India and China: Prospects and Challenges

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Abstract

This paper seeks to assess the future prospects and challenges of the relationship between the two rising giants of Asia namely China and India. As they both are rising as great powers, their mutual relationship will have a significant impact not only on Asia, but on the whole world. At present, the nature of their relationship is something mixed i.e., growing cooperation in the field of trade and commerce along with distrust and mutual suspicions in the strategic fields whether political or geographical. For these apparent factors, the future relationship between India and China can be characterised by the cooperation in those fields whether mutual, regional or international which may be beneficial for the peaceful rise of both these states and confrontation, competition, and even hostility in some other areas where the respective interests of both the giants clash with each other, for example, the border issue, relationship with other countries particularly US and Pakistan, their encirclement policies, competition for energy resources, nuclear arms race, etc. However, at the international level, both countries would find convergence of interests by cooperating with each other on the issues like international terrorism, climate change, restructuring of international institutions, reducing dependence of developing countries on developed countries, taking joint stand on human rights issues, promoting multipolar world order, and on some other areas also. A descriptive-comparative-analytical method has been adopted throughout the paper.

Keywords: China, India, future, relationship, trade, cooperation, competition.

Introduction

The future direction of relationship between the two Asiatic giants, China and India will be characterized not only by competition, but also co-operation. None of them can escape the compulsions of the changing nature of international strategic environment wherein economic interests has taken precedence over political ones. Being developing countries, both the states find convergence of interests on the issue of climate change viz-á-viz developed nations. The most important field for cooperation between China and India will be the trade and economic. In 1984, the two sides signed a Most Favored Nation Agreement (MFN) and trade levels since have increased many times over with the figure touching $74 billion in 2011 from $2.92 billion in 2000. Both countries have set an ambitious trade target of $100 billion in trade by 2015. However, the border question still haunts the China-India relations even in the 21st century. China questions the length of the border and also disputes the 1914 McMahon Line that demarcates India and China border. China also claims the entire north-eastern Indian state of Arunachal Pradesh, which shares border with China. India has also been up in arms against China’s policy of issuing stapled visas for citizens from the Indian state of Jammu and Kashmir. The sharing of river waters is likely to emerge as another problem area for India-China relations in the absence of a treaty between the two countries. During the last few years, there have been reports of China building dams on the Yarlung River, which originates in Tibet before eventually flowing into Arunachal Pradesh. On a broader stage, India’s aspiration for a permanent seat on the UN (United Nations) Security Council may also increase the rivalry between the two countries as China has not been very enthusiastic about India’s bid for a spot at the coveted high table. While on the surface China-India relations appear to be improving, both sides harbor deep suspicions of the other’s strategic intentions, and it is likely that such friction will continue given their unsettled borders, China’s interest in consolidating its hold on Tibet, and as each country reaches into the other’s traditional sphere of influence. This article attempts to explore this complex, multi-layered relationship in all its dimensions. It mainly focuses on the recent developments in the Sino-Indian relationship. It examines the trends of convergence that have emerged in the past few years. Additionally, it looks at the points of divergence and possible areas of concern in the relationship between Asia’s giants.

India and China in the 21st Century

In the 21st century, India and China has emerged as the two visible powers in Asia and in the world with huge populations, growing economies and expanding markets. Though their past relations were bitter and were characterised by hostility towards each other but since 1988, with the Indian Prime Minister Rajiv Gandhi’s visit to China and more especially with the dawn of 21st century, both the states began to shed their past hostilities towards each other by initiating a number of Confidence and Security Building Measures (CSBM’s) in various fields like economics, politics, strategic, culture, defence, etc. to stabilize their relationship. This turn of positive development was based...
on the mutual need to focus on social and political stability, strong economic growth and a sense of security so that each side can avoid the dangers of stagnation and decline.

The rapprochement in the bilateral relations between China and India has been viewed differently by different observers. For example, some argue that close relations between the two Asian giants can radically alter their security environment and restructure Asian geopolitics. But so far as the long term observers of Sino-India future relations are concerned, they maintain that Sino-Indian ties remain weak and vulnerable to sudden deterioration as a result of misperceptions, unrealistic expectations, accidents and eruption of unresolved issues. The simultaneous rise of both China and India are bound to result in realignment of geographical equation and power relations in Asia. It is due to this complex nature of Sino-India relations that it cannot be explained in simplistic format of ‘friend’ or ‘foe’. Instead, both constitute a mosaic of cooperation, co-existence, coordination, cooption, competition and even confrontation.

Although, it is a recognised fact that China and India are competitors for influence and power in Asia, nevertheless, both share common goals of maintaining regional stability, fighting terrorism, taking advantages from globalisation and maintaining access to capital and markets, taking joint stand on climate change, issue of proliferation of nuclear weapons, etc. Further, mutual cooperation between China and India will be more effective in balancing U.S. influence in the region and also increase their negotiating position with the sole super power.

It is in this convergence of interests between the two Asian giants that the joint document entitled, “A Shared Vision for the 21st Century of the Republic of India and the People’s Republic of China” was signed on January 14, 2008 at Beijing by India and China to chart-out the future roadmap of bilateral relations between the two. The document provides that India and China (hereafter called the two sides) will: i. Building and promoting of a long-lasting peace and common prosperity by developing the cooperative and strategic partnership for peace and prosperity between the two states. ii. For removing mutual suspicion, the two sides are convinced that it is time to look to the future in building a relationship of friendship and trust based on equality in which each is sensitive to the concerns and aspirations of the other. Such a close relationship will have a positive influence on the future of international system. iii. On the issue of constituting foreign policy, the two sides believe that in the new century, Panchsheel, the Five Principles of Peaceful Co-existence, should continue to constitute the basic guiding principles for good relations between all countries and for creating the conditions for realising peace and progress of human kind. iv. On the future of 21st century, the two sides believe that the continuous democratisation of international relations and multi-literalism are an important objective in the new century. v. On the international economic issues, both states believe that the establishment of an open, fair, equitable, transparent and rule based multi-lateral trading system is the common aspiration of all countries. vi. Further, the two sides are convinced that it is in the common interest of the international community to establish an international energy order that is fair, equitable, secure and stable to the benefit of the entire international community. vii. Further, the two sides take the issue of climate change seriously and reiterate their readiness to join the international community in the efforts to address climate change. viii. On the arms race, the two sides appeal to the international community to move forward the processes of multi-lateral arms control, disarmament and non-proliferation. ix. So far as the terrorism are concerned, the two sides pledge to work together and with international community to strengthen the global framework against terrorism in a long term, sustained and comprehensive manner. On the question of boundary issue the two sides remain firmly committed to resolving outstanding differences, including the boundary question, through peaceful negotiation.

This document can be regarded a blueprint for the future bilateral relation between China and India as the document stressed that the two sides are convinced that it is time to look to the future in building a relationship and trust based on equality, in which each is sensitive to the concerns and aspirations of the other and their common and simultaneous development will have a positive influence on the future of international community. On the day of its signing, Hu Shishang (Chinese scholar) wrote, “The rise of the world’s two most populous nations is of a revolutionary significance” hoping that Sino-India relations should “over step limits of geopolitics” and “should especially exceed the security predicaments and grudges against each other in the history”.

Political Conflict and Economic Cooperation

However, in spite of such a convergence of interests, India remains uncertain about China’s long term intentions. To eliminate such future apprehensions, India’s strategy for future remains three fold. India is using its growing economic strength to fund and facilitate the modernisation and expansion of its military strength and presence in its immediate and extended neighbourhood. However, along with such strategy, there is also a desire for cooperation on trade and commerce along with some shared interests like safeguarding sea lane, combating terrorism and so on. The bilateral cooperative relationship can be advantageous for both the states. In this regard, ‘The Shared Vision for the 21st Century’ as mentioned above, reflects such a sense of mutual simultaneous peaceful rising of both the states. As stated earlier, the document provides that it is the time that China and India should look to the future in building a relationship of friendship and trust based on equality in which each is sensitive to concerns and aspirations of others. That is why India’s Prime Minister Dr. Manmohan Singh said:

The responsibility for the further development of India-China relations is a shared one in which besides the governments- the intellectuals, thinkers and scholars of both the states have an
important role to play. It is only through a free flow of ideas and sharing of different perspectives that our two societies can build-upon the edifice of our civilisational links.

In the same vein, Deng Xiaoping (the Chinese Premier) once remarked that “if China and India are developed, we can say that we have made our contribution to mankind.” His observation about the importance of Sino-Indian cooperation has acquired more significance in the contemporary times as the world is moving towards a multi-polar system with a great impact on the economy, politics and foreign affairs of both China and India. Both the states are facing new opportunities as well as challenges and in future, they should exploit these opportunities and face challenges in a cooperative manner. On some international issues, both the states can support each other and cooperate as they have common or identical views on those issues.

For example, China and India share common view points on the human rights issues. They oppose the attempt of some western countries (particularly U.S.A.) to capitalise on the so called ‘Human Rights Issue’ to put pressure on developing countries. Thus, both have opposed the attempts by some developed countries to impose their human rights criteria on others and thereby interfere in the internal affairs of other countries under the guise of human rights. In future also, they can also take joint stand on this issue.

Furthermore, both the states can jointly project the cause for the establishment of New International Economic and Political Order (NIEPO) devoid of unipolarity in which the strategic, economic, and political independence of all countries all over the world must be taken into account. However, the most important field for future cooperation between China and India will be economics and trade. They can reduce their economic weakness by acquiring each other’s strong points. It is in this context, that both the states have made a mutual decision to set aside fighting about their disputed border while the two giants develop their economies and enter world market known in China as the ‘peaceful development’.

Being the two largest and fastest growing economies with expanding markets in the world, it is projected that the Sino-Indian bilateral trade would be the world’s largest trading partnership sometime between 2010 and 2020. The gradual and steady rise of Sino-India trade can be discerned from the fact that in 1991, bilateral trade between the two states was $265 million. In 1999, after a decade, it rose to $1.82 billion. In 2000, the bilateral trade had reached $2.5 billion. Again in 2004, bilateral trade touched $13.6 billion. During the year 2008 and 2009, the Sino-Indian trade was $51.86 billion and $43.28 billion respectively. India-China total trade crossed the target of $60 billion for 2010 and stood at $61.74 billion. Further it is estimated that China-India trade will mark the $100 billion by 2015. The table given below highlights the growth of trade between India and China during the three years 2008, 2009 and 2010.

<table>
<thead>
<tr>
<th>Table-1</th>
<th>India China Trade</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Indian Exports to China</td>
<td>20.34</td>
</tr>
<tr>
<td>Growth %</td>
<td>38.76</td>
</tr>
<tr>
<td>China Exports to India</td>
<td>31.52</td>
</tr>
<tr>
<td>Growth %</td>
<td>31.12</td>
</tr>
<tr>
<td>Total India-China trade</td>
<td>51.86</td>
</tr>
<tr>
<td>Growth %</td>
<td>34.02</td>
</tr>
<tr>
<td>Total trade balance for India</td>
<td>-11.18</td>
</tr>
</tbody>
</table>

Thus, it becomes clear that since the last two decades, Sino-Indian trade has continuously increased and in future also, this pace of increase in Sino-Indian trade is expected to continue. India’s strength lies in information technology (IT), software engineering, management and financial services and China is strong in hardware, manufacturing, construction and engineering. Therefore, there is greater scope in future for collaboration and cooperation from each other’s strong points.

Besides the above mentioned fields, there are other areas as well where both China and India can cooperate in future, for example in the field of science and technology, both states have made tremendous progress and cooperation in this field will to a great extent reduce their technological dependence on the developed countries. In this regard, they need to cooperate in the fields like space, computer software, and genetic engineering, peaceful application of nuclear energy, hydro-electricity generation, and agriculture in a number of other fields.

Thus, on the whole it can be stated that the cooperation between the two Asian giants in future at the bilateral and international level will continue in those fields or areas where there is convergence of interests and which will serve their respective national interests. That is why, despite their many disputes, both are likely to avoid overt rivalry and open conflict. They will build a more robust and substantive economic relationship and will also pursue cooperation in international forums on environment, trade, human rights, nuclear weapons and economic issues. In all these areas, they have far more reasons to cooperate than to collide. The more and more cooperation in all the above mentioned fields will be more beneficial for both the countries and could also enable them to play a more assertive role in the international arena by increasing their negotiating position in developed countries.

Although, there has been increasing cooperation between the two Asian giants in the political, economic or other fields in the past and is likely to remain so in the future also, but the misperceptions, distrust, suspicion and hostility towards each other has not fully vanished and in future also, these features
will characterise Sino-Indian relations along with cooperation. While India has always remained suspicious about China, the Chinese on the other hand, remain sceptical about India’s future course of policies and action. It will be not acceptable for China to see India playing the role beyond South Asia or emerge as an equal competitor to China. For example, India’s aspirations to play a more active role in East Asia are not encouraged by China; the latter prefers that India remain in South Asia although, it plays lip service to the notion that India should be a major player in the global affairs. India’s entry to the ARF (ASEAN Regional Forum) was endorsed by the United States and Singapore and not by China. In terms of economic and military capabilities, China has gone far ahead of India and the existing power status between the two, serves the interests of China more than India. However, in spite of such an advantageous position of China vis-a-vis India, China is concerned about India aligning with any other significant powers notably (US) against China. That is why China is likely to be prepared to make some concessions to India so that India may not align itself with any outside power to challenge Chinese supremacy in the region. However, to Mohan Malik, on balance, China seems to have limited expectations from India which can be broadly described as “Five No’s”14: i. do not peddle “the China threat theory”. ii. do not support Tibet or Taiwan's independence. iii. do not object to the Sino-Pakistani Strategic Partnership. iv. do not align with the United States and/or Japan to contain China. v. do not see or project yourself as an equal of China or as a nuclear and economic counter weight to China in Asia.

It is on the basis of these ‘five principles’ that China seeks to establish future relations with India as part of its friendly neighbourhood strategy. Earlier, especially during Nehruvian era, and soon after the end of bi-polarity it was expected that Sino-Indian partnership will produce an Asian century, but Chinese has not shown any sign so far for sharing leadership of Asia with anyone including India. China will not allow any power to emerge as a peer competitor that will challenge its status as the Asia Pacific’s sole “Middle Kingdom” and in this regard an old Chinese saying goes, “one mountain cannot accommodate two tiger’s”. Thus, on the side of India, to challenge or to try to undermine China’s influence and power or any attempt to achieve strategic parity with China, will be strongly resisted by China through its military, economic and diplomatic means.

**Energy and Maritime Security**

Moreover, as the two Asian giants move forward in the 21st century, with increasing need for energy resources to feed their growing economies both will try to forge closer and deeper security ties with energy rich nations and will also develop strategies to safeguard sea lanes through which the bulk of their trade takes place. After the U.S., China consumes more oil than any other nation. India’s energy consumption is expected to grow by between 3.6 and 4.3 percent per year, and to more than double by 2030. This would make India the world’s third largest importer of oil before 202516. The sustained growth rate of their economies depends to a large extent on the uninterrupted supply of energy like oil and gas as both are major energy importer countries. In 2001, the total energy consumption of China and India was 39.7 and 12.7 respectively in Quadrillion British thermal Units and it is estimated that this figure will increase to 60.3 in case of China and 23.5 in case of India, by 2025. Below mentioned table highlights growing need of oil and gas in both China and India:

**Table 2**

<table>
<thead>
<tr>
<th>Country</th>
<th>2001</th>
<th>2025</th>
<th>Average Annual percent growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>21.9</td>
<td>23.3</td>
<td>0.3</td>
</tr>
<tr>
<td>China</td>
<td>39.7</td>
<td>60.3</td>
<td>1.8</td>
</tr>
<tr>
<td>India</td>
<td>12.7</td>
<td>23.5</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Quadrillion British Thermal Units

**Table 3**

<table>
<thead>
<tr>
<th>Country</th>
<th>2001</th>
<th>2025</th>
<th>Average Annual percent growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>5.4</td>
<td>6.5</td>
<td>0.8</td>
</tr>
<tr>
<td>China</td>
<td>5.0</td>
<td>10.9</td>
<td>3.3</td>
</tr>
<tr>
<td>India</td>
<td>2.1</td>
<td>5.5</td>
<td>4</td>
</tr>
</tbody>
</table>

Million barrels per day

**Table 4**

<table>
<thead>
<tr>
<th>Country</th>
<th>2001</th>
<th>2025</th>
<th>Average Annual percent growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2.8</td>
<td>3.6</td>
<td>1</td>
</tr>
<tr>
<td>China</td>
<td>1.0</td>
<td>6.1</td>
<td>7.9</td>
</tr>
<tr>
<td>India</td>
<td>0.8</td>
<td>3.4</td>
<td>6.1</td>
</tr>
</tbody>
</table>


That is why, in the recent past, China is pumping more and more money in developing the ports and naval bases in Pakistan, Bangladesh, Myanmar and Sri Lanka. Although, no Chinese territory borders the Indian ocean, the same (Indian Ocean) is now being described in Chinese circles as ‘China’s next frontier’17. But on the other side, India has not been a mute spectator to all these developments. It has countered all these moves by enhancing and upgrading military ties with Maldives, Madagascar, Seychelles and US in the Indian ocean and with Myanmar, Singapore, Indonesia, Thailand, Vietnam, Taiwan, the Philippines, Australia, Japan and US in the East. The above scenario can be best illustrated from the following map:
In the context of above mentioned developments, it is predicted that in the future, the maritime competition between two Asian giants is set to intensify as the Indian and Chinese navies meet in the Indian and Pacific ocean. Maritime rivalry would be the new dimension to the traditional Sino-Indian geopolitical rivalry. 

Further, the future relations between China and India will remain delicate and sensitive and there is possibility of sudden deterioration of relations as a result of misperceptions, hostile attitudes especially on border issue. In addition, the competition for resources, overlapping spheres of influence, rival alliance relationships shows that the future relations between the two Asian giants will be characterized more by competition than cooperation in the foreseeable future. However, it must be reiterated here once again that in such a complex and delicate atmosphere, neither side would do anything that would destabilise their current bilateral economic or other relations. But at the same time, both the states will try to consolidate their power and position while striving to resolve their domestic and internal problems. However, along with such a strategy, they will also continue to monitor closely each other's activities to expand influence and gain advantage in the wider Asian region. India will also like to maintain the independence in its foreign policy by not entering into any alliance that are aimed at countering China or any other power. Nonetheless, a pro U.S./pro-Japan tilt in India’s national security policy a reaction to the power projection capabilities of China will be a defining characteristic of an increasingly globalised world. Moreover, the nature of future Indo-U.S. relations, Sino-U.S. relations and Sino-Pak relations will be very significant for Sino-India relations. During the 1960’s and 1970, one of the main reasons of hostility between India and China was the Indo-Soviet alliance and still in the present times, Chinese antagonism towards Japan is its alliance with the United States. In the same way, in future, if the U.S. adopts a policy of containment against China and recognise India as its natural ally, the result would be a hostile relationship between China and India as well as between China and United States. It is in this respect that China’s behaviour towards India is not much different from that of United States behaviour towards China for the simple reason that China is a status-quoist power with regard to India while the US is a status quoist power with respect to China. Thus, the future of the Asian Security environment depends to a great extent on how the U.S. manages the rise of China and how China, in turn, manages the rise of India.

Though, in the short and medium term, neither side would do anything that would destabilise their current bilateral economic or other relations, but in the long term, there is possibility of confrontations and even conflict between the two Asian giants over a number of issues ranging from border issue to encirclement policies. However, the extent and nature of their rivalry will be determined by how domestic, political and economic developments in these two countries affect their power, their perceptions, their attitudes and above all, their
security policies. It can be asserted and is also possible that militarily strong and economically prosperous India and China might come to terms with each other eventually as their mutual containment policies start yielding diminishing results. Till then, both the states would like to maintain the status quo focussing on their economic, political, military and strategic development and in future, keep the competition and rivalry as flexible and unprovokable as possible.

Conclusion

In the concluding remarks, it can be asserted that despite improvement, the Sino-Indian relations will remain competitive. Both will attempt to acquire the power and status which will be suitable to their populations, geographical location, their country’s size, and so on. Furthermore, the emergence of both the states as great powers and economic giants in the 21st century is likely to result in significant new geo-political alignments. Both will try to enhance their presence in different parts of Asia and Africa. Moreover, the new economic prosperity and military strength of both the states will create new tensions as both will try to register their authority in different parts of the world, especially in South Asia, South East Asia and Central Asia. At the strategic level, India will continue to expand the strength, scope and reach of its naval capabilities. The growth of such capabilities will provide Chinese further reason to be wary of Indian intentions.

So far as the Sino-Pak ties and its impact on Sino-Indian relations are concerned, it will also remain an important irritant in the Sino-India relations. Though China, no longer supports Pakistan on Kashmir issue, but it does not also endorse India’s position either and nor it is likely to do so in the foreseeable future. Further, in many other areas such as boundary issue, Arunachal Pradesh, competition for energy resources, etc., both will held divergent views and will stick to their respective stands.

However, it must be reiterated here, that the range of issues, confronting the two states are sufficiently varied so as to engender complex national strategies. In most of the cases, China and India will be faced with the task of deterring, defending and reassuring each other simultaneously in the presence of multiple actors, each with its own capabilities, preferences and constraints. In this context, according to Ashley J. Tellis, Sino-Indian relations- on balance- will be defined more by competition than by cooperation, but such competition is unlikely to become malignantly rivalrous, as U.S.-Soviet Competition was during the cold war. It is because, both China and India are still subordinate states in global system that lack untrammelled freedom of action, have sufficiently different strategic orientations in Asia that, while intersecting, offer hope of avoiding unvarnished confrontations, and have defence capabilities wherein geography nuclear weaponry, and conventional forces combine to produce fairly robust defence dominance viz-a-viz each other. If and when, these three conditions change, however, the stage would be set for serious dyadic rivalry.

In the end, the Sino-Indian future relations can be best summed-up with the statement of Jay Taylor which he made in the mid-1980s, but remain relevant even today, notably in the second decade of 21st century. He noted: Over the long term, India and China… will always tend towards a rival relationship and thus, each will seek a security link with a different super power… Both India and China want to avoid war and concentrate on development…. Yet the volatile agents of nationalism and history produce a mysterious chemistry…. Strength and size carry with them their own rationale for status and influence, and both India and China may well find themselves drawn into future regional conflicts or possibly intervening in neighbouring countries because of some instability or action that is produced as threatening… the odds are that over the long term there will be more rivalry than cooperation between Hind and Hun.

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