

The Rise of India: China's Perspectives and Responses

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“Only when China and India develop well, can one claim that the century of Asia has come. If China and India strengthen cooperation, Asian unity, stability and prosperity will be very hopeful, the world will be in peace and make more progress.”

Deng Xiaoping¹

I. Introduction

While India was a major source of cultural and religious inspiration for China historically, China's attention in modern times has been preoccupied with the West and Japan, often because the latter forced themselves onto Chinese territory and consciousness. This has not changed much in China's reform era and catching up with the developed economies of the West and Japan has been a major factor motivating China's continuing quest for modernity and identity. Until recently, this Chinese outlook toward Japan and the West contrasted with the preoccupation with China shown by some Indian thinkers.²

Yet India's strong economic growth in recent years has begun to gain the world's attention. Henry Kissinger predicted that in the twenty-first century the international system will be dominated by six major powers: the US, Europe, China, Japan, Russia and

India. Similarly, Samuel Huntington foresees that during the coming decades, “India could move into rapid economic development and emerge as contender for influence in world affairs.”³ According to a variety of indicators, India is clearly a rising power, even though this power may not have been fully realized or recognized by key actors in the international society. These indicators include, among others, the world’s second-largest population and soon the largest and the fourth-largest army.⁴ Since the economic reforms began in 1991, the Indian economy has left the Hindu rate of growth behind and accelerated, becoming the third largest economy in the world in purchasing power parity terms. The potential of Indian entrepreneurship has been noted from Mumbai to London.

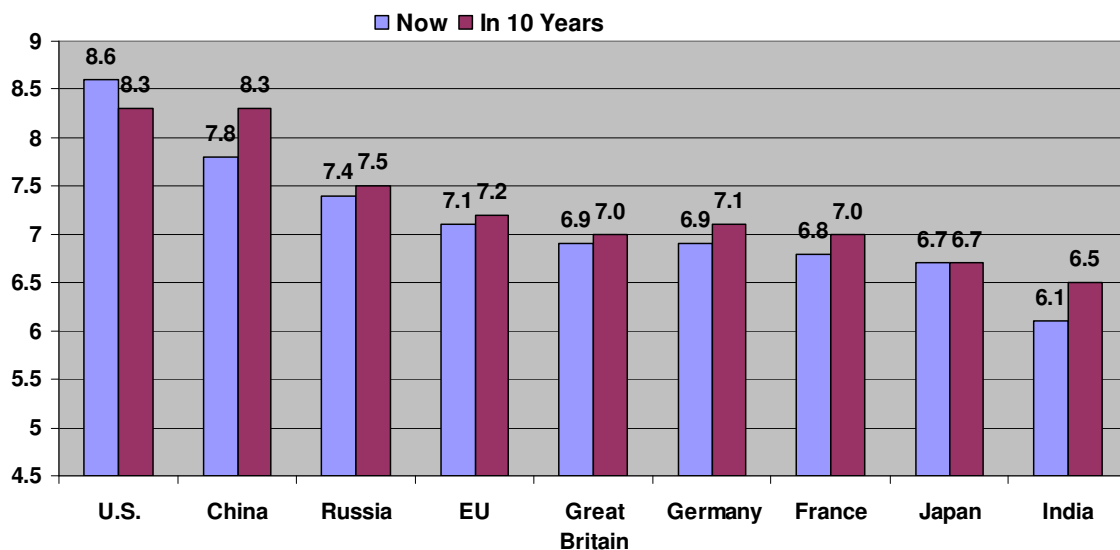
India’s development and its expanding influence have begun to attract attention and concern from China, not the least because marketers of India have tended to accentuate China’s political differences with India. In the marketplace, Sino-Indian trade has expanded rapidly but Chinese and Indian firms can also be found competing against each other and quite a bit of the Indian press coverage of Chinese moves has tended to give way to zero-sum discussions of who might eat the other’s lunch (e.g., in outsourcing). Meanwhile, India’s involvement and growing role in Asia, especially in East Asia have brought forth different perceptions of its rise and impact.

In this paper, we offer a preliminary review of Chinese scholars’ perspectives on India’s rise and its role in Asia: how does Beijing look at India’s economic development model and competition with China, and respond to its expanding influence in Asia and beyond? We also draw on data from the Chicago Council survey on the rise of China and India to provide the opinions of the general public.⁵

II. Different Perspectives

In some contrast with the views of Indians with regard to China, Chinese public perceptions of India are generally benign, even bordering on benign neglect. When the Chicago Council survey on global public attitudes asked the Chinese to evaluate the level of influence now (2006) and ten years from now on a scale of 0 to 10 (with 0 meaning not influential at all and 10 meaning extremely influential), the Chinese ranked China second behind the United States now but pulling level with the U.S. in ten years. Yet they ranked India at the bottom of the top nine despite allowing for some growth in Indian influence in a decade's time. In contrast, the Indians ranked India as the second most influential after United States.

Figure 1: Chinese Perceptions of Country (Region) Influence in the World

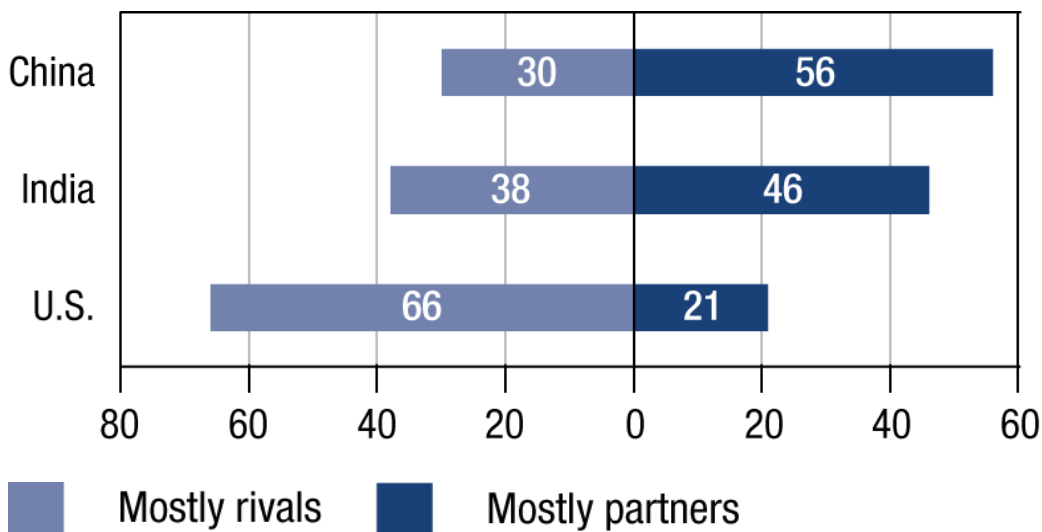


Chinese elites, however, appear to have a more elevated assessment of India's influence. Many Chinese analysts hold the view that India's rise as a global power is

inevitable in the long run, and that this development would be compatible with China's preference for a multi-polar world. Based on this premise, they adopt a forward-looking approach to India's rise and advocate greater Sino-Indian cooperation.⁶ There is growing recognition that China and India share many common views on regional and international affairs, and that "while their politicians both dislike American hegemony, particularly in Asia, they have no intention to challenge the existing international order led by the United States, because both of them are developing countries and need a stable international environment for their domestic economic construction".⁷

The benign elite view of Sino-India interests are reflected in the Chicago Council survey of public attitudes. 56 percent of the Chinese public surveyed believe that China and India are mostly partners while only 30 percent think they are rivals. Chinese perceptions are thus more positive than those of Indians and especially of Americans.

Figure 2: China and India: Partners or Rivals?



Indeed, a majority of the Chinese public surveyed support India's growth both economically and even militarily. When asked whether it was mainly positive or mainly

negative for India to become significantly more powerful economically, 56 percent of the Chinese surveyed believed it was, only second behind the Indians surveyed. Most remarkably, when asked whether it was mainly positive or mainly negative for India to become significantly more powerful militarily, 56 percent of the Chinese surveyed also believed it was, only second behind the Indians surveyed and in sharp contrast to the views of the South Koreans and Americans.

Figure 3: Is it mainly positive or mainly negative for India to become significantly more powerful economically?

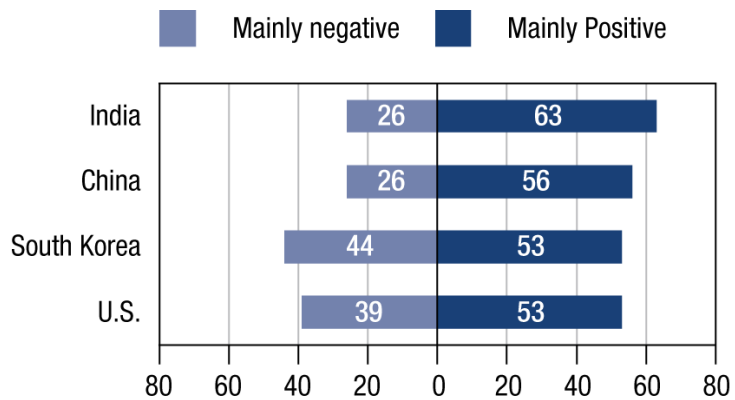
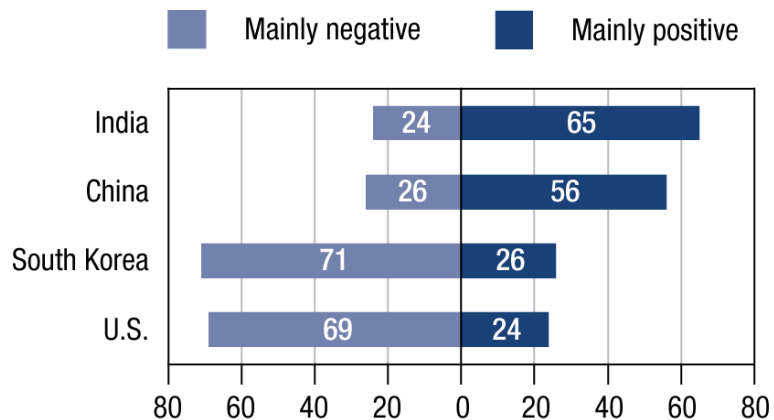


Figure 4: Is it mainly positive or mainly negative for India to become significantly more powerful militarily?



Some other Chinese analysts, however, are cautious about India's ambitions. They suggest that although ad hoc management of the bilateral relationship is possible, the long-term prospect of rapprochement is overshadowed by India's continued nuclear and missile programs, the Tibet issue, territorial disputes and the absence of mutual trust. Ma Jiali also pointed out that as India rises, "the enhancement of India's strategic position will reduce China's strategic influence to some extent, especially in the Third World, thus will weaken China's strategic role, making it more complicated for China to deal with major powers".⁸ However, most of their analyses focus not so much on any immediate threat that India poses to China, but on the patterns and trends of developments in India that could transform it into a formidable adversary in the long run, thus potentially diverting Chinese resources from its top policy priorities (economic development and the eventual resolution of the Taiwan issue) and making any settlement of the border issue more elusive than ever.

Not surprisingly, there are also some Chinese analysts with more ambivalent views on Sino-India relations. They believe that "conditional engagement with India certainly is preferable to open conflict, with the prospect of pushing New Delhi further into the U.S. camp."⁹ They hold that "India has various strategic suspicions toward China, and because of these suspicions, India has no will and determination to establish strategic partnership relations with China, even has not recognized China's market economic status. As a result, Sino-India's bilateral trade value is only about 10 percent that of Sino-Japan's bilateral

trade.”¹⁰ This group of analysts has little expectation of near-term normalization, because many issues seem to defy any easy resolution.

In general it appears that most Chinese analysts from government research institutes, universities, civilian think tanks and business circles hold the view that China should develop normal relations with India and seek ways to resolve bilateral differences through negotiations and cooperation. This includes government officials affiliated with the Ministry of Foreign Affairs, such as retired diplomats and analysts who have worked and written on Sino-Indian relations and South Asian affairs. This set represents the majority Chinese perspective on India.

Chinese Analysts from the military and the defense industrial complex tend to offer somewhat different thinking on India’s rise and Sino-India relations. Although they do not openly challenge current Chinese government policy, they nevertheless devote greater attention to the developments in India’s nuclear doctrine and are more sensitive to Indian defense modernization efforts.¹¹ However, since the military currently has little input or influence regarding China’s foreign policy, China’s India policy is likely to be less confrontational and more accommodating.¹² Even though the Chinese military’s publications devote more attention to India’s military spending and weapons acquisitions, regional dominance and global aspirations, it is not clear that the Chinese military establishment has settled on a fixed view of India as a strategic competitor which China must contend with.¹³ Recent developments in Sino-India relations—including Chinese President Hu Jintao’s and Chinese Prime Minister Wen Jiabao’s visits to India, and regular military dialogues and exercises between the two sides—suggest that at the official levels, Chinese government holds a positive view on India’s rise and development,

and has demonstrated a desire to maintain and expand bilateral ties and seek ways to address differences and disputes through dialogues.

III. China's perspectives of India's economic growth models

Many Chinese scholars have analyzed India's economic growth and compared its economic reform and development models with China's. In the perceptions of these Chinese scholars, India's sustainable growth and development can be attributed to many factors, such as relatively high investment efficiency, dynamic private enterprises, relatively healthy financial system and a young labor force with a sizable educated segment. They believed that compared with China, India's growth model has its own potential advantages.

Firstly, India's industrialization has been more organic in nature, driven largely by domestic companies, entrepreneurs and indigenous funds, with limited FDI (at least until recently).¹⁴ While China's growth mainly stems from massive accumulation of resources, together with public-sector investments resulting in impressive infrastructure, the economic growth in India is largely achieved by integrating itself into the world economy, and stressing on increasing efficiency. India does appear to be better integrated into the international business society and is utilizing available scarce resources more efficiently than China. For instance, according to the EIA (Energy Information Administration, USA), India's oil consumption is currently less than 40 percent of China's, and in 2001, India's energy efficiency (energy consumption per dollar GDP) stood at 25,307 Btu (although one of the least energy efficient countries in Asia), whereas China's stood at 35,619 Btu (British Thermal Units).¹⁵ It is believed that the economic criterion for a country's

economic success “is not whether it can attract a lot of FDI, but whether it stresses on efficiency, whether it has a business environment that nurtures entrepreneurship, supports healthy competition and is relatively free of heavy handed political intervention”.¹⁶ In this regard, India has done a better job than China.

Secondly, India has relatively stronger financial and capital markets. More importantly, India’s financial system does not discriminate against small private companies the way the Chinese financial system has (although the situation is improving in China). India has been making life easier for local businesses. Democracy, a tradition of entrepreneurship, and a decent legal system have given India the underpinnings necessary for free enterprise to flourish. India has large numbers of internationally competitive private companies following international best practice of business rules and transparency, such as Infosys in software, Ranbaxy in pharmaceuticals, Bajaj Auto in automobile components and Mahindra in car assembly. Whereas in China, small businesses have been contained and regulated by the governments. Only until recently have Chinese governments begun to allow more small private business to gain access to many of industrial sectors that were previously dominated by state-owned enterprises or even FDI. With relatively few exceptions, the world-class manufacturing facilities for which China is famous are products of FDI, instead of indigenous Chinese companies. “‘Made in China’ is not necessarily made by China, while what made in India is more synonymous with made by India, thus Indians not just get the wage benefits of globalization but also keep the profits.”¹⁷

Thirdly, India has improved its educational system since the early 1990s, especially primary education in rural areas. “India’s well-educated, young population has

embraced state-of-art computer and information technologies, making their country one of the most important high-tech hubs in the world.”¹⁸ India’s information technology and computer companies in Bangalore have been named as the world’s second Silicon Valley. Many Chinese analysts and official confessed that, comparing with India, China made a costly mistake in the 1990s when it created many world-class infrastructures, but badly under-invested in education. For sustainable economic development and competitiveness, the quality and quantity of human capital will matter far more than those of physical capital. India seems to have the right policy priorities and may gain its competitive edge over China with its well-educated and younger work-force. According to Hong Kong-based Global Demographics Ltd., by 2015, two-third of China’s population size will be over 50, while 60 percent of India’s will be under 30.¹⁹ China’s ageing population will cause a demographic drag on growth while India will reap the dividends of a large and young workforce- so long as its workers receive an adequate education.

However, Chinese scholars and analysts also pointed out some factors which may affect India’s economic growth and generate its own set of problems. They believed that compared with China’s “authoritarian model”, India’s “democratic model” has its own weakness and has proved to be a drag on its rise and development. Compared with India, China’s political governance facilitates its involvement in regional cooperation and the growth of capital formation, especially the investments of physical infrastructure. The signing of China-ASEAN FTA is perceived to be largely driven by some political factors and government willingness on China’s side. While the India-ASEAN FTA has come into stalemate mainly because of the pressure from internal disagreement between the Indian ministry of commerce on the one hand, and the agriculture and finance ministries on the

other.²⁰ The fundamental difference between China and India is that in China there is no opposition party and political disagreement within the Chinese Communist Party is muted compared with the intra-coalition differences in the ruling political coalition in India. For some Chinese analysts, India needs to put the long-term development goal on the top agenda of different interest groups, and works out a better governance structure within its political system.

China has achieved better results in poverty reduction in rural areas compared with India. In China, the speed of poverty reduction has been much faster and effective. China has experienced a process of fiscal decentralization as early as mid-1980s which allowed the local officials to retain a percentage of local fiscal revenues and delegated the decision making power to the local governments.²¹ But such fiscal fragmentation is maintained within a framework of vertical political control. The local officials are appointed by the Party, not elected by popular local votes. The combination of political centralization and fiscal decentralization has created a built-in dynamics of investment-driven growth. Local officials are induced to pursue their careers by implementing the plan of capital formation and growth targets. One of the positive results of such dynamics is the continuous upgrading and construction of physical infrastructure by local governments to attract inflows of external direct investments (including FDI).

Given the political constraints facing India, it would be very difficult to promote similar incentives in India, especially when India is facing a policy gridlock at the central level where some partners in the coalition government comprising over 20 parties oppose virtually every reform measure that is proposed. For generating rapid and continuous growth, some Chinese analysts think that India needs to learn from China about how to

improve its administrative efficiency and make its local governments more accountable for local economic development. Without a better level of governance at local governments, physical infrastructure in India will be hard to improve and manage substantially, and without a good level of infrastructure in rural areas, it would be more difficult for these areas to accelerate their development.

In sum, we can not reach a conclusion yet that which model, Chinese model or Indian model is better. In terms of development speed and scale, it goes without saying that China has made a greater achievement than India. But this achievement is based on many sacrifices and costs, including low efficiency, environment pollution, and ignorance of individual rights. Whereas in India, although private interests are protected and democracy has been ensured, obviously these individual rights have become a constraint in the country's development speed as a whole. "Democratic politics partly explains why, for examples, privatization, establishment of Special Economic Zones, and signing of FTA with ASEAN have gone so slowly in India compared to in China."²²

IV. China's response to India's growing strategic influence

Indian Prime Minister Manmohan Singh once said that India as "a super regional power", its strategic footprint "covers the region bounded by the Horn of Africa, West Asia, Central Asia, Southeast Asia and beyond, to the far reaches of the Indian Ocean".²³ China is conscious of New Delhi's intentions in Asia, as well as its ambitions to project its power into and beyond the Indian Ocean. India's ambitious geopolitical expansion strategy and its economic potential might not only turn India and China into competitors over oil supplies, but might as well increase their concerns over the opportunity for

‘relative economic gains’ in the short term when weighed against the threat of increased geopolitical competition in the long term.

In South Asia, India is competing with China to woo energy-rich nations such as Bangladesh and Myanmar that are politically closer to China. In the case of Myanmar, India’s interest goes well beyond simply getting control over gas supply. Good relations with Myanmar will also help open up the northeast to trade, solve a number of political and ethnic problems in the region, and enhance India’s relations with the rest of Southeast Asia through ASEAN. India has moved from voicing its opposition to the military junta’s crackdown on pro-democracy activists and the arrest of Aung San Suu Kyi, the leader of the National League for Democracy, to a more pragmatic, non-interventionist and ostrich-like policy to the current crisis in Myanmar. This change in policy by India has been prompted by its desire to access the region’s energy resources, gain access to the vast markets of Southeast Asia, balance the influence of China and counter Indian insurgent groups operating from Myanmar.

In the face of India’s growing strategic influence, China’s approach is to develop economic and strategic ties with South Asian nations, ensuring that India is surrounded by countries friendly toward China. Thus as shown in the following table, from 1999-2006, China’s trade with SAARC (South Asian Association for Regional Cooperation) rose from US\$ 4.2 billion to US\$ 34.7 billion; while China’s bilateral trade with India rose from US\$ 2 billion to US\$ 24.9 billion. Similarly, bilateral trade between China and Pakistan has been increasing by 45% on a year-on-year basis, reaching US\$ 5.3 billion in 2006.

Table 1: Bilateral Trade Between China and SAARC (Millions of U.S. Dollars)

	1999	2000	2001	2002	2003	2004	2005	2006
Bangladesh	715	919	975	1100	1368	1963	2483	3189
Bhutan	1	2	2	1	2	-	-	0.16
India	1985	2911	3603	4947	7595	13604	18717	24861
Maldives	1	1	2	3	3	8	17	16
Nepal	215	204	154	110	127	171	196	268
Pakistan	971	1162	1300	1800	2430	3061	4256	5250
Sri Lank	268	458	401	349	524	718	978	1141
<i>Total</i>	<i>4156</i>	<i>5655</i>	<i>6437</i>	<i>8310</i>	<i>12049</i>	<i>19525</i>	<i>26647</i>	<i>34725</i>

Sources: 2006, International Monetary Fund: *Direction of Trade Statistics Yearbook*;

China Customs Statistics.

China's increasingly economic and strategic ties with major South Asian nations paved the way for its entry into the SAARC as an observer at the 13th SAARC summit held in Dhaka on November 12-13, 2005. India tried to keep Beijing out of the SAARC in vain. Pakistan saw China's entry into the SAARC an opportunity to "counterbalance India's design to act as a regional power and dominate SAARC".

Strategically, China has built a naval port at the Arabian Sea Coast in Gwadar, Pakistan. This would lead not only to Gwadar emerging as a transit terminal for oil imports but also as a pretext for China's naval presence in the Indian Ocean, thereby enabling China to "monitor US naval activity in the Persian Gulf, Indian activity in the Arabian Sea, and future US-Indian maritime cooperation in the Indian Ocean."²⁴

Similarly, Bangladesh has offered China naval access to its prized Chittagong port, which

New Delhi has long sought but to no avail. India would like to gain access to Chittagong port to help ship its planned natural gas imports from Myanmar to its northeast region. In April 2005, China also signed a comprehensive agreement with Sri Lanka which provides access to Colombo's ports, and thereby the Indian Ocean.

In response to India's changing relations with Myanmar, China has been increasing economic and military support to the military regime in Myanmar. Statistics showed that by the year 2005, China's total aid to Myanmar reached about US\$100 million.²⁵ From 1991 to 2005, the Bank of China and China Import-Export Bank provided Myanmar with seller's credits worth over US\$1 billion. In 2006, China provided another US\$85 million of low-interest loans to Myanmar for purchasing two new oil-drillers. From the perspective of security, China's assistance to Myanmar in constructing and improving port facilities on two islands in the Bay of Bengal and Andaman Sea is significant as this can be used as a listening post to gather intelligence on Indian Naval operations and as a forward base for future Chinese naval operations in the Indian Ocean. China's interest also includes plans for constructing a gas pipeline across Myanmar from the offshore gas reserves in the Bay of Bengal to Yunnan province and an oil pipeline for crude from the Middle East.²⁶ Myanmar's strategic location also becomes an important outlet for Chinese exports via the Bay of Bengal and serves as an alternate trading and shipping route to the Malacca Strait.

Chinese scholars hold that China's interests and goals in South Asia and Indian Ocean are mainly focused on economy, aiming at establishing more trade partnerships and ensuring oil shipment security. But economic interests need to be protected and maintained by friendly political relationships and stable security environment. They

believe that “China’s military relationships with South Asian countries are mainly developed for economic interests, and should not be understood as targeted at India.”²⁷

In recent years, Central Asia is attracting more and more attention from big powers not only because of its geo-strategic position and rich natural resources, but also because of its specific role in global campaign against terrorism. Being a common strategic neighbor to China and India, the importance of Central Asia has been fully recognized by both governments. India considers Central Asia as its “immediate and strategic neighborhood” for historical/cultural as well as geopolitical and economic reasons.²⁸ India has been conducting bilateral anti-terrorism military excises with some Central Asian countries, and has established its first overseas military base near Dushanbe – the capital of Tajikistan, indicating that it is getting involved in Central Asian affairs.

China has also reached out to Central Asia. It joined Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan as founding members of the Shanghai Cooperation Organization (SCO) on June 15, 2001. Under the SCO umbrella, China has strengthened its economic and strategic cooperation with these Central Asian countries. Chinese trade with these five Central Asian countries had risen from US\$9.8 billion in 2000 to US\$37.7 billion in 2005. China has also spent over US1 billion to construct a 1,000 km-long oil pipeline from the Karazhanbas field to Xinjiang. The pipeline, which began operation in 2006, has a 200,000 bbl/d (barrels of oil per day) capacity.²⁹

Chinese scholars believed that, compared with the situation in South Asia and Southeast Asia, China and India’s China and India’s interests in Central Asia are relatively limited. Neither country has the desire or drives to dominate this region, which

has traditionally been Russia's "backyard." Instead, there is for China and India more potential for cooperation rather than competition in Central Asia. In terms of security cooperation, Chinese scholars refer to terrorism, separatism and religious extremism the so-called "three evil forces" in Central Asia and believe these forces are common threats to both countries. One study suggests that the "*East Turkestan Islamic Movement*," which is considered a threat to the security of China's Xinjiang autonomous region, has penetrated South Asia from Central Asia and might be seeking to establish a terrorism base there to attack Chinese diplomats and citizens in South Asian countries.³⁰ If true, developments along this dimension will become a new factor of instability in South Asia.

In economic terms, both China and India are developing economies and need to import a large amount of oil and natural gas to meet their domestic increasing demand. This makes it possible for these two countries to cooperate and compete as well in this region. In recent years, Chinese and Indian oil companies entered Central Asian energy market by forging new alliance and synergies in the energy sector. Some Indian scholars proposed that these two countries jointly build an oil and gas "energy highway" from Central Asia to the north of India through the west of China. The state-oil companies from China and India have cooperated in some cases.

But what is more important is to promote economic integration in Central Asia, realizing common development and prosperity in this region. This is the best way to ensure and maintain regional peace and stability. China and India could play their roles in this regard. For instance, there exist great economic complementarities between Central Asian countries and China and India. China and India can provide various sorts of equipments and facilities, including transportation, electricity and telecommunication

equipments which are badly needed in these countries; China and India own many developed seaports, thus can provide outlets for these landlocked Central Asian countries' imports and exports. China and India can achieve win-win result if they could manage their interests and influence in Central Asia properly while bearing more responsibility as two big regional powers.

V. Chinese Perspectives on India's "Look-East" Strategy

In what's referred to as New Delhi's "Look-East" policy, India is also seeking an expanded role in Southeast Asia and East Asia as it attempts to mirror China's successful effort to woo Southeast Asia. This policy has several objectives: to build more ties and create more diplomatic space as India extends its naval power in the Indian Ocean, to tap into Southeast Asia's dynamic economic growth, and to secure energy supplies. In the eyes of an American scholar, India develops its relationships with Southeast Asian countries "at the least to avoid Southeast Asia from becoming China's exclusive influential area; at the best to make Southeast Asia become a force containing China, just like China makes Pakistan a force containing India."³¹ While in the eyes of Chinese scholars, "geopolitics, strategic needs, domestic economic reforms, and traditional links with Southeast Asian countries made this strategic adjustment possible and feasible".³²

Southeast Asia has been of special importance to China and the shift in New Delhi's stance has thus generated a sense of rivalry between the two for the affectations of Southeast Asia. Politically, China has worked hard to maintain a peaceful and stable environment on its periphery for its domestic economic construction and it has placed special value on having good-neighborly with Southeast Asia. Economically, Southeast

Asia is an important source of raw materials and capital for China as well as a great potential export market. In terms of security, the sovereignty of some islands in the South China Sea is still a sensitive issue in Sino-ASEAN relations but has been put aside for now. Southeast Asia is also a source of oil and gas supplies for China. Especially worth mentioning is the fact China's primary energy supply routes from the Middle East and Africa pass through Southeast Asian chokepoints. In its various dimensions energy is likely to assume an increasingly prominent role in Beijing's diplomacy with its southern neighbors.

Given ASEAN's significance and importance to both China and India, and the potential for rivalry between the two rising powers for ASEAN's favors, it is useful to examine these complex relationships along the three dimensions of economics, politics and security.

Economic Interactions

China's trade relations with ASEAN have grown rapidly, overshadowing India's trade with ASEAN. In 2005, ASEAN-China trade volume reached US\$113.4 billion, or 9.3% of ASEAN's total trade volume (US\$1224.9 billion). In contrast, the amount of ASEAN-India trade volume was US\$23 billion, or merely 1.9% of ASEAN's total trade volume.³³ ASEAN's trade relations with China and India thus reflect China's emphasis on and prowess in manufacturing. The share of electronic products in China's exports to ASEAN increased from 43.1 per cent in 2001 to 50.2 per cent in 2004, while that of India's decreased from 21.3 to 1.9 per cent.³⁴ Although India's IT sector is more competitive than China's – in 2001, India's IT exports reached US\$7.8 billion, while

China's was only US\$0.72 billion – the IT sector accounts for only 3 per cent of India's GDP. In order to eradicate domestic poverty and realize industrialization, India will be making be efforts to develop its industrial sector. While China will greatly develop its service sector so as to absorb more labor forces and maintain social stability. As India's manufacture sectors develop and China's service sectors become more competitive, it is possible that these two countries' trade competition in Southeast Asia will become more serious. This competition is the logical extension of their search for potential markets and political influence, and will continue in the near future.

The same pattern holds for FDI as well. By the end of 2003, ASEAN's accumulated FDI in China was US\$64.6 billion, or 6.5 per cent of the total FDI inflows to China. In contrast, ASEAN's accumulated FDI in India was US\$4 billion, or 6.1 per cent of total. Going in the other direction, China's FDI in ASEAN amounted to US\$1 billion or 0.4 percent of the total FDI inflows into ASEAN for 1995-2004; the comparable figures for India were US\$0.7 billion (0.3 percent).³⁵

Political Engagements

With regard to political cooperation with ASEAN, China was ahead of India in making political relations tilt in its favor. Starting from 2000, China has held an annual summit meeting with ASEAN under the framework of "10+1" and "10+3". Both China and the ASEAN have concentrated on constructive engagement, not simply creating economic interdependence, with the overall aim of creating cooperative relations in international and regional affairs. In multilateral forums such as the Asia-Pacific Economic Cooperation (APEC) and the ASEAN Regional Forum (ARF), China and

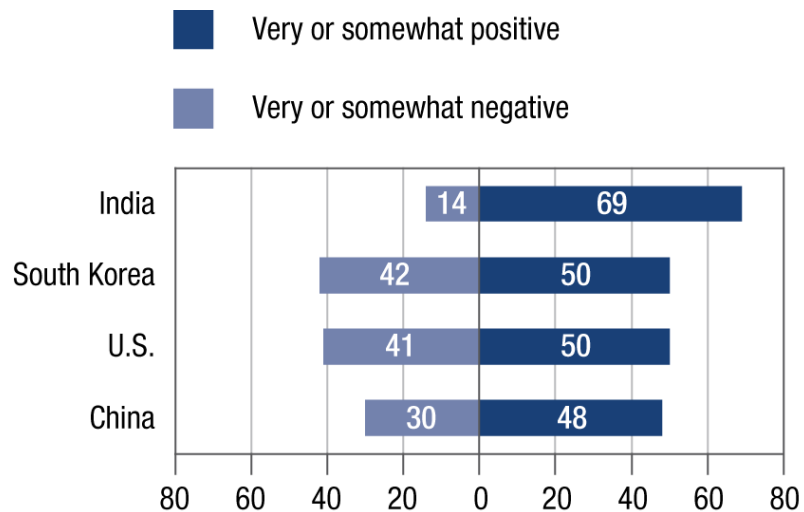
ASEAN have behaved almost as de facto allies, articulating an “Asian way” in organizing regional interactions.³⁶

India began participating in the ASEAN Post-Ministerial Conferences and the ASEAN Regional Forum (ARF) in 1996. After intensive efforts to achieve parity with China, Japan, and South Korea in the ASEAN scheme of partnerships, India became a summit-level partner in 2002. In April 2005, with the strong advocacy of Singapore, Indonesia, and Thailand for India’s inclusion in the East Asia Summit (EAS), the ASEAN Foreign Ministers endorsed India’s participation in the EAS, indicating India’s Look-East strategy had reached an important milestone.

China initially viewed India’s growing involvement in East Asia with a measure of apprehension. Beijing feared that this would enable New Delhi to win recognition as a political and military power in Asia, thus complicating the political situation there. China was also concerned that the United States might manipulate India’s evolving relations with ASEAN to contain China or “smother” China’s attempt to exert its influence in the region. As East Asian regional cooperation develops and China-ASEAN relations become more matured, however, China has shifted its stance toward multilateralism, moving away from the initial caution to being more confident. China believes multilateralism is a safer way to expand its international influence and protect its national interests. The ASEAN-sponsored multilateralism in East Asian security and economic affairs, for example, has offered China the opportunity to develop a counterweight to the U.S.’s dominant role in the Asia-Pacific region, and to argue against Japan’s EAC (East Asian Community) design based on the creation of Japan-ASEAN axis and Tokyo’s more prominent regional political-military role. Chinese scholars believed that India’s

involvement will not challenge China’s role in the process of East Asian Community, because “China at present has neither intention, nor precondition to become a leadership country in this process.”³⁷ Many Chinese hold that India’s comparative advantages and potential in its economic development will make East Asian economy more open and inclusive. In this context, China has also become more optimistic and comfortable with India’s Look-East Strategy in providing new momentum for East Asian cooperation, and thereby strengthening the trend towards multi-polarity in Asia and the Asia-Pacific.

Figure 5: Is India a positive force in resolving problems in Asia?



Security

Overlapping territorial claims in the South China Sea, whose seabed contains oil and substantial natural gas deposits, is the most sensitive traditional security issue between China and ASEAN countries. The core of ASEAN’s security policy in this region is to maintain its autonomy as an independent regional group, and avoid any big power from

dominating the security situation there. From its strategy of “balance of powers”, ASEAN hopes that big powers from outside this region could play some role on the South China Sea issue. This policy provided India with a good opportunity to take part in the security mechanism in Asia Pacific region. The Indian navy currently ranks seventh in the world and India is the only country in South Asia that boasts aircraft carriers. The Indian navy force began holding military exercises with some ASEAN countries in the early 1990s, and formally expanded the sphere of its navy activities to the South China Sea in 2000 when conducting joint exercises with its South Korean and Vietnamese counterparts. It is declared that the strategic goal of the Indian navy force in the South China Sea is to “secure the peace and stability in Southeast Asia, ensuring that this region will not be under the influence and control of any big power”.³⁸

Some Chinese strategic analysts believed that India has now developed a strategy of regional deterrence and sought to play a greater role beyond South Asia. “One of the main motives for Indian navy force entering into Southeast Asia and South China Sea is to curb China’s growing military influence in this region, containing China in terms of security, so as to raise its own international status and strengthen the negotiating position in its competition with China”.³⁹ But Chinese scholars also believe that it is important for these two sides to cooperate further and exchange more information, so as to reduce misunderstanding and know the real situation, and thus enhance mutual trust. In reality, “even though India has intention to curb China, considering its present capability and the goals of its foreign policy, it is infeasible and unrealistic for it to take China as an ‘enemy’”.⁴⁰ While ASEAN welcomes India coming into this region, but it does not want to see any big conflicts and clashes in this region, because this does not cohere with its

interests. Hence, from the perspectives of developing China-ASEAN relationships, it is to the interests of all parts to hold a positive and cooperative attitude to India's military existence in this region.

The Malacca Strait is another locus of China's security concerns in Southeast Asia. The strait is the quickest passage between the Indian and Pacific Oceans. China has become increasingly dependent on the Malacca Strait as a conduit for its manufactured goods to reach European and other markets, as well as for commodity and energy supplies. It is estimated that approximately 65 per cent of China's energy imports, primary crude oil from the Middle East and Africa, passes through the Malacca Strait, and this figure is set to increase over the next decade.

India has clearly recognized the strategic importance of its naval influence. It has built a navy base on the Andaman and Nicobar islands in the Bay of Bengal, declaring that these islands are India's door to the East, "to the Malacca Strait which is a 'throat channel' for our neighboring Southeast Asia as well as Far East Asia".⁴¹ For their part, Chinese scholars note that "India has repeatedly declared that it has security interests in the Malacca Strait, and its navy strategy stresses on maintaining its 'legitimate interests' from the Persian Gulf to the Malacca Strait". In view of these sentiments, it appears likely that both sides would give substantial attention to the Malacca Strait as a strategic point for controlling and containing each other should Sino-Indian relations become tense.

In sum, while India has expanded its role in Southeast Asia, Chinese scholars believe these Indian activities are mainly for expanding Indian regional influence and are part of its general strategy of becoming a world power, rather than targeted at China. On this account, China and India have no strategic conflicts in Southeast Asia, and that

opportunities for Sino-Indian cooperation and competition in Southeast Asia are equal, although the expressions are different in economic, political and security areas, and this competition could hopefully become a sort of healthy one. Thus far, Beijing has adopted a relaxed attitude and response to the India's Look-East policy, and does not appear to view India as an impediment to the implementation of its strategic goals in Southeast Asia, which are mainly to maintain a stable environment on its periphery and encourage economic ties that contribute to China's economic modernization and thus to regime stability.⁴²

VI. Conclusion

For decades China and India had looked at each other with a mixture of apathy and suspicion. As India's economy opened up in the early 1990s and exchanges between these two countries have increased, Chinese perspectives on India's development have become more positive. India's improved economic performance in recent years, combined with its growing importance in international affairs, has led Beijing to reassess India's role. China now sees India as a "comprehensive national power", acknowledging that its rise cannot be contained and is beneficial to Asia and the world. An article in *Beijing Review* notes that "with its 1.1 billion population, seventh largest land mass and strategic location on the Indian Ocean rim, India has everything necessary to become a major power."⁴³

Nevertheless, divergent perceptions and interests do exist between these two rising powers. Like any other established status quo power, China wants to ensure that its position remains strong vis-à-vis India for strategic, economic and geopolitical reasons. Meanwhile India feels the need to take some counter-balancing measures with respect to

China. China's recent tougher stance on the territorial disputes with India, its high concerns over the U.S.-India nuclear deal and related agreements, and its opposition to the possible "alliance of values" among the U.S., Japan, Australia, and India have served to reinforce the views of those pessimistic analysts to some extent. They believed that "the relationship between the two rising Asian giants with overlapping spheres of influence and disputed frontiers will be characterized more by competition and rivalry than cooperation".⁴⁴

Endnotes

¹ As quoted by Chinese ambassador to India Sun Yuxi on March 31, 2006. Accessible via <http://english.people.com.cn/200603/31/eng20060331-255013.html>

² See, for example, Gurcharan Das, *India Unbound*. New York: Knopf, 2001.

³ Henry Kissinger, *Diplomacy*, New York: Simon & Schuster, 1994, pp. 23-24; Samuel Huntington, *The Clash of Civilizations and the Remaking of World Order*, New York: Simon & Schuster, 1996, p. 121.

⁴ Baldev Raj Nayar and T.V. Paul, *India in the World Order: Searching for Major-Power Status*. Cambridge University Press, 2003, p. 10.

⁵ The surveys were conducted in 2006 with nationally representative samples. For more detailed discussion of the methodology, see "The United States and the Rise of China and India: Results of a 2006 Multination Survey of Public Opinion," The Chicago Council of Global Affairs, 2006, pp. 80-81. Yang was a team member of the study.

⁶ Ma Jiali, "India's Strategic position and Prospects for China-India Relations", *China Review*, Hong Kong, no. 37, January 2001. (Ma Jiali is currently a senior researcher at the China Research School of Contemporary International Relations based in Beijing).

⁷ Ma Jiali, "India's Rise and its Strategic Influence", 2006. Available at <http://www.sasnet.cn/zuixincg/showcontent.asp?d=191>

⁸ Ma Jiali, *Notice India: A Big Rising Country on the Rise*, Tianjin People's Press, 2002, p. 14.

⁹ Waheguur Pal Singh Sidhu and Jing-dong Yuan, *China and India: Cooperation or Conflict?* Lynne Rienner Publishers, Inc., 2003, p. 156.

¹⁰ Wang Yiwei, "India's Strategic Suspicion Toward China", *Lianhe Zaobao*, Sep. 25, 2007, available at <http://www.zaobao.com/yl/ylweek.html>

¹¹ Waheguur Pal Singh Sidhu and Jing-dong Yuan, *China and India: Cooperation or Conflict?* Lynne Rienner Publishers, Inc., 2003, p. 159.

¹² Reforms since the early 1980s have deliberately separated the military and the party, and the military has largely avoided the kind of entanglement in domestic politics that

marked the height of the Cultural Revolution.

¹³ Waheguar Pal Singh Sidhu and Jing-dong Yuan, *China and India: Cooperation or Conflict?* Lynne Rienner Publishers, Inc., 2003, p. 157.

¹⁴ Ramkishan S. Rajan, "Different Paths of Asian Giants", *The Strait Times*, 29 January 2007.

¹⁵ 1 barrel (42 gallons) of crude oil = 5,800,000 Btu.

¹⁶ Ramkishan S. Rajan, "Different Paths of Asian Giants", *The Strait Times*, 29 January 2007.

¹⁷ Yasheng Huang, "China Could Learn From India's Slow and Quiet Rise", *The Financial Times*, 27 January 2006.

¹⁸ Yevgeny Bendersky, "India: A Rising Power", *The Power and Interest New Report*, August 18, 2004. Accessible via <http://www.pinr.com>

¹⁹ Jing Ulrich, "'Chindia' not the unified powerhouse it appears to be", September 24, 2007. Accessible at:

http://www.ftchinese.com/sc/story_english.jsp?id=001014352&loc=story

²⁰ While the commerce ministry has proposed a phased reduction in duty on sensitive products like palm oil, pepper, tea and coffee, and also proposed to reduce its list of sensitive items to 990, the agriculture ministry has raised concerns about the impact of the move on Indian farmers. Neither is the finance ministry in favor of these proposals, mainly concerning the loss of revenue arising out of tariff cuts under the agreement.

²¹ Zhang Jun, "China and India: Why do They Need to Learn From and Trade with Each Other?", in *South Asia in the Global Community: Towards Greater Collaboration and Cooperation*, edited by Hernaikh Singh, Institute of Southeast Asian Studies, 2007.

²² Ashutosh Varshney, "India's Democratic Challenge", *Foreign Affairs*, Volume 86 No.2, 2007.

²³ Rajat Pandit, 2004, "India to 'Arm' itself for Strategic Interests", *The Times of India*, 27 October 2004.

²⁴ Harsh V. Pant, "India in the Asia-Pacific: Rising Ambitions with an Eye on China", *Asia-Pacific Review*, Vol.14, No.1, 2007.

²⁵ Nyi Nyi Lwin, "Economic and Military Cooperation between China and Burma", September 2006, available at <http://www.narinjara.com/Reports/BReport.ASP>

²⁶ In April 2007, the Chinese National Development and Reform Commission approved an oil pipeline linking Myanmar's deep-water port at Sittwe with Kunming. This pipeline would allow an alternative route for China's crude imports from the Middle East, reducing shipping time and its dependence on traffic through the Straits of Malacca. In the meantime, China will build a gas pipeline, which stretches 2,380 km, linking Myanmar with Kunming at US\$ 1.04 billion.

²⁷ Zhang Guihong, "Competition and Cooperation: Sino-India's Relations in Regional Perspectives", *Contemporary Asia-Pacific*, Beijing, December 2006.

²⁸ Santhanam, K. and Dwivedi, Ramakant, *India and Central Asia: Advancing the Common Interest*, Anamaya Publishers, New Delhi, 2004, p. 7.

²⁹ Wang Zhengxu & Lim Tin Seng, "The Shanghai Cooperation Organization and Beijing's Strategic Objectives in Central Asia", *EAI Background Brief No. 342*, East Asian Institute, National University of Singapore.

³⁰ Zhang Guihong, "Competition and Cooperation: Sino-India's Relations in Regional Perspectives" *Contemporary Asia-Pacific*, Beijing, December 2006.

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- ³¹ Francine Frankel and Harry Harding, *The India-China Relationship*. Columbia University Press, 2004, p.341.
- ³² Zhao Gangchen, "The Development of India's Look-East Policy and its Significance", *Contemporary Asia-Pacific, Beijing*, August 2007.
- ³³ ASEAN Trade Database. Accessible via <http://www.aseansec.org/statistics>
- ³⁴ ASEAN Trade Statistics Database (2005), Accessible via <http://www.aseansec.org/statistics>
- ³⁵ ASEAN Secretariat-ASEAN FDI Database. Accessible via <http://www.aseansec.org/statistics>
- ³⁶ Leonard Sebastian, "Southeast Asian Perceptions of China: The Challenge of Achieving a New Strategic Accommodation". In *Southeast Asia Perspectives on Security*, Derek Da Cunha, Institute of Southeast Asian Studies, Singapore, 2000.
- ³⁷ Zhao Gangchen, "The Development of India's Look-East Policy and its Significance", *Contemporary Asia-Pacific, Beijing*, August 2007.
- ³⁸ G.V.C. Naidu, *Indian Navy and Southeast Asia*, Knowledge World, New Delhi, 2000, p. 192.
- ³⁹ Zhang Guihong, "Competition and Cooperation: Sino-India's Relations in Regional Perspectives" *Contemporary Asia-Pacific, Beijing*, December 2006.
- ⁴⁰ Zhao Gangchen, "The Development of India's Look-East Policy and its Significance", *Contemporary Asia-Pacific, Beijing*, August 2007.
- ⁴¹ K.Raja Reddy, ed, *India and ASEAN Foreign Policy Dimensions for the 21st Century*, New Century Publications, New Delhi, 2005, p. 43.
- ⁴² Bronson Percival, *The Dragon Looks South: China and Southeast Asia in the New Century*, Praeger Security International, Westport, Connecticut, 2007, p. 14.
- ⁴³ *People Daily Online*, March 31, 2006. Accessible via <http://english.people.com.cn/200603/31/eng20060331-255013.html>
- ⁴⁴ Mohan Malik, "India-China Competition Revealed in Ongoing Border Disputes", *The Power and Interest New Report*, October 9, 2007. Accessible via <http://www.pinr.com>