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India and China: Neither Friends nor Foes

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WHEN Chinese Premier Wen Jiabao visited India earlier in April, the two countries signed numerous accords including a pact on the 'Guiding Principles' for the peaceful settlement of their 4,000km-long boundary dispute. China is all set to replace the United States as India's single largest trading partner over the next few years. Mr Wen promoted the idea of 'marrying' India's software expertise with China's superb hardware capabilities and mentioned that cooperation would signify "the coming of the Asian century in the IT industry". "India and China could reshape the world order," said Indian Prime Minister Manmohan Singh.

Is the apparently emerging Sino-Indian bonhomie heralding the end of Western dominance? While the 'East' is definitely rising, the reality of the Sino-Indian relationship is far more complicated and has significant consequences for the international system.

Historically speaking, China and India have very ancient ties. India exported Buddhism to China in the first millennium. So deep and permanent was Buddhism's impact on every aspect of China's culture including Confucianism and Taoism that Chinese literature described India as '*Xitian*' or 'Western Heaven' in its conception of world order. These two civilisations co-existed peacefully for over two millennia. After they emerged as modern states in the mid-20th century, India was the first non-communist and democratic state to establish diplomatic relations with communist China in 1950.

Economic Competition

After it implemented structural reforms in the late 1970s, China emerged as the world's fastest growing economy and has maintained an average growth rate of 8-9% a year for over 20 years now. India implemented reforms in fits and starts in the 1980s (followed by significant structural reforms in the early 1990s) and has grown at an average rate of 5-6% a year since. In spite of a significant differential in their growth rates, the question today is not one that pits India against China. Instead, it centers on which of the two states offers a more sustainable growth environment in the long-term.

China has developed world-class physical infrastructure, is emerging as the world's manufacturing powerhouse, and attracted more foreign investment in 2004 alone than India has since 1991. On the other hand, India is emerging as a major outsourcing and business processing destination as well as the research and development laboratory of the world, has a reasonably developed banking and financial system, and has near-world class MNCs in IT

and pharmaceuticals with no comparable Chinese firms. As each tries to emulate the other to learn from the best practices of the other, competition however is bound to ensue.

Security Competition

Although a healthy economic competition is likely to be beneficial, the two countries' security relationship complicates matters. After the Chinese occupation of Tibet in the 1950s and the 1959 Lhasa revolt, India granted refuge to the Dalai Lama as well as a large Tibetan community. This strained Sino-Indian relations and in 1962, the two states fought a short but bitter border war. Soon after this war, China established politico-military links with India's subcontinental rival, Pakistan. India's security environment further deteriorated after China became a nuclear weapons state in 1964. China also threatened to open a second front during the 1965 and 1971 Indo-Pak wars.

A perceived threat from China was one of the factors behind India's first nuclear test in 1974. China has provided Pakistan considerable help with its nuclear and missile programmes since the 1980s and has also contributed significantly to its conventional arsenal. India justified its May 1998 nuclear tests by citing China and the Sino-Pakistani nexus as the chief threats to its security. As India's economy grows, it is likely to expand its nuclear and missile capabilities to have a robust deterrent vis-à-vis China's more advanced capabilities.

China is worried about India's growing blue-water naval capabilities and is expanding its own naval presence in the Arabian Sea/Persian Gulf region by financing a major port at Gwadar in Pakistan. China is also increasing its naval presence in the Indian Ocean by cultivating ties with Myanmar and Bangladesh. Although these Chinese moves are significantly motivated by its increasing dependency on sea-borne trade and energy supplies, they raised alarm bells in New Delhi. India views China's moves in these states as Beijing's strategy to contain India in South Asia. Signaling that closer relations with India will not dilute China's close ties with India's neighbours, Mr Wen visited India at the end of his four-nation South Asia tour that included visits to Pakistan and Bangladesh.

Their thirst for oil and gas has added a new dimension to their relationship. India wants to collaborate with China in its pursuit for oil and gas abroad and recently floated the idea of extending a proposed Iran-Pakistan-India gas pipeline to China (via Myanmar) in order to create a pan-Asian energy grid. Beijing has been lukewarm about India's proposals as it enjoys a considerable lead over New Delhi in its quest for energy security. India and China are likely to compete for scarce energy resources to power their energy deficient but growing economies.

Conclusion

Chinese leaders are wary of India's growing strategic ties with the US. Last month, the Chinese noted American overtures towards India with great anxiety when the Bush administration announced its intention "to help India become a major world power in the 21st century". Even though some Indians found this statement condescending, the fact that India is slowly but surely emerging as a power to reckon with is not lost on the Chinese. By all major estimates including those of Goldman Sachs and the US National Intelligence Council, India and China together with the US will be the three largest economies in the world in two to three decades time.

In spite of sharing a glorious civilisational past and having never fought a single war until their emergence as modern states, security competition between India and China is inevitable as their economies grow. However, the good news is that this security competition does not have to be conflictual. A rising India will surely expand and intensify its relations with the US. However, with its strong desire for strategic autonomy, India is unlikely to overtly ally with the US to contain a rising China. To this extent, a good beginning has been made by Mr Wen's recent trip to India and through his attempts to engage India politically and economically. We are witnessing the contours of an important US-India-China strategic triangle that will shape the course of history in the 21st century.

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