects ranging from the railways and planning to agriculture and rural development. The most important of these agreements was the vision statement signed by the two prime ministers that promised to build "a harmonious world of durable peace and common prosperity" through the "strategic and cooperative partnership" between their countries. In this statement, they talked about an open, inclusive and democratic (not multipolar) international system based on the famous principles of "*Panchsheel*" – about regional integration of Asia; about "an international energy order that is fair, equitable, secure and stable"; about "working together and with the international community" against terrorism in "all its forms and manifestations"; and also about bilateral matters like "defence dialogue" and the resolution of "outstanding differences, including on the boundary question, through peaceful negotiations".

In substantive matters of bilateral interests, there was considerable focus on enhancing economic cooperation. The trade between the two countries has really been making the most impressive growth surpassing the targets already set. The target of US\$20billion bilateral trade by 2008 was surpassed even in 2006. By the end of this financial year, bilateral trade is expected to go beyond US\$38 billion, as against the target of US\$40 billion set for 2010. Therefore, the trade target was upgraded for the year 2010 from US\$40 to US\$60 billion, notwithstanding the Indian fears that, by the end of the current financial year, its trade deficit may touch a whopping US\$14 billion mark.

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India's hesitation in concluding a bilateral FTA arises from this fear of fast growing deficit trade. The concerns of the Indian business community arise from the fact that the flood of imports from China may threaten Indian manufactures in the long run instead of just replacing imports from the third countries. The Indian business community also fears the lack of a level playing field in trade competition with China because of the "opaque pricing mechanism" of the Chinese goods and "massive subsidies to capital through huge non-performing assets in their banking system". Dr Singh took a 40-member strong business group with his delegation to raise relevant and pressing issues with the Chinese business counterparts at the "India-China Economic, Trade and Investment Summit" during the visit. Addressing this summit on 14 January 2008, Dr. Singh encouraged the business community to "acquire insights into each others markets, business customs and management styles".

On the sensitive border issue, there was an informal exchange of views between the designated special representatives, National Security Adviser M. K. Narayan from the Indian side and Vice-Minister Dai Bingguo from the Chinese side. India realises the complexity of the issue but is not happy with increasing intrusions and encroachments numbering 140 last year, and is keen that a framework agreement is finalised soon to start demarcation of the Line of Actual Control (LAC). India has been asking for the next meeting of the expert group to clarify points on the LAC in view of encroachments and troops movements. It is learnt that two drafts of such an agreement – an Indian and a Chinese – have been prepared and will be reconciled by a taskforce setup by the two special representatives. Until this taskforce completes its job, border talks cannot move forward. However, the Chinese side is most reluctant in exchanging its version of the LAC map. The Chinese side feels that such exchanges of maps may be taken as a step towards formalisation of boundary along the LAC. There are also differences on interpreting displacement of populated areas. While India does not want any such displacement in the process of "give and take", China wants to categorise such points so that least populated places can be factored in for displaced, if need be.

Looking at India's major foreign policy goals at the moment, two deserve mention here. One is to seek liberation from international nuclear restraints imposed in the aftermath of its 1998 nuclear explosion and to secure a place of respect in the United Nations Security Council as a permanent member. The question seems to have come up in the discussion between the two prime ministers during the visit. India would need China's support in the NSG as and when it has concluded an agreement with the International Atomic Energy Agency . The Chinese side is also not unaware of coalition tensions within India on the whole question of civil nuclear cooperation with the United States. In their response to the Indian aspirations, the Chinese made a subtle distinction. With out directly assuring India of the NSG support, China offered bilateral cooperation in the field of civil nuclear energy. This suited Dr Singh as well to use in his domestic coalition political dynamics to show that all the nuclear eggs of his government are not in the United States basket. China also assured its Indian guests that it would not do any thing to block India's enhanced role in the United Nations and its Security Council. This does not really mean a Chinese support for India's permanent membership of the United Nations Security Council, as some in Indian media and official circles have interpreted. But China would like to avoid being blamed for India's difficulties in this respect. One may recall here that Indian candidature for United Nations Secretary General's contest was not vetoed by the Chinese, contrary to apprehensions for that in India.

Both India and China are also acutely concerned about the deteriorating regional environment. The specter of instability in Pakistan, Myanmar, Nepal, Bangladesh and Sri

Lanka haunts both of them because they will be affected directly and adversely by the spill-over of this instability. The two prime minister discussed this regional situation, including Iran, where the United States belligerent stance can precipitate serious turmoil. They both appealed for defeating extremism in these countries.

The real dynamics of Sino-Indian relations is governed by four 'Cs' if one were to put it metaphorically. These four 'Cs' are cooperation, competition, conflict and containment. The present phase through which this relationship is evolving is dominated by the first two 'Cs' because neither India or China can afford to alienate each other. Both are seeking their due places in the emerging structure of global power; both are rising economic powers and they need peace and stability to realise their aspirations. They cannot let the areas of their conflict intervene and dominate to derail their long nursed aspirations. But underneath the thrust of cooperation, prospects of conflict are not overlooked and, therefore, there are quiet and contrived moves for containment too. India has always resented China's support for Pakistan's military and nuclear capabilities and seen it as a move counterbalance and undermine India's position in the South Asian region. China's growing economic and strategic engagement with India's other South Asian neighbours has also always remained a cause of unease for India.

The expansion of this engagement that includes reinforcing of infrastructure links, and economic and defence cooperation is being watched closely in New Delhi. For China, India's cultural and political association with the Tibet, and the presence of nearly 250,000 Tibet refugees and their spiritual head, the Dalai Lama, in India has always been a source of anxiety and concern. Chinese fear that its international adversaries, with India's help, can use Tibet to destabilise China's rise. In this context, as also in relation to the emerging Asian balance, China is also concerned about India's increasing strategic proximity to the United States. China would like to see India as much distanced as possible from any anti-Chinese moves, like the 'quadrilateral' strategic group involving the United States, Japan, and Australia. Understanding Chinese sensitivities in this regards, Dr Singh had made it clear on the eve of his visit that India would never join any move aimed at containing China. The Indian government had also restrained its employees from attending any function to felicitate the Dalai Lama. Such gestures have been appreciated in Beijing and perhaps reciprocated in the form of keeping contentious issues like that of Tawang from delaying the border negotiations. But China will not surely sign the border agreement with India unless its concerns on Tibetan question and the growing Indo-United States strategic engagement are set at rest.

One hopes that the domination of the cooperation and competition 'Cs' over those of conflict and cooperation, so clearly evident during Prime Minister Singh's visit, will continue for at least a decade or so in Sino-Indian relations. One may also hope that the confidence and mutual trust built during this phase of compulsions and incentives for cooperation will lead to the development of such mutual stakes that they will always take conflict and mutual containment as counter-productive. Not only India and China have stakes in their mutual cooperation but the whole of Asia's stability and prosperity depends upon coexistence and collaboration of the two emerging Asian giants.

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