

CIIS Report

**Sino-Indian Relations  
in the New Era: Current Status,  
Development Trend and Policy  
Recommendations**

**No. 7**  
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**中国国际问题研究院**  
CHINA INSTITUTE OF INTERNATIONAL STUDIES

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# CIIS Report

## Sino-Indian Relations in the New Era: Current Status, Development Trend and Policy Recommendations

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## SUMMARY

Since the advent of the 21st century, the Sino-Indian relations have entered a new era of all-round development. Internal and external factors bearing on the Sino-Indian relations have become increasingly complex and diverse. India now has a more obvious impact on China's sovereignty, security and development interests. Against the backdrop of the gradually-evolving international system and order in the Asia-Pacific as well as the world at large, India's position in China's diplomatic agenda has been prominently upgraded and the Sino-Indian relationship is strategically more important not only for the two countries, but also for the entire region and the rest of the world. To some extent, the Sino-Indian relations are currently in a transition period featuring "rebalancing" and "repositioning".

After the Cold War, India has come to adjust its foreign strategy and set the following two objectives: to develop close relations with those countries from which India can benefit for high economic growth; and to set its diplomatic agenda from the perspective of a global power and a major power in Asia instead of a regional power in South Asia. To achieve those two objectives, India has taken the following steps. Firstly, India has taken an active part in big-power diplomacy by enhancing its relations with major powers in the world. While avoiding being involved in the confrontations between major powers or power groups, India has taken advantage of their disagreements to mould a strategic environment conducive to its rise. Secondly, India has taken the initiative to improve relations with its South Asian neighbors and to promote economic integration in South Asia so as to win recognition and respect from its neighboring countries while maintaining its dominance in the region. Thirdly, India has pursued a diplomatic strategy of extended neighborhood by attaching importance to and prioritizing its relations with neighboring countries. Fourthly, India has attempted to strengthen its military deterrence targeting potential enemies in the world, especially in its neighborhood, and to enhance its international prestige and standing through military might. Fifthly, by turning the

pursuit of economic interests into an important foreign policy objective, India has increasingly enhanced the position of economic interests in its diplomatic agenda. The adjustment of India's foreign strategy is both a passive response to the major changes in the international situation and an initiative of India itself to achieve economic development and its rise to a great power.

While China and India are striding forward side by side and adjusting their respective diplomatic orientations, the relationship between them has expanded both in intension and extension. And cooperation and competition are both on the rise in between the two countries. The bilateral relationship has evolved into "an ever-strengthening developmental partnership amid running-in". As the power structure in the Asia-Pacific starts to change, both China and India are "rediscovering" each other and making efforts to build up "a new model of Sino-Indian relationship" or "a relationship between major emerging powers". The high-level visits between the two countries have become frequent with some breakthroughs achieved, and substantive progress has been made in their economic, trade and investment cooperation. More importantly, the Sino-Indian security and strategic cooperation has been progressing well against all odds. Though limited progress has been made in border negotiations, the border areas are now under effective control. The Sino-Indian cooperation in multilateral arenas have shown highlights and become a new point of growth for the bilateral ties. Moreover, cultural exchanges and people-to-people connections have been an obvious "plus" for the development of Sino-Indian relations. Despite strategic suspicions, both China and India have accumulated considerable amount of confidence for regional cooperation.

After more than a decade of exploration and development in the 21st century, the Sino-Indian relationship has been upgraded to one of "the most important bilateral relations" for both countries, and each country's position in the other's diplomatic agenda has been rising steadily. Under the direct guidance of top leaders, the Sino-Indian relations have returned unequivocally to pragmatism and rationalism, and confidence for pragmatic cooperation has been accumulated amid rational running-in. While efforts are being made to explore and expand their areas of common interest as a way to register addition, they are also trying hard to reduce their disagreements and to find solutions as a way of subtraction. The fact that new pro-

posals have constantly emerged shows that efforts are being made by the top leaders of both sides to further promote the bilateral relations from a conceptual level. There are some new developments on both sides of the border: a rising number of frictions, which often lead to uncompromising confrontations in the border areas. The Sino-Indian relations are now developing into “dynamic engagement”, with a gradual shift of policy focus from “high politics” issues to “low politics” issues.

To further develop their relationship, China and India have to precisely identify and link up their core interests. Only by emancipating their minds, understanding and accommodating each other, and adjusting their policies can a clear-cut and friendly border that is acceptable to both Chinese and Indian peoples be demarcated.

The two countries should explore a unique way to handle their relations, namely, “a new model of Sino-Indian relationship”. Considering that there are considerable disagreements between China and India in territorial sovereignty and strategic tenets, the two countries should keep in mind the priorities in their development agenda and national rejuvenation, leave their disputes well under management and control by related government departments with the direct intervention of top leaders, expand their cooperation with a practical approach, and maintain the bilateral ties at a high level, thus avoiding “the tragedy of great power politics” and the geographical dilemma of “two rival tigers never coexisting in the same mountain”. Being tolerant of the other side’s development and rise, China and India can contribute to “the rise of two peaks” in the same region. There are five pillars to support this new model of relations: strategic mutual trust and coexistence; developmental partnership; facing disputes squarely and seeking common ground while dissolving differences; fostering partnership in multilateral arenas; and putting civilization in command and promoting cultural exchanges and mutual learning.

In addition, China and India should construct a multi-pillared and institutionalized cooperative network, including regular summits and high-level meetings, military confidence-building, border negotiations, and trade and investment promotion. Efforts should also be made to build up a deeply layered, multilevel, interlocking structure for mutual confidence, consultation, and coordination involving political

leaders, legislators, officials, experts, businesses, policy institutes, academics, students, and other actors in the two societies, which aims to identify and strengthen common ground, manage conflicts as it arises, and promote cooperation in bilateral as well as international affairs.

Finally, healthy and stable development of Sino-Indian relations hinge on both sides to put aside the mindset of irrational comparison and covert rivalry, cultivate an objective and balanced media environment, and develop a mode of thinking characterized by accurate evaluation of each other's words and deeds. Experts, scholars and the mainstream media should play the role of a positive "public opinion shaper" for the development of Sino-Indian relations.





## Introduction

Since the advent of the 21<sup>st</sup> century, the Sino-Indian relations have entered a new period of all-round development. Both the internal motivation and external factors affecting the Sino-Indian ties tend to become complex and diverse. India is having an increasing impact on China's sovereignty, security and development interests. Against the backdrop of the gradually-evolving international system and order in the Asia-Pacific as well as the world at large, India's position in China's diplomatic agenda has been notably upgraded. The strategic importance of the Sino-Indian relations has become increasingly prominent not only for the two countries, but for the region and the rest of the world. To some extent, the Sino-Indian ties are in a crucial transition period of "rebalancing" and "repositioning". It is conducive to handling and developing the overall Sino-Indian cooperative relations and scientifically planning for the future when we take stock of the gains and losses in the bilateral relations over the past decade and more, and examine the two countries' common interests as well as the basis of their cooperation. It is also conducive to developing China's good-neighborly relations and its relations with other major powers in the world. By dispelling the clouds, we would be able to see the sun, thus avoiding being blinded.

The Sino-Indian relations are of a multifaceted nature which would not remain unchanged and are in fact in a motion of dynamic change. China and India are not only emerging powers of similar importance, but also neighboring countries with territorial disputes. While maintaining high-level cooperation bilaterally and multilaterally, the two countries, to some degree, guard against each other strategically. Taking advantage of the United States, Japan and other countries to contain the rise of China, India upholds "strategic independence" by persisting in the basic principle of "non-alignment" and maintaining its "independent diplomatic DNA". It has refused to be a pawn used by international anti-China forces. Along with India's rise of overall national strength, its strategic vision shall reach beyond South Asia. In the capacity of an Asian power, India is going to be comprehensively

and positively involved in Asian affairs and various kinds of regional and sub-regional cooperation. This will inevitably trigger a corresponding adjustment in the established Asian and global power structure. Undoubtedly, India as an important country should be regarded as a helpful strategic cooperative partner in the course of China's rise.

This research report bases its study on the period of over ten years since the beginning of the 21<sup>st</sup> century, focusing on the development of Sino-Indian relations in the recent five years. The study covers new features and trends in the development of the bilateral ties and summarizes the "model of Sino-Indian relations". Based on China's specific diplomatic practice with India, this report discusses how to promote long-term, steady, sound and sustainable growth of the bilateral relations.



## I. Main Direction and Content of India's Foreign Strategy Adjustment in the New Era

Over a long period after its independence, India pursued a diplomatic strategy based on “non-alignment”. Former U.S. Secretary of State Henry Kissinger wrote in his latest book *World Order* that Jawaharlal Nehru, the first Prime Minister of India, vowed that the country would become a global power navigating a right course between the U.S. and Soviet camps. However, he did not end up his efforts with making India a neutral state, but relied on India's gradually established military power and underdeveloped social economy to co-launch the Non-Aligned Movement (NAM) with like-minded countries. India was neither willing to be involved in Europe's division and thus offend the Soviet Union, which was only hundreds of miles away, nor willing to step into the Middle East conflicts and thereby trigger the ethnic hatred among Indian Muslims. In addition, India also declined to comment on the acts that North Korea and North Vietnam had done to their Southern counterparts respectively. Indian leaders refused to isolate themselves from what they had confirmed as the ongoing trend of the developing world. They were also reluctant to take the risk of Soviet Union's hostility.<sup>1</sup>

With the end of the Cold War and globalization, pragmatism and economic development have increasingly become the guiding principles for India's foreign policy. To deepen the economic reform and break down the constraints on its economic and social development, India has to tilt to and accommodate itself to Western developed countries to some extent, and consider and tackle global and regional affairs in a more pragmatic way. India's strategic thought features both continuity and changes. Thoughts such as the great power mentality, independence, Indocentrism of the Nehruvian era, and pragmatism as well as the strength-based policy of the post-Nehruvian era still occupy a dominant position in India's diplomacy, while anti-West ideologies and non-alignment thoughts in India's

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1 Xiao An, “Jixinge tan yindu zai shijie zhixu zhong de zuoyong” (Kissinger on India's Role in the World Order), Sept. 19, 2014. ([http://news.china.com.cn/txt/2014-09/19/content\\_33552962.htm](http://news.china.com.cn/txt/2014-09/19/content_33552962.htm))

foreign policy of the Cold War period have largely faded away.<sup>2</sup>

India's foreign policy concept started to change early in the 1990s when the Congress Party was in power. Its diplomatic strategies in this period have featured two objectives: first, to develop close relations with those countries that can help India achieve rapid economic growth and promote economic reform; second, to conduct its diplomatic practices as a leading Asian power and even a global power but rather than as a regional South Asian country. The right-of-center Bharatiya Janata Party (BJP) government took decisive and bold measures to promote the shift of India's foreign policy and abandoned the idealistic and morality-based diplomacy of the Nehruvian era. The principles prioritizing national prestige and interests of the country were embodied in its diplomatic decision-making process. The basic perceptions and framework of India's future foreign policy were thus established. The Congress Party government which took office in 2004 and the BJP government resuming power in 2014 have basically continued the foreign policy of the previous governments and made greater efforts in "major-power diplomacy" and "economic diplomacy".

To sum up, India's foreign strategy and policy in the new era mainly focus on the following points which form the basis of consensus agreed upon by India's mainstream political forces and parties.

**Firstly, actively participate in and comprehensively develop big power diplomacy. While avoiding involving in the confrontations between major powers or power groups, India makes use of their disagreements for creating a strategic environment conducive to its rise.** Since the end of the Cold War, the most salient change of India's foreign strategy has been the adoption of highly pragmatic measures to build a close cooperative relationship with the United States. In India's perspective, the U.S. dominance in the global strategic order is impossible to weaken in the foreseeable future, and the United States is capable of making the greatest impact on India's national interest. India can benefit from a close relationship with the United States in the economic, technological and military fields, thus accelerating its development into a great power. On the other hand, China and Russia are likely to be motivated by the close India-U.S. ties to take India seriously and even show respect toward India.

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<sup>2</sup> Sun Shihai, Jiang Yili, *Er zhan hou nanya guojia duiwai guanxi yanjiu (Foreign Policies and International Relations of South Asian Countries in Post-WWII Era)*, Beijing: Publishing House of Local Records, 2007, p.26.

However, out of its national ambition and esteem, and strategic independence, India is reluctant to become a totally submissive partner of the United States. It is India's desire to balance the increasingly close India-U.S. ties through advancing its relations with Russia, China, the E.U. and other major powers or power groups. This can neutralize domestic forces that are skeptical about, and even against the United States on the one hand, and extend India's horizon for its rise and expand its influence on the other. Nicholas Burn, former U.S. Deputy Secretary of State, who had dealt with Indian affairs over a long period of time, offered his following observation:

*“The United States will have its own challenge in learning to work effectively with India, and that is to recognize the unique nature of this great-power relationship. The United States has no other partnership quite like it. India is too big and too proud to become a formal treaty ally of the United States, as Germany and Japan are. The United States is accustomed to calling the shots with its allies in Europe and East Asia. That won't work with India, which will insist on equal standing with the United States. To be effective in dealing with New Delhi, American diplomats must therefore pay special attention to Indian sensitivities, maintaining a realistic sense of what is and what is not possible with modern India.”*<sup>3</sup>

India strives to avoid openly allying with the United States and containing China, aiming to gain from both sides and hedge its bet between China and the United States. In early 2012, India's think tank released an important government-backed report titled “Non-Alignment 2.0: A Foreign and Strategic Policy for India in the Twenty First Century”.<sup>4</sup> This report provides substantive supporting evidence for readers to have a glimpse of India's foreign policy and military strategy. According to the report, India should not commit itself to allying with the United States in containing China while upgrading its traditional non-alignment diplomacy. First, this is determined by India's national identity and the diversity of its interests. There are few “natural” groupings—whether defined by political vision, economic profile and interests, or geopolitical security challenges—into which India can

3 Tang Lu, “Yindu ren de zihao yu zizun” (The Pride and Self-esteem of Indians), *Globe*, Vol. 21, Oct. 15, 2014.

4 See Sunil Khilnani et al., “NONALIGNMENT 2.0: A Foreign and Strategic Policy for India in the Twenty First Century”. (<http://www.cprindia.org/workingpapers/3844-nonalignment-20-foreign-and-strategic-policy-india-twenty-first-century>). Also see Mao Siwei, “Yindu ‘bu jiemeng 2.0’ fandui lianmei zhihua” (India's “Non-alignment 2.0” Against Allaying with the United States to Contain China), *Lianhe Zaobao*, March 30, 2012.

seamlessly fit. Secondly, at the global level, the relative decline of the American alliance system is already evident. If a strong economy and military and its alliance system were the two basic pillars of U.S. power in the earlier era, America's ability to "call the shots" in finance and energy were its third and fourth pillars. These pillars too now appear less steady and reliable. Thirdly, India holds a special attraction for the United States because it is the biggest of the new powers (apart from China) and also has a complicated relationship with China. For the Bush and Obama administrations, neither of which favored containment strategies of the old type, India has a derivative value that sometimes exceeds its intrinsic value. While there may appear to be attractions for India to exploit its derivative value, the risk is that its relations with the United States could become a casualty of any tactical upswing in Sino-American ties. Nor is it entirely clear how the United States might actually respond if China posed a threat to India's interests. Lastly, the history record of the United States bears out that powers that form formal alliances with it have tended to see an erosion of their strategic autonomy. Considering all the above, India believes that both itself and the United States may be better served by being friends rather than allies. As China remains suspicious of India's partnerships with other countries, and in particular sees improved Indian ties with America and Japan in simple zero-sum terms, the triangular relationship between India, China and America will need very careful management over the long run. India believes that the partnership game, if played delicately, can yield real benefits, and that the prospect that India is a potential partner can give it leverage, both with the country courting it and with potential rivals. Therefore, India must leverage to the full extent possible this dual diplomatic potential.<sup>5</sup>

**Secondly, take the initiative to improve relations with South Asian countries, promote the process of economic integration in South Asia, and strive for recognition and respect from neighbors while ensuring India's dominant position in South Asia.** After independence, India has all along regarded South Asia as its sphere of influence and stayed considerably vigilant and exclusive to external forces' involvement in South Asian affairs. Recently, India came to believe that its South Asian neighbors are threatened with a "failure", and the "failed states" may give rise to interference by powers outside the region. In addition, illegal immigration, separatism, terrorism, and smuggling of arms and drugs are

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5 See Sunil Khilnani et al., "NONALIGNMENT 2.0: A Foreign and Strategic Policy for India in the Twenty First Century", pp.31-32.

posing threats to all South Asian countries including India. As a result, India has made a big policy adjustment with regard to South Asia by focusing on regional stability and development and taking neighborhood diplomacy as its foreign policy priority along with a more flexible and pragmatic approach towards some bilateral and regional issues. With a carrot-and-stick approach, India has reinforced its control over small- and medium-sized neighbors in South Asia and maintained its leading role in the region. After taking office, Indian Prime Minister Narendra Modi made his maiden foreign visit to Bhutan, followed by Nepal and other South Asian neighbors. Mr. Modi invited the heads of the governments of all South Asian states to attend his swearing-in ceremony, leaving behind an impression that small- and medium-sized neighbors in South Asia paying tribute to India, and apparently further tightening its control over countries in the region. Though India today has frequently treated Pakistan disparagingly and refused to be associated with the latter, India still considers Pakistan as one of its major military threats and tries to prevent Pakistan from using external powers to balance India. Also, India has realized that a stable and moderate Pakistan would serve India's interests, so a two-track policy of "coercion plus contact" was pursued. In September 2014, Modi stated in his address at the General Assembly of the UN that India is ready for a serious bilateral dialogue with Pakistan in "a peaceful atmosphere without the shadow of terrorism", calling on Pakistan to shoulder its responsibility and create an appropriate environment for negotiation.

**Thirdly, actively carry out the strategy of "extended neighborhood" diplomacy, attach importance to managing relations with neighbors and place neighborhood at the top of India's foreign policy agenda.** India regards Central Asia, Southeast Asia, West Asia and Gulf countries as its "extended neighborhood", and has taken positive measures for deployment in the East, West and North to its territory, aiming to carry out its "extended neighborhood" diplomacy. Keeping a high profile, India has expanded its coverage in the Asia-Pacific region under the "going East policy" for more energy import channels and a greater export market for its goods. India has also made efforts to pacify the large Muslim population in the country and enhance its international standing. Indian scholars called it the "New Forward Policy", which is comprised of six elements: (1) Seeking to revive commercial cooperation wherever possible; (2) Focusing on

building institutional and political links with neighboring regions ; (3) Developing physical connectivity to the neighboring regions; (4) Mega-energy projects such as transregional pipelines to connect sources of natural gas in the neighborhood to the energy-hungry Indian market; (5) Initiation of defense contacts with key nations in the extended neighborhood as well as the major powers; (6) Unstated strategic competition with China and Pakistan.<sup>6</sup>

**Fourthly, turn from “Looking East” to “Acting East” and take an active role in East Asia and West Pacific.** Backing India’s “Look East” policy, former U.S. Secretary of State Hillary Clinton urged the country to go further. She said that the United States encourages India not just to look East, but to engage and act East, and that India’s leadership in South and Central Asia is critically important.<sup>7</sup> Indian new Prime Minister Modi officially adopted this proposal after taking office. “Acting East” has thus become the orientation of India’s new Asia-Pacific strategy. In this context, India and Japan reached important agreement in such aspects as security strategy, maritime cooperation, economic relations, trade and investment at the beginning of 2014. India’s “Going East” and Japan’s “Going South” have become increasingly complementary on the strategic level and reinforced each other, showing strong signs of containment against China. Through economic and trade connectivity, “soft power” aid and economic and technological cooperation, India has increased its input and expanded its influence in Myanmar. India is also building a strategic partnership with Vietnam, and for the first time openly admitted offering assistance to modernize Vietnam’s armed forces and strengthen the country’s maritime power, while involving itself in the exploration and production of oil and gas resources in the disputed area in South China Sea launched by Vietnam. In addition, India and Australia signed a framework agreement on defense cooperation covering national defense, cybersecurity and maritime security. Australia will export uranium to India under an agreement on civil nuclear cooperation, symbolizing a significant breakthrough in India-Australia relations. Furthermore, India is not only actively “Looking East”, but also seeking chances to “Link West”, expanding its connection with Israel and the Middle East in an all-round way.

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6 C. Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, New Delhi; New York: Viking, 2003, pp.209-210.

7 “Look East, and act East, too: US Secretary of State Hillary Clinton to India”, *The Economic Times*, July 20, 2011. ([http://articles.economictimes.indiatimes.com/2011-07-20/news/29794815\\_1\\_state-hillary-clinton-india-asia-pacific-region](http://articles.economictimes.indiatimes.com/2011-07-20/news/29794815_1_state-hillary-clinton-india-asia-pacific-region))



**Fifthly, reinforce India's capability of military deterrence to the outside world, especially the neighboring region and use its military strength to improve India's international prestige and status.** On the relationship between military and foreign affairs, India believes that military exchanges and defense cooperation constitute important components of its diplomacy. A foreign policy backed up by powerful military strength can better serve the country. "India enjoys a considerable edge over Pakistan by dint of the sheer size of its armed forces".<sup>8</sup> Currently, India has an armed force of 1,300,000 men, impossible to be underestimated. India's naval power is particularly outstanding: it is capable of "blue water command and deterrence". India is one of the few countries around the world that have more than one aircraft carrier. Its command over the Indian Ocean is second only to that of the United States. Being the world number one arms purchaser for ten consecutive years, India is ready to buy all kinds of advanced weapons. Indian forces and military equipment deployed along its border with China and Pakistan all command certain local supremacy, ever ready to shift from peacetime to wartime deployment. India has become the sixth military power after the United States, Russia, France, the United Kingdom and China that is capable of "trinity" nuclear strikes with land-based missiles, sea-based nuclear submarines and strategic bombers. Through beefing up and showing off its "military muscle", India enjoys a growing strategic deterrence with its big-power status further consolidated.

In the latter half of 2013, India's National Security Council Secretariat, Ministry of External Affairs, Ministry of Defense, and the Research and Analysis Wing (RAW) jointly held a brainstorming session on "how to further India's interests in the immediate and strategic neighborhood through effective use of India's military". To step up the nation's military diplomacy, the meeting finalized a "six-point formula" aiming to: leverage the military element of national power towards the furtherance of the national interest; contribute to the national security environment by developing a shared confidence amongst the armed forces; strengthen defense relations to promote India's influence in the region; establish a military presence commensurate with India's strategic interests; assist friendly foreign countries in developing defense capabilities consistent with India's security needs; and exploit India's presence in UN peace missions to further the national interest.

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<sup>8</sup> Siddharth Srivastava, "India's Military Hungry for More", *Asia Times Online*, Feb. 16, 2005.

In recent years, India has frequently held joint military exercises with neighboring countries and major powers, furthered their cooperation in arms purchase and development, jointly combated unconventional security threats, reinforced its independent defense capabilities and improved its military visibility and deterrence power. Through large-scale purchase of advanced conventional and strategic weapons, India has substantially improved its relations with the United States, Japan, France, Israel, and other countries. India is now working on a new defense export strategy to boost its arms sale to developing countries in Asia, Africa and Latin America so as to expand its political and strategic influence there. India's energy expansion and arms export are increasingly tied with each other, by swapping arms export or other purchase contracts for energy supply. This new "weapons-for-energy" strategy has been pursued in such regions as Central Asia, Myanmar and Africa.

**Sixthly, increasingly highlight the role of economic factors in the new era of India's diplomacy, making it both the starting point and end result of the nation's foreign policy.** Under the influence of both domestic environment and international situation, India has realized that the rise of a nation is based on its economic strength, and conducted its diplomacy on the basis of this understanding. The Rao administration in the early 1990s defined India's economic reform as a top priority as well as a political assignment. After that, India has "changed the content of its foreign policy by weakening its original political color and setting a new tone characterized by economic and all-dimensional diplomacy".<sup>9</sup> Former Indian Foreign Minister Yashwant Sinha argued that "with the advent of the nuke era, along with the economic rise of Japan and Germany, military might has been playing a less important role in the overall power structure. No matter in the moral sense or from the realistic approach, it is no longer feasible today to pursue national interest simply by resorting to the naked use of armed forces. The power and strength in the 21<sup>st</sup> century will come from every aspect of a sound economy. Prosperity and economic indicators rather than wars and invasion will become the vital decisive factor for measuring power on the international stage".<sup>10</sup> Former Indian Prime Minister Manmohan Singh who took office in 2004 also stated that "external responses to our national security concerns are being remolded by

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9 Lin Chengjie, *Yindu Shi (A History of India)*, Beijing: People's Publishing House, 2004, p.602.

10 Yashwant Sinha, "Diyuan zhengzhi: Chengwei shijie qianguo de tiaojian" (Geopolitics: Conditions for Becoming a Great Power), *Jinri yindu (India Today)*, Vol. 3, 2004, p.11

perceptions on India's business and economic opportunities".<sup>11</sup> After becoming the Prime Minister in 2014, Modi has been an unabashed "pioneer" of India's trade and economic diplomacy, with his foreign policy "likely to be guided by geoeconomics". He will seek trade routes to deepen relations with big powers that matter to India's economic revival and geopolitical rise.<sup>12</sup>

In general, the shift of India's post-Cold War foreign strategy and policy is brought about against a complex international and domestic background. This shift may represent not only India's passive response to the significant change of the global situation but also its initiative to achieve economic development and rise as a great power. Despite the repeated adjustments of India's foreign policy, its diplomatic perceptions such as realism, strength-based diplomacy and supremacy of interests have prevailed. The continuity of India's foreign policy has generally been maintained. The traditional Indian statecraft and diplomatic wisdom are still brought into full play. According to Kissinger's *World Order*, Kautilya, India's ancient statesman, philosopher and Prime Minister of the Magadha Empire in the Maurya dynasty, wrote *Arthashastra* based on his diplomatic practice, in which he constructed theories for establishing and safeguarding a nation through neutrality, alliance, subversion and invasion, and depicted a world featuring pragmatism. For Kautilya, power as the dominant reality is multidimensional, and elements contributing to power are interwoven. All elements after being synthesized toward a leader's strategic aims will lead to the establishment of an empire that is powerful enough. In any event of the evolution of the international situation, India will be an indispensable pivot of the 21<sup>st</sup> century order, due to its geographical location, resources advantage and the tradition of sophisticated leadership. India will be a pivot country also because it is in the intersection where different regions' strategic thinking, ideologies and concepts of order converge.<sup>13</sup>



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11 Manmohan Singh, "A New India", *The Wall Street Journal*, May 19, 2005.

12 Niranjana Sahoo, "Decoding Modi's Foreign Policy," Sept. 23, 2014. (<http://carnegieendowment.org/2014/09/23/decoding-modi-s-foreign-policy>)

13 Xiao An, "Jixing tan yindu zai shijie zhixu zhong de zuoyong" (Kissinger on India's Role in the World Order), Sept. 19, 2014.

## II. Sino-Indian Relations in the New Era: A Growing Developmental Partnership Taking Shape amid Running-in

India's big-power strategy has long been shadowed by a heavy touch of "China sentiment", regarding China as the frame of reference, a competitor and a target to surpass in its pursuit of big-power status. India also views China as one of the key external factors affecting its rise. As China and India are moving forward alongside with each other when readjusting their foreign strategy and policy respectively, their relations have expanded in both intension and extension. Cooperation and competition are on the rise simultaneously in the bilateral relations, which features "a rising partnership amid running-in". Former Indian Ambassador to China and India's Foreign Secretary Nirupama Rao said, "Ours (India-China relations) is a complex and multi-layered relationship. ... There will always be overlaps between competition and cooperation. A fair amount of healthy competition is not necessarily bad and can indeed lead to more meaningful cooperation."<sup>14</sup>

### ***A. High-level Exchange of Visits Lead to Frequent Breakthroughs in Bilateral Ties***

The past decade or more has witnessed increasingly frequent exchange of high-level visits between China and India. The Sino-Indian relations have been upgraded to "one of the most important bilateral ties" for both countries and one of the most important bilateral relations in the 21<sup>st</sup> century on a global scale. India's Prime Minister Modi said,

*"My government also attaches high priority to relations with China. China is our largest neighbor. Relations between neighbors are always of special importance to each country, because their destinies are inter-linked. But, I don't see our relations with China only as a neighbor, with*

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14 Nirupama Rao, "India-China Relations: The Way Forward," *Beijing Review*, No. 4, Jan. 22, 2009.

*which we have had millennia old contacts. China is important for the future of this region and the world.”<sup>15</sup>*

On China's part, India serves as an important linkage in reactivating China's overall neighborhood diplomacy. China's new government is committed to enhancing diplomatic relations with neighboring countries such as India and expanding bilateral cooperation both in intension and extension. The new generation of Chinese leaders has attached greater importance and value to India and intensified their efforts to seek cooperation from India. On India's part, China is regarded as its largest neighbor. Successive Indian governments all attached importance to friendship and pragmatic cooperation with China as a foreign policy priority. They believe that the world has more than enough room to accommodate the simultaneous rise and aspirations of both countries. Therefore, India advocates engagement and practical cooperation with China and hopes to learn from China's economic success and draw on its premium resources to strengthen itself. At the same time, India tries to seek “a strategic opportunity for it to achieve growth, development and prosperity amid external stability”.

The top-down guidance and promotion by both Chinese and Indian leaders constitute the vital momentum toward preventing derailment of bilateral relations and maintaining its course forward. Since 2013, new elements were introduced in the format and content of meetings between the two countries' Heads of State and Government. In 2013, Premier Li Keqiang made India the first leg of his overseas visit, and in October of the same year, Indian Prime Minister Manmohan Singh paid a return visit to China. This marked the first case since 1954 that exchange of visits between the two prime ministers took place within one year. These visits were of great significance for deepening Sino-Indian strategic and cooperative partnership. During President Xi Jinping's visit to India in September 2014, the two sides concluded over 10 important documents for bilateral cooperation aiming at sound bilateral interactions in the years ahead. The content of these documents range from economic cooperation, trade, investment, aerospace, cooperation between local governments of the two countries, as well as cultural and people-to-people exchanges, thus laying down a long-term and substantive planning for Sino-Indian interaction and cooperation in the future.

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15 Niu Zhen, “Modi: Xiangxin yinzhong jiang ‘maixiang qiannian hezuo’ (Modi: I Believe India and China Will “Move Towards Millennium of Exceptional Synergy” ), *Wen Wei Po*, Sept. 16, 2014.

## ***B. Economic Cooperation, Trade and Investment Become More Substantive***

Economic relations have been the most dynamic area of Sino-Indian relations and China has emerged as one of India's largest economic partners.<sup>16</sup> India's foreign policy must ensure that it falls into line with its economic interests.<sup>17</sup> Known as the world factory and the world office respectively, China and India, two largest developing countries and emerging markets in the world, boast strong economic complementarities and great potential for cooperation. Policymakers of both countries have realized that, if they indulge in old scores of history, they will miss a period of strategic opportunity to develop themselves by reinforcing each other and realize their respective national rejuvenation. Geo-economics has come to play a central part in driving Sino-Indian relations, and top leaders of both sides have reached the consensus "to be closer developmental partners". China needs the big Indian market, while India desperately seeks large Chinese investments to build transit and other infrastructure critical to its economic revival. Acrimony over borders and geopolitical rivalry in the region notwithstanding, trade will be the centerpiece of India's policy toward China.<sup>18</sup>

First, in terms of bilateral trade, China and India, being the largest and third largest economies in Asia and fast growing powers in the world, enjoy enormous potential for trade and economic cooperation. From 2011 to 2013, China had become India's largest trade partner, and India had been China's largest trade partner in South Asia. Statistics show that the bilateral trade in 2013 reached USD 65.471 billion and the trade volume in the first three quarters of 2014 surpassed USD 50 billion.<sup>19</sup> In the next five years, China wishes to expand its two-way trade with all South Asian countries including India to over USD 150 billion. China and India have also made remarkable achievements in infrastructure construction such as energy and communication, thus highlighting Sino-Indian economic and trade cooperation in the new era. During President Xi Jinping's visit to India in 2014, the two sides signed several important business and trade Memoranda of

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16 Monmohan Singh, "Xin shidai de yindu yu zhongguo" (India and China in the New Era), *Xuexi shibao* (Study Times), Nov. 18, 2013.

17 "UPA brought fundamental reset in Indian foreign policy: PM", *Business Standard*, Nov. 4, 2013.

18 Niranjana Sahoo, "Decoding Modi's Foreign Policy," Sept. 23, 2014. (<http://carnegieendowment.org/2014/09/23/decoding-modi-s-foreign-policy>)

19 Wang Ping, "Zhongqi ruhe rongru yindu" (How Can Chinese Companies Integrate Themselves Into India), *Caijing Guojia Zhoukan* (Economy & Nation Weekly), Issue 20, 2014.

Understanding (MoUs), finalized a five-year program for economic and trade cooperation, focusing on collaboration in such areas as medicine, agricultural produce, and IT industry as well as on expanding China's import of marketable products from India, thus providing a roadmap to deepening economic relations and attaining trade rebalance.

Secondly, India has become one of China's largest overseas markets in terms of contracting projects.<sup>20</sup> According to statistics, by the end of 2012, China's contracted projects in India totaled USD 60.131 billion with business turnover valued at USD 33.518 billion. Against the backdrop of India's urgent need for better infrastructure, contracting projects has become a flexible, effective and reliable way for enhancing Sino-Indian collaboration in infrastructure construction.

Thirdly, in terms of two-way investment, in order to nurture the manufacturing sector and increase its proportion in GDP as well as to address the enormous and increasing deficit, the Indian government in recent years has turned their eyes to Chinese companies for direct investment and technology transfer. According to statistics released by the Indian government, from April 2000 to May 2014, China's accumulated investment in India merely registered USD 410 million, accounting for an almost negligible 0.18% of India's foreign direct investment (FDI) and ranking the 28<sup>th</sup> among all countries and regions.<sup>21</sup> During his visit to India, President Xi announced that the Chinese side will invest in the next five years USD 20 billion in India's industrial and infrastructure projects and build two industrial parks in Gujarat and Maharashtra respectively. The Chinese side will also be involved in upgrading India's existing railways in the form of technology support for heavy haul railway and the overhaul of railway stations as well as the joint construction of a high-speed railway in the future. Both sides agreed to collaborate in industrial park construction to provide Chinese and Indian companies with a platform for cluster development and to facilitate the tapping of each other's market and the two-way investment. Considering that Chinese-invested companies met frequently with "discrimination" in the form of security review, the new consensus

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20 Department of Asian Affairs, Ministry of Commerce, PRC, "Zhong yin (du) jingmao hezuo jiankuang" (Profile of Economic and Trade Cooperation between China and India), Feb. 18, 2013. (<http://yzs.mofcom.gov.cn/article/t/201302/20130200029082.shtml>)

21 This figure excludes Hong Kong's investment in India during the same period, which was US\$1.232 billion and ranked 15<sup>th</sup> in the list of India's biggest FDI sources. See Economic and Commercial Counsellor's Office of the Chinese Embassy in India, "2014 nian qian 5 ge yue yindu liyong wai zi zengzhang jin 4 cheng" (FDI in India Grew by Nearly 40% in the First Five Months of 2014), July 25, 2014. (<http://www.mofcom.gov.cn/article/i/jyj/j/201407/20140700674980.shtml>)

on investment between China and India clearly counts as a major breakthrough which indicates an open and welcoming approach on the part of India for Chinese capital and technologies. From a long-term perspective, it is conducive to fostering a balanced Sino-Indian trade pattern and will markedly cement trade, economic and investment links between the two countries, thereby promoting “seamless matching” of the two emerging markets.

Fourthly, in terms of institutionalization of trade and economic relations, dialogue and consultation mechanisms such as China-India Strategic Economic Dialogue, China-India Financial Dialogue, and China-India Joint Group on Economic, Trade, Science and Technology Cooperation have grown increasingly mature, with practical cooperation gradually spanning from project contracting and trade in goods to the manufacturing sector and trade in services. Despite growing trade frictions between the two sides due to the adverse impact of the global economic environment, the institutionalized trade and economic cooperation remains on an upward track, characterized by stable bilateral trade on the whole, progress in project contracting cooperation, and gradually unleashed potential for mutual investment.

In a nutshell, since the 1990s, burgeoning trade between China and India was deemed the strongest and the most positive supporting force in the two country’s reconciliation. It is also expected that trade could create a good atmosphere for resolving other issues between the two sides. It is hopeful that booming trade will usher in a new phase of Sino-Indian economic relations, i.e. mutual investment and joint investment in a third country as well as cooperation in energy and other resource exploration sectors. To the Indian side, however, growing trade deficit since the beginning of this century has in effect made two-way trade one-way, which has negatively affected Sino-Indian economic cooperation. China’s increasing trade surplus has triggered strong Indian repercussions evidenced by escalating trade frictions which could likely be a bottleneck restraining trade growth between the two sides in the future.<sup>22</sup>

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<sup>22</sup> Swaran Singh, “Zhongyin guanxi de jingjixue” (The Economics of Sino-Indian Relations), *Dongfang Zaobao* (Oriental Morning Post), Oct. 21, 2013, Page A10.



### ***C. Strategic Security Cooperation Makes Headway against Headwinds***

In the past half century or so, China and India have frozen, controlled, and insulated major disagreements over security strategy and gave priority to the development of cooperative relations in other areas with the spirit of seeking common ground while reserving differences and keeping the big picture in mind, so as to maintain the overall growth of Sino-Indian relations and create conditions for resolving disputes and disagreements between the two countries in the future. The Sino-Indian relations, which have enjoyed substantive enhancement and diversified growth in recent years, are now more shock-proof and mature. Both sides have realized that substantively reducing deficit in strategic mutual trust through dialogues and consultations shall prove to be an important way to lift bilateral ties to a new high.

Guided by the changed line of thought, the Sino-Indian ties have made certain breakthroughs in recent years over some so-called security strategy sensitivities. The two sides decided to hold the first round of maritime cooperation dialogue within 2014 to exchange views on maritime affairs and security, including anti-piracy, freedom of navigation and cooperation between maritime agencies of both countries. The two sides also decided to hold the consultations on disarmament, non-proliferation and arms control at an early date. Both countries noted that improved bilateral military ties are conducive to building mutual trust, and they agree to a regular exchange of visits between the defense ministries and military leaders, so as to expand pragmatic cooperation in the relevant fields. The two countries also agreed to hold the fourth joint army training at a mutually convenient time, hold navy/air force joint exercise at a proper time, and strengthen cooperation in such areas as peace-keeping, counter-terrorism, naval escort, maritime security, humanitarian rescue, disaster mitigation, personnel training, and think tank communication.<sup>23</sup> The two sides also signed a MoU for strengthening cooperation on transboundary rivers. On the basis of the existing expert-level mechanism, China and India will conduct further cooperation and exchange views over issues such as hydrological and flood information and emergency responsive measures. Besides, the two sides agree to establish a mechanism for regular meetings

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23 Ministry of External Affairs, Government of India, "Joint Statement between the Republic of India and the People's Republic of China on Building a Closer Developmental Partnership, Sept. 19, 2014. (<http://mea.gov.in/bilateral-documents.htm?dtl/24022/Joint+Statement+between+the+Republic+of+India+and+the+Peoples+Republic+of+China+on+Building+a+Closer+Developmental+Partnership>)

between military headquarters, military commands and border troops adjacent to each other, designate additional meeting spots along the common border, install a hotline between the two military headquarters, and establish telecom contacts between front-line border troops. All these have demonstrated that China and India have advanced cooperation against headwinds in recent years in such sensitive and intricate areas as security and substantiated the strategic and cooperative partnership while braving difficulties with an active and open approach.

#### ***D. Border Areas under Effective Control Though Border Negotiations Yield Limited Progress***

Few major breakthroughs were made in years of border negotiations between China and India, but fruitful cooperation has been conducted over border control, and border-related mechanisms have effectively ensured peace and tranquility in the border areas. In order to tighten control over the border areas and prevent unexpected incidents, China and India have widened the scope of responsibilities and functions of the Special Representatives' Meeting for Border Negotiations. In January 2012, the two countries signed the Agreement on the Establishment of a Working Mechanism for Consultation and Coordination on China-India Border Affairs. This consultation mechanism is comprised of diplomatic and military officers from both sides and led by Director-General level officials from Chinese Ministry of Foreign Affairs and Indian Ministry of External Affairs. It is mandated to handle all matters concerning peace and tranquility in the border areas and study how to carry out bilateral exchanges and cooperation between military personnel and agencies in the border areas so as to serve as a proper channel and platform for enhancing information exchange and coordination and ensure timely and effective handling of border affairs through diplomatic channels, thereby creating positive conditions for resolving the border issue through negotiation and promoting better relations between the two countries. In October 2013, China and India signed the Border Defense Cooperation Agreement (BDCA), which outlined five steps to enhance communication and exchanges in the border areas, including mechanisms such as flag meetings of border personnel, dialogues between officers of each other's military headquarters or Army Commands, consultations between officials of each other's Ministry of Defense on border issues, annual dialogue

between defense ministers, and the establishment of a new hotline between military headquarters. This is of great significance to ensure peace and security as well as prevent unexpected incidents and conflicts in the border areas.

In April 2013 when “tent confrontation” occurred along the west section of Sino-Indian border, the two sides successfully prevented the incident from escalating into a blasting fuse to the detriment of the bilateral relationship through the consultative and collaborative mechanism for border affairs including timely negotiation and representation between officials of both countries’ foreign ministries and local frontier troops. The successful “soft-landing” of the incident indicates that the two countries still have different views and understanding of the Line of Actual Control. It also proves that the cooperation mechanisms and instruments on border issues did play a positive role in the crisis management.<sup>24</sup> In September 2014, another case of confrontation occurred between China and India at the west section of the border, during which the two sides communicated timely to bring the case under effective control through existing mechanisms on border affairs. Generally speaking, although border control agreement is a preventive measure of a “passive” nature, it is indispensable for the settlement of the Sino-Indian border dispute and constitutes an important institutional guarantee which has helped prevent major military flare-up over the past several decades along the Sino-Indian border in the absence of a formally demarcated border line up to date.

### ***E. Multilateral International Cooperation Brings Forth Highlights and Becomes a New Growth Point in Bilateral Ties***

In recent years, India has assumed an increasingly prominent role and position in reshaping the international order and gradually become a cooperative partner that China could count on in the international arena. The two countries have supported each other in regional cooperation and jointly promoted peace, stability and development in Asia. The two countries have also joined hands in addressing global issues, such as international trade, international finance and the agenda for sustainable development. They have also echoed each other in safeguarding the rights to and the space of development for developing nations and emerging powers, thus helping to bring about improvement and reshaping of the existing

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24 Lan Jianxue, “Zhongyin guanxi xin siwei yu ‘zai pingheng’” (Sino-Indian Relations—New Way of Thinking and “Rebalancing”), *Guoji Wenti Yanjiu (International Studies)*, Issue 3, 2013.

international political and economic order. All these have constituted new highlights in the Sino-Indian cooperative relations. At present, China and India have already enjoyed good cooperation in the G20, BRICS, energy security, climate change, trade negotiations, the Afghanistan issue, counter-terrorism, as well as other global and regional issues. In particular, the establishment of BRICS Development Bank in 2014 has further reinforced the solidarity among China, India and the rest of major emerging powers over the reform of the international system. The BRICS mechanism, the G20 summit and the East Asia Summit have become important multilateral platforms where Chinese and Indian leaders engage in positive interactions for further warming of the bilateral relations.

### ***F. Cultural and People-to-people Exchanges Serve Increasingly as a Plus***

Cultural and people-to-people contacts can bring about good sentiments in favor of each other and smooth bilateral relations while giving top leaders of the two countries more leeway to make decisions. On the occasion of the 60<sup>th</sup> anniversary of the establishment of diplomatic ties between China and India in 2010, China held activities on “Year of India” and India on “Year of China”. In 2011, the two countries launched a series of people-to-people exchange programs in the “Year of China-India Exchanges”. In 2012, the two countries introduced the “Year of China-India Friendship and Cooperation” with cultural and people-to-people exchange programs, which considerably improved the negative atmosphere originating from the 50<sup>th</sup> anniversary of Sino-Indian border clashes. In recent years, commercial shows by some Chinese performing art troupes were quite well received by the Indian people. India has become a potentially important market for China’s art troupes, which injects new vitality in cultural and people-to-people exchanges and increases mutual understanding between the two peoples. According to statistics, the year 2013 witnessed 680,000 Indian tourists to China, an increase of 11% over the previous year, and 145,000 Chinese tourists made India their first leg of overseas trips in the same year, up more than 6% over the previous year.<sup>25</sup> When former Indian Prime Minister Manmohan Singh visited China in October 2013, the two sides signed the Programme of Cultural Exchange between the two

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25 Wu Qiang, “Zhongguo jiang zhengque gengduo yindu youke lai hua lvyou” (China Will Attract More Indian Tourists), Xinhuanet, Feb. 5, 2014. ([http://news.xinhuanet.com/world/2014-02/05/c\\_119215861.htm](http://news.xinhuanet.com/world/2014-02/05/c_119215861.htm))

governments for the years 2013-2015, covering art and culture, cultural heritage, youth affairs, education and sports, press and publication, mass media, and the establishment of the first batch of sister-cities, etc. Both sides declared 2014 the “Year of Friendship” and joined hands with Myanmar to commemorate the 60<sup>th</sup> anniversary of the proclamation of the Five Principles of Peaceful Coexistence.

Given the profound bonds of civilization between China and India in history, the two sides agreed to launch the “Programme of Cultural Exchange” during President Xi’s visit to India to further strengthen cultural and people-to-people bonds, including “Visit India Year” of 2015 in China and “Visit China Year” of 2016 in India. The Chinese side agreed to assist India to promote its tourist products and routes in China, relating to the historical travels of the Chinese monk-scholar Xuan Zang to India in the 7<sup>th</sup> century AD. The two sides agreed to continue the annual youth exchange programme of 200 people in the period 2015 to 2019. The two countries also signed a MoU which laid down a framework for exchanges between each other’s museums and other cultural institutions. Agreement was also reached to establish a ministerial-level consultation mechanism between ministries of culture of the two countries to mutually support the teaching of Hindi language in China and Chinese language in India, expedite the translation of each other’s classics and contemporary works, enhance cooperation in film, broadcasting and TV. Furthermore, the two sides signed an audio-visual co-production agreement, and China was the guest country at the Indian International Film Festival 2014.<sup>26</sup> The Joint Statement between the People’s Republic of China and the Republic of India on Building a Closer Developmental Partnership concluded in 2014 features prominently the clauses of cooperation about cultural exchanges and people-to-people contacts, showing that the two governments have realized the value and strategic importance of cultural exchanges and interpersonal connections for the bilateral ties.

In general, both China and India have done a lot in recent years to solicit the public support and cement social foundation for the bilateral relations. It is expected that the Sino-Indian relations will come to center more on the grassroots to gather momentum, thus featuring both top-down and bottom-up interactions to drive forward a healthy, stable and sustainable relationship.

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26 Ministry of External Affairs, Government of India, “Joint Statement between the Republic of India and the People’s Republic of China on Building a Closer Developmental Partnership”, Sept. 19, 2014.

## ***G. Building up Confidence for Regional Cooperation amid Strategic Suspicions***

India's regional foreign policy deployment bears deep imprint of its traditional strategic culture. According to the concept of Mandala in *Arthashastra* by the ancient Indian statesman Kautilya, "the world is like a series of circles within which the most immediate neighbors of a state are always deemed enemy and the enemy's neighbors are its friends." In his opinion, dynasties should pursue interests first rather than glory, and wise rulers should seek allies from neighbors' neighbors and build ultimately an alliance system with the conqueror at the center. This line of fixed thought on neighboring countries has exerted profound influence on contemporary Indian decision makers.<sup>27</sup>

Together with its interpretation of abstract principles regarding the world order, India proposed specific "Doctrines" at the regional level. Just like the early U.S. leaders bringing up the "Monroe Doctrine" with an eye on the special role of the United States in the Western hemisphere, India, in a similar vein, established itself as a special role player in the Indian Ocean region between the East Indies and the Horn of Africa, with an aim to prevent the emergence of another dominant force in the vast Indian Ocean region.<sup>28</sup> It is based on the theory of "circles of states" that India's new Prime Minister Modi has rededicated his efforts to India's reform and economic growth so as to gain new momentum in pursuing its traditional foreign policy goals. It is the same basis on which the Modi administration attaches greater importance to neighborhood diplomacy, and strives to strengthen its capacity in handling its relations with neighboring countries, including Pakistan and China.

In terms of regional cooperation, China has proposed that the two countries should jointly lead the region's economic growth, promote the development of Bangladesh-China-India-Myanmar (BCIM) economic corridor, support each other's engagement in regional or sub-regional cooperation, and contribute to the development of the Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Road, so that the fruits of Sino-Indian cooperation could be shared by the people in the region.<sup>29</sup> During President Xi Jinping's visit to India, the Modi

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27 Xiao An, "Jixing tan yindu zai shijie zhixu zhong de zuoyong" (Kissinger on India's Role in the World Order), Sept. 19, 2014.

28 Ibid.

29 See Rudroneel Ghosh, "Xi, Modi reached consensus on handling border issue: Le Yucheng", *Times of India*, Oct. 1, 2014; Also see Ministry of External Affairs, Government of India, "Joint Statement between the Republic of India and the

government merely responded that it would consider the BCIM economic corridor initiative, which seemed to imply a retreat or step backwards from the position of its predecessor. Worried over China's impact on its dominance in the Indian Ocean region, India expressed reservations to China's initiative on the 21<sup>st</sup> Century Maritime Silk Road cooperation and emphasized that "the revival of ancient trade routes requires not only physical connectivity and infrastructure but also an atmosphere of peace, stability, mutual trust and mutual respect".<sup>30</sup> At the same time, India proposed a transnational initiative called "Project Mausam: Maritime Routes and Cultural Landscapes Across the Indian Ocean". This project focuses on the natural wind phenomenon, especially monsoon winds used by Indian sailors in ancient times for maritime trade, that has shaped interactions between countries and communities connected by the Indian Ocean. The purpose of the project is to revive India's ancient maritime routes and cultural linkages with countries in the region, so as to "counter-balance the maritime silk route of China".<sup>31</sup> Under the leadership of Modi, the new Indian government has renewed its interest in maritime security and has recognized the need to be involved in shaping the changing security architecture of the Indo-Pacific. Indian experts suggest that with the changing regional security architecture and an expanding Chinese presence in the Indian Ocean, it is time that India step out of its "timidity of China" frame and move forward with its collaborations and engagements with key players in the region.<sup>32</sup> India also sensed hostility from Chinese submarines' port call in Sri Lanka for recuperation and supply after escort missions off Somali waters and therefore exerted heavy pressure on Sri Lanka through multiple channels.

Hence we can see that on the regional level of cooperation, China and India share an objective need and desire to seek cooperation, but each side is not quite sure about the other side's intentions. Since the overlap of interests and competition between the two countries differ from time to time, China and India in most cases opt for pragmatic and flexible menu-driven cooperation based on the topics under discussion.

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People's Republic of China on Building a Closer Developmental Partnership, Sept. 19, 2014.

30 Niu Zhen, "Modi: Xiangxin zhongyin jiang 'maixiang qiannian hezu'" (Modi: I Believe India and China Will "Move Towards Millennium of Exceptional Synergy"), *Wen Wei Po*, Sept. 16, 2014.

31 Sachin Parashar, "Narendra Modi's 'Mausam' maneuver to check China's maritime might," *Times of India*, Sept. 16, 2014. (<http://timesofindia.indiatimes.com/india/Narendra-Modis-Mausam-manoeuve-to-check-Chinas-maritime-might/articleshow/42562085.cms>)

32 Darshana M. Baruah, "South China Sea: When Will India Makes its Presence Known?" *Eurasia Review*, Nov. 17, 2014. (<http://www.eurasiareview.com/17112014-south-china-sea-time-india-mark-presence-analysis/>)

### **III. Fresh Features and Trends of Sino-Indian Relationship in the New Era**

After more than a decade of exploration and development since the beginning of the 21<sup>st</sup> century, the Sino-Indian relations exhibit the following fresh features and trends:

#### ***A. Rapid Rise of Strategic Importance***

Top leaders of China and India have upgraded the Sino-Indian relations to “one of the most important bilateral ties” for each of the two countries, and the position of Sino-Indian relations in either country’s diplomatic agenda has been on a steady rise. Since China and India are two biggest developing countries and major powers in Asia as well as two emerging market economies with splendid ancient civilization, their relations have become increasingly critical in shaping regional power structure. Moreover, the bilateral relations are exerting more conspicuous influence on the international trade system, the international financial order, the global development agenda and Asia-Pacific regional integration. If five or six years ago, the Sino-Indian relations were perceived from its influence on the Asia-Pacific rather than on South Asia alone, then today the perspective is being shifted from its impact on the Asia-Pacific to that on the whole world. Just as India’s ex-Prime Minister Manmohan Singh pointed out, when two big nations with a combined population of 2.6 billion are freed from shackles and unleash creative power, the impact of Sino-Indian relations will surely be felt on a global scale. When the strategic importance of Sino-Indian relations reaches a certain level, the bilateral ties will become more mature and shock-proof, and less prone to the impact made by a third party.

Under the effect of geopolitical shifts in the Asia-Pacific region, China and India are trying to “rediscover” each other, build “a new model of Sino-Indian relations” or “a relationship between emerging powers”, and make joint efforts to



promote equality and mutual trust, inclusiveness and mutual learning, and mutually beneficial cooperation in international relations as well. As for China, India has become a critical link in invigorating its overall neighborhood diplomacy. The newly-installed Chinese government is ready to further consolidate its diplomatic relations with India and other neighboring countries, and expand bilateral cooperation in intension and extension. As for India, China is the biggest neighbor. India has acknowledged that the friendship with China is its top diplomatic priority because China's rise is an unavoidable geopolitical factor for India and almost all of India's primary concerns are related to China. Only by facing China rationally and enhancing contact and exchanges with China can India maximize its own interests.

Coordination between China and India is being felt evidently in the shaping of global governance system. The two countries have coordinated with each other in multilateral mechanisms such as RIC (Russia, India and China), BRICS, G20, etc. They have joined hands in addressing global issues, such as climate change, international anti-terrorism, food and energy security, in the pursuit of a more equitable and rational global political and economic order, thus becoming key advocates in promoting evolution of the international system and perfection of global governance. Top Indian leaders believe that the interests of India and China, the two most populous nations and the two largest emerging economies, are molded by the ever-developing strategic environment, and that invigorated by their respective ambitions, the two countries' interests have become increasingly identical.

### ***B. Vigorous Return to Pragmatism and Rationalism***

Over a long period of time in the past, the Sino-Indian relations are marked by a serious drawback of emotional fluctuations brought about by strategic mistrust between the two countries. As a result, the bilateral relations become vulnerable to any disturbance or emergencies that may arise. In recent years, Sino-Indian relations have vigorously returned to pragmatism and rationalism under the direct leadership of top officials of both countries. Confidence in cooperation has been boosted through rational running-in. In other words, both China and India tend to adopt a pragmatic, rational and appropriate approach in handling their major disagreements while at the same time safeguarding their respective national

interests and addressing security concerns, thus ensuring the overall growth of the bilateral ties. This is evidenced in the following three aspects: first, leaders of the two countries have further acknowledged that the world has ample space and wide fields for the rise of both India and China as two major emerging powers; second, on the occasion of the 50<sup>th</sup> anniversary of the border clashes between China and India in 2012, the media in both countries have exhibited a change of tone and rare uniformity in self-reflection and lessons-drawing over the event, reaching the conclusion that “China and India should never fight another war, but have their eyes set on the future”; third, both countries have attached greater importance to discovering and learning from each other’s merits, as well as abandoning the previous superficial thought of rivalry. By benefiting from each other’s premium resources, the two countries would develop themselves even better. As a case in point, India sent a study mission to China in 2013 to learn how China had effectively implemented its five-year plans and to draw lessons from China’s experience in reform and opening-up, and urbanization as well. This shows that India’s perspective on China has shifted to drawing useful experience from China’s development and giving weight to its cooperation with China. Organizations and personages in support of Sino-Indian friendship and cooperation have expanded their ranks and shall constitute a valuable asset in the stabilization and promotion of the bilateral ties.

### ***C. “Seeking Common Ground” While “Dissolving Differences”***

In the past half a century, “focusing on the overall interest, and seeking common ground while shelving differences” have served as an important guideline for the development of Sino-Indian relations, and constituted the core connotation of the Five Principles of Peaceful Coexistence with the purpose of freezing, managing and insulating major disputes between China and India, giving priority to developing cooperative relations in other areas, and creating a favorable atmosphere and conditions for future settlement of Sino-Indian disputes and disagreements. Both China and India have realized in recent years that the settlement of major disputes through communication, dialogues and consultations is an important way to enhance strategic trust and promote the bilateral ties to a higher level. In other words, both countries have tried to “seek common ground” through “dissolving

differences”. While they further discover and expand areas of common interests as a way to register “addition”, they have also tried to minimize or dissolve their disputes and other negative sides in their relations as a way to register “subtraction”.

Based on the aforementioned change of mentality, the Sino-Indian relations have made breakthroughs in the so-called “minefields”. New working mechanisms concerning the border dispute, strategic economic dialogue and maritime security dialogue have been launched. Anti-terrorism drill and dialogue on national defense are making steady progress, and fruitful consultations have been held over issues relating to Afghanistan, West Asia, Africa and Central Asia. As for the border dispute, though a variety of conditions concerning various parties remain to be met and favorable variables yet to grow in number, both countries have made greater and practical efforts towards a settlement of the dispute. Both sides are better aware of the importance of maintaining peace and tranquility in the border areas and stand ready more than ever to avoid the overall relationship being “kidnapped” by the border dispute.

#### ***D. Emergence of New Thinking and New Proposals in Developing Bilateral Ties***

The first demonstration is that new thinking and new proposals to advance Sino-Indian relations have kept cropping up with top leaders of both sides reflecting on the issue from a conceptual level and working to accelerate the development of the bilateral ties. Recent years have witnessed the emergence of some new concepts and ideas, including the “new model of Sino-Indian relationship”, “Sino-Indian relationship version 2.0”, “Five Principles of Peaceful Coexistence version 2.0” and “new forms of relations between emerging powers”. Indian scholars believe that the Sino-Indian relationship should learn from the core concept of the “new model of major-power relations between China and the United States”, which features “no conflict, no confrontation, mutual respect and win-win cooperation”. In October 2013, President Xi Jinping raised a four-point proposal on developing Sino-Indian relations, i.e. to push forward Sino-Indian relations in accordance with the general international trend, with the development needs of the two countries, with the rejuvenation process of both nations, and with the revival of oriental civilization.

Indian ex-Prime Minister Manmohan Singh laid out seven-point principles or “tangram principles” in November 2013, which compared India-China relations to a beautiful tapestry.<sup>33</sup> In July 2014 when Indian Prime Minister Narendra Modi met with President Xi in Brazil, Modi described India and China as “two bodies with one spirit”. Later in September, when President Xi visited India, Modi advanced a new concept called “Inch towards Miles”, in which “Inch” stands for India and China, and “Miles” stands for Millennium of Exceptional Synergy.<sup>34</sup> In the Joint Statement between the People’s Republic of China and the Republic of India on Building a Closer Developmental Partnership, it is further clarified that Sino-Indian relationship is “developmental” in nature. Both sides are ready “to make this developmental partnership a core component of the Strategic and Cooperative Partnership for Peace and Prosperity”.<sup>35</sup>

The second demonstration is that both China and India have become increasingly practical and tolerant toward the presence and actions taken by the other side in its own “strategic neighborhood”. Such facts as Chinese and Indian scholars held track-II dialogues on Sino-Indian cooperation in the Indian Ocean and the coordination and cooperation between the two countries in East Asia Summit have shown that zero-sum mentality has been gradually replaced by the concept of win-win cooperation in handling the bilateral relations. The two countries have agreed to open the first round of dialogue on maritime cooperation and to exchange views on maritime affairs and security, covering a broad range of issues such as anti-piracy, freedom of navigation and cooperation between maritime institutions.

The third demonstration is that China and India have enjoyed better comfort level with each other and less misgivings in multilateral cooperation. As developing nations, China and India share many common interests in such global issues as climate change, Doha round negotiations of the WTO, energy and food security,

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33 The “seven-point principles” laid out by Manmohan Singh for handling Sino-Indian relations include: (1) adherence to the Five Principles of Peaceful Co-existence and sensitivity to each other’s interests and sovereignty; (2) maintaining peace and tranquility in the India-China border areas and quickly resolving boundary issue; (3) increasing consultations and cooperation on complex issues such as trans-border rivers and trade imbalance; (4) maintaining a high level of strategic communication, eliminating misunderstanding and building experience of positive cooperation; (5) enhancing policy coordination on regional and global affairs; (6) harnessing the full potential of cooperation in all aspects of the relationship, including in the economic area; (7) increasing contacts and familiarity between the two peoples in every walk of life. See Manmohan Singh, “Xin shidai de yindu yu zhongguo” (India and China in the New Era), *Xuexi Shibao (Study Times)*, Nov. 18, 2013.

34 “PM Narendra Modi explains India-China ties in ‘INCH and MILES’”, *Times of India*, Sept. 16, 2014.

35 Ministry of External Affairs, Government of India, “Joint Statement between the Republic of India and the People’s Republic of China on Building a Closer Developmental Partnership”, Sept. 19, 2014.

reform of international financial institutions, and global governance. And for that reason, the two countries have conducted close coordination and cooperation in BRICS, G20 and other multilateral mechanisms. They have made concerted efforts to promote the democratization of international relations and to reinforce the pivotal role of the UN in promoting global peace, security and development. The two countries have also joined hands in promoting multilateral negotiation in 2015 towards a comprehensive, balanced and equitable agreement under the United Nations Framework Convention on Climate Change (UNFCCC), with a consensus on the principles of equity, “common but differentiated responsibilities” and respective capabilities. In addition, the two sides have reached the following consensus, i.e. the priorities for Asia-Pacific countries at present are maintaining regional peace and stability, promoting common development, and building up an open, transparent, equitable and inclusive framework for security and cooperation.

### ***E. New Developments on the Border Issue***

Generally speaking, fruitful cooperation in the management of Sino-Indian border areas has been achieved. Since 1993, China and India have reached a series of bilateral agreements concerning the border issue, including Agreement on the Maintenance of Peace along the Line of Actual Control in the China-India Border (1993), Agreement on Confidence-Building Measures in the Military Field along the Line of Actual Control in the China-India Border Areas (1996), Agreement on the Political Parameters and Guiding Principles for the Settlement of the China-India Boundary Question (2005), Agreement on the Establishment of a Working Mechanism for Consultation and Coordination on China-India Border Affairs (2012) and Agreement on Border Defense Cooperation (2013). These agreements, basically effective in the control of the border dispute and the maintenance of peace and tranquility of in the border areas, exhibit the resolve shown by both sides to settle the dispute peacefully.

However, there have been new developments in the border areas in recent years. With the construction of roads and airports by both sides along the border and the improvement of military equipment of frontier guards, cases in which patrol guards of the two sides confront each other “face-to-face” have been on the rise. India has obviously reinforced infrastructure construction and troop

deployment against China along the border. According to the Indian media, India's border patrol along the disputed Sino-Indian border is conducted daily now instead of weekly in the past.<sup>36</sup> At the same time, under the explosive coverage by India's private TV network and Chinese internet media, the Sino-Indian border dispute is now frequently being brought to light before the public, which has created new difficulties and pressure on the control and management of the dispute. In recent years, Sino-Indian border frictions are on the rise, which frequently lead to uncompromising confrontations. Given that the two sides have never reached consensus over the alignment of the line of actual control in the disputed areas, such occurrences are no surprise at all, unavoidable even in the future. It is worthwhile to note that border confrontations in 2013 and 2014 occurred against the backdrop of the friendly visits to India by Prime Minister Li Keqiang and President Xi Jinping. The intention of the Indian side and the interaction between the two sides seem rather inexplicable.

### ***F. Growth of Bilateral Ties amid Engagement and a Shift from "High Politics" to "Low Politics"***

Due to geopolitical factors and external influence, China and India can never like each other heartily. However, there exist enormous potential and demand for practical cooperation between the two sides to realize high-level "menu-style cooperation" so as to serve the two countries' national interest and simultaneous rise.

The Sino-Indian relations are now making progress amid "dynamic engagement". Some studies have compared the relationship to "playing on a swing", which means that no matter how far the swing flies, it will ultimately return to the center. Although there may be something in this comparison, the Sino-Indian relations are not that capricious. In an anarchic international society in which every country tries to maximize its own interests, it is quite impossible to achieve harmonious coordination of national strategies between China and India. They are like two fast revolving gears in the Asian machine. Although there may appear "inharmonious" frictions for the two gears in motion, a steady and dynamic engagement is gradually achieved, which enables the Asian machine to

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36 Mao Siwei, "Zhongyin 'bianfang hezuo xieyi' jiedu" (An Interpretation of the Agreement on Border Defense Cooperation between China and India), *Lianhe Zaobao*, Oct. 29, 2013; Mao Siwei, "Zhongyin zouxiang huxin renzhong daoyuan" (To Achieve Mutual Trust Between China and India is a Long and Arduous Task), *Lianhe Zabao*, Sept. 24, 2014.

continue running. With the smoothing of the gears and the help of lubricants, the engagement of the gears will be normalized and stabilized.<sup>37</sup>

In the future, the focus of Sino-Indian relations will be shifted from “high politics” to “low politics”, in line with the growth of the bilateral ties both in intension and extension.<sup>38</sup> In the long run, “high politics” such as the border dispute, the Tibetan question and military issues will continue affecting Sino-Indian relations. However, their importance and sensitivity will decrease steadily. On the other hand, economic relations and trade, mutual perception of the two peoples, and cultural exchanges will carry increasingly heavy weight. Particularly, trade and economic cooperation, and mutual investment will play a larger and larger role in shaping the future Sino-Indian relations. To usher in new phases of development, China and India need to be aware of the following three aspects in the bilateral relations: first, the two countries should become closer partners for development and abandon the Cold War mentality and zero-sum game so as to jointly pursue their respective national renewal; second, China and India should become cooperative partners for growth, share development experience and benefits with each other, practice the new Asian security concept and jointly promote Asia’s prosperity and revitalization; third, the two countries should become global partners for strategic coordination and work for a more just and equitable international order.<sup>39</sup>



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37 Lan Jianxue, “Hou lengzhan shiqi de zhongyin guanxi: zhengchang hua yu zhanlue hexie” (Sino-Indian Relations in the Post-Cold War Era: Normalization and Strategic Harmony), *Nanya Yanjiu (South Asian Studies)*, Issue 2, 2005.

38 Some Western researchers of international relations classify international cooperation or affairs into two categories: High Politics, which include issues relating to peace and security, sovereignty, territory, military, etc., and Low Politics, which include economic, social, environmental, human rights, community affairs, etc.

39 Xi Jinping, “In Joint Pursuit of a Dream of National Renewal – Speech at the Indian Council of World Affairs”, New Delhi, Sept. 18, 2014. ([http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1194300.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1194300.shtml))

## **IV. Key Principles and Strategic Thoughts on Future Sino-Indian Relations**

### ***A. Accurately Identify Core Interests and Being Sensitive to the Other Side's Major Concerns***

The border dispute constitutes the biggest problem left over by history and a key concern of both China and India. It is also largely responsible for the twists and turns of the Sino-Indian relations in recent years. China and India are the few major powers in the world without an officially demarcated land borderline between them though the border negotiations have been conducted over 30 years since the 1980s. To some extent, the border dispute has become a carrier of some mixed problems, including mutual strategic distrust, old scores left over by history, the Tibet-related problem, nationalism and geo-strategic competition, and its solution calls for comprehensive measures.

At present, the border issue between China and India has remained a difficult question as both parties are still far apart in their respective positions. The resolution of the issue requires mastery of negotiation skills, diplomatic wisdom, the courage to make compromises, the ability to lead the public opinion and a favorable international environment. What's also required is a bilateral strategic height to approach the problem, for example, in considering whether the border issue is something sacred that is not negotiable. Taking a hard-line approach to the border dispute when conditions for proper settlement are not mature will leave behind even more problems, especially at a time when the tone of the Indian public opinion on the issue is still rather rigid. In view of the hypersensitivity of the issue and a possible domino effect, both countries may as well do more to first maintain peace and tranquility in the border areas and further develop their trade relations. Though the current confidence-building measures only touch on the passive side of crisis control and dispute management, they constitute an indispensable part of



the ultimate solution of the issue. Under the new international situation, a military solution of the border dispute will inevitably lead to nowhere. Neither media debate nor unilateral pressure on the other would help resolve the issue. Only by emancipating the mind, with mutual understanding and mutual accommodation, and through mutual adjustment can we finally attain a clearly demarcated and friendly borderline acceptable to peoples of both countries.

In October 1982 when receiving a delegation of the Indian Council of Social Science Research (ICSSR), former Chinese leader Comrade Deng Xiaoping said,

*“The issues between China and India are not that serious because both do not constitute threats to each other with only one exception, that is, the border issue. Both sides should do something to restore the friendship we enjoyed in the 1950s. When I met with your former Foreign Minister in 1979, I suggested a ‘package solution’ to the issue, which means that, both of us make sensible compromises at the same time. The border issue is left over by history, which touches on the national sentiments of our peoples. Therefore, a ‘package solution’ is the only way to persuade our domestic populace. We (China) had border problems with a few other countries, the settlement of which is often made through concession. I am convinced that we can ultimately find a good way to resolve the issue. Even if it cannot be fixed for the moment, we can leave it alone for the time being and concentrate our energy on cooperation in trade, economic matters, culture and other areas so that we can enhance mutual learning and friendship through such exchanges, which can still promise a broad prospect for cooperation.”<sup>40</sup>*

The approach proposed by Deng Xiaoping to resolve the Sino-Indian border dispute is made from a grand and overall strategic perspective, which still provides food for thought to related decision-making departments of both countries.

China and India signed in 2005 the Agreement on the Political Parameters and Guiding Principles for the Settlement of the Boundary Question. This is the first political document ever signed by the two sides since 1981 when countries started their border negotiations. Both sides agree that:

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40 “Zengjin zhongyin youyi, jiaqiang nannan hezuo” (Improve China-India Friendship and Strengthen South-South Cooperation), *Deng Xiaoping Wenxuan, Di San Juan (Selected Works of Deng Xiaoping, Volume III)*, Beijing: Renmin Chubanshe (People’s Publishing House), Oct. 1993, pp.19-20.

*“The difference on the boundary question should not be allowed to affect the overall development of bilateral relations. The two sides will resolve the boundary question through peaceful and friendly consultations. Neither side shall use or threaten to use force against the other by any means. ... Pending an ultimate settlement of the boundary question, the two sides should strictly respect and observe the line of actual control and work together to maintain peace and tranquility in the border areas. ... Both sides should, in the spirit of mutual respect and mutual understanding, make meaningful and mutually acceptable adjustments to their respective positions on the boundary question, so as to arrive a package settlement to the boundary question. The boundary settlement must be final, covering all sectors of the China-India boundary. ... The two sides will take into account, inter alia, historical evidence, national sentiments, practical difficulties and reasonable concerns and sensitivities of both sides, and the actual state of border areas.”<sup>41</sup>*

Though China and India have made interpretations focusing on different aspects of the signed agreement, it nevertheless provides a principle-based framework for resolving the border dispute. Alka Acharya, Director of the Institute of Chinese Studies in India and Professor of Jawaharlal Nehru University, commented that since the establishment of the Special Representatives’ meeting, India and China had constructed a three-tiered structure to deal with the sensitive border issue. At the top are leaders of the two countries who have decided to provide the impetus and impart the requisite dynamism; next are the Special Representatives who will oversee and steer the overall negotiations; and the Joint Working Groups, comprising bureaucrats, officials, experts of various sorts, technical personnel, specialists and other representative groups who will engage in the discussions.<sup>42</sup>

## ***B. Actively Explore the Construction of “a New Model of Sino-Indian Relations”***

It has taken top-level officials in both China and India a considerable course to define the Sino-Indian relations. In 2005, both countries declared to build a “strategic

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41 Ministry of External Affairs, Government of India, “Agreement between the Government of the Republic of India and the Government of the People’s Republic of China on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question”, April 11, 2005.

42 Alka Acharya, “Wen Jiabao’s South Asian Sojourn”, *China Report*, Vol.41, No.3, 2005, p.321.

partnership of cooperation for peace and prosperity”. In 2006, they established a “ten-point strategy” to guide Sino-Indian cooperation and agreed to further deepen and consolidate their strategic partnership of cooperation. A reconfirmation of the initial definition of the Sino-Indian strategic partnership is required if the two countries are to consolidate and enrich their strategic cooperation and promote bilateral relations to a new level under the new historical background. The emphasis on peace and prosperity well represents the goal of the bilateral relations. “Peace” means that the two countries should not engage in and cannot afford confrontation, and must not see each other as a deadly strategic threat. “Prosperity” means that both sides work to promote economic and social development as the fundamental national task, and to cultivate a peaceful international environment conducive to domestic development as the ultimate goal and destination of their respective foreign policies. The Joint Statement between the People’s Republic of China and the Republic of India on Building a Closer Developmental Partnership released in September 2014 further defined the nature of Sino-Indian strategic partnership, i.e. “developmental partnership should constitute a core component of the Strategic and Cooperative Partnership for Peace and Prosperity”. This is a strategic measure jointly adopted by the top leaders of the two countries, not a tactic out of expediency. It requires China and India to support each other in pursuing their developmental goals. With bilateral relations entering a critical stage, issues concerning the core interests of both sides are bound to surface one after another in the foreseeable future. Therefore, both countries need strategic composure in developing the Sino-Indian Strategic and Cooperative Partnership.

Foreign and domestic pessimistic assessment about Sino-Indian relations may proceed from different positions and with different purposes. They nevertheless share one thing in common: exaggeration of the disagreements and conflicts between China and India while ignoring the common task and shared interests of the two governments and peoples. Over the past 20 years since the end of the Cold War, China and India have gradually explored a new model of major-power relations and a unique way of good-neighborly relations, i.e. “a new model of Sino-Indian relationship”. The core concept of the model can be summarized as follows: At a time when disagreements in territory, sovereignty and strategic tenets still exist between China and India, the two major powers should bear in mind their

respective development priorities and national rejuvenation; Under the guidance of top leaders of both sides, relevant government departments should properly manage and control the disputes, broaden their cooperation with a practical approach, and maintain the development of the bilateral relations at a high level, thereby avoiding the traditional geopolitical dilemma characterized by the “tragedy of big-power politics” and “two rival tigers never coexisting in the same mountain”; Being inclusive to each other’s development and growth, China and India can contribute to “the rise of two peaks” at the same time.

Generally speaking, the following five pillars, serving as the basis of “a new model of Sino-Indian Sino-Indian relationship”, would ensure that both countries follow the general trend, take the overall interest into consideration and maintain the mainstream of Sino-Indian cooperation.

*Pillar 1: China-India Strategic Mutual Trust and Coexistence*

In international relations, mutual distrust and psychological conflict are extremely hard to overcome. If such psychological hindrance cannot be cleared, the future Sino-Indian relations are still likely to experience uncertainty and fragility. Signing joint official declarations can serve as confidence-building measures, in which each country commit itself to not using force or the threat of force against the other. Such declarations, in a sense, are “non-aggression treaty” between the two countries. However, historical lessons should not be forgotten. In the 1950s, China and India joined hands in advocating the Five Principles of Peaceful Coexistence. Yet, a fierce military conflict erupted in the border areas between the two countries several years later. This case shows that joint declarations, statements, principles and even treaties alone fall short of a guarantee of the stable and sound development of state-to-state relations. In the absence of basic trust, no confidence-building measures or established principles will be implemented fully.<sup>43</sup> In terms of strategic coexistence, due to the implementation of America’s “Rebalancing toward the Asia-Pacific” strategy and the evident rise of Japan’s right-wing forces, China faces much greater pressure from its east, and consequently China’s strategic focus will remain in its eastern neighborhood for a fairly long time. On the other hand, India’s strategic environment in South Asia is becoming increasingly complex because the Indian Ocean is turning into a place for the wrestling of Western

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43 Sun Shihai, “Zhongyin hezuo xuyao jianli huxin” (Mutual Trust Is Needed to Promote Sino-Indian Cooperation), *Zhongguo Jingji Shibao* (China Economic Times), Sept. 22, 2003.

powers. And for that reason, the South Asia subcontinent will be the focus area of India's security strategy for a long period of time. The difference in strategic focus can serve as a solid basis for the peaceful coexistence and cooperation between China and India.

*Pillar 2: Economic, Trade and Investment Partnership*

Geo-economics has played an increasingly important role in international relations since the end of the Cold War. Although economic, trade and investment cooperation may not be enough to unfreeze the iceberg between two once hostile countries for good, the merging of economic interests are sure to deepen interdependence between countries, which may restrain in a way the intention and behavior of the countries concerned, thus making security cooperation possible. The cooperation among European countries has well testified such reasoning.

Economic and trade relations constitute the most dynamic part of Sino-Indian relations, which can bring about tangible and merged interests for both countries. In recent years, China has become India's largest trading partner. China's export of commodities and services, competitive in quality and price, is conducive to India's poverty alleviation, industrialization and modernization. But the amount of mutual investment is negligible. Meanwhile, India is still considered a rather "mysterious" market for China, quite unfamiliar to Chinese entrepreneurs. Though promising unlimited potential at first glance, the Indian market is actually filled with potential pitfalls. Although Western rules and procedures apply in the Indian market, there exist also rent-seeking grey zones in the government institutions. These factors, coupled with special local religious practice and ethnic characteristics, merit special attention on the part of foreign investors.

Seasoned Indian diplomat Kishan S. Rana once said, "At present, the business and trade exchanges between India and China are of a small scale mostly by small and medium enterprises, rather blind and unstable", and leaders of the two countries need to provide guidance and make designs at the top level for the development of bilateral economic and trade cooperation.<sup>44</sup> India should welcome China's investment and provide the latter with comfortable environment and abandon "security vetting" or discriminatory measures in disguise against Chinese investors. Moreover, India should join hands with China in a concerted effort to improve the

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<sup>44</sup> Wang Ping, "Zhongqi ruhe rongru yindu" (How Can Chinese Companies Integrate Themselves Into India), *Caijing Guojia Zhoukan (Economy & Nation Weekly)*, Issue 20, 2014.

structural imbalance of the bilateral trade. China has accumulated considerable experience, capital and technologies during its urbanization and infrastructure development. The two countries enjoy a bright future in their cooperation in such aspects as industrial transformation and transfer. China is in a position to assist India in realizing its “second rise” by sharing its development bonus.

*Pillar 3: Face Disagreements Squarely and Find Common Ground while Minimizing Differences*

Achieving “harmony in diversity” and “seeking common ground while reserving differences” is a kind of capability of countries. It is acquired through cultivation and learning and never generated automatically. The current Sino-Indian relations are haunted by two obstacles, namely, the border dispute and strategic distrust. The two issues are being capitalized by third party forces to sow discord in Sino-Indian relations. Under the new historical conditions, China and India should emancipate their minds, understand and accommodate each other, and make mutual adjustments in a joint effort to find solutions to such problems as the border dispute, Tibet-related issues, and geopolitical rivalry. Though both countries are of the view that the world is large enough to accommodate each other’s development, it is quite unavoidable for one to step into the “sphere” of the other (whether in politics, economy, security or international organizations). It is natural that the two countries may have different opinions on some international issues. They should, nevertheless, try to build an open and inclusive international system, abandon the practice of identifying friends or foes according to ideology or values, leave ample maneuvering room between competition and cooperation, and tolerate different views on international issues and national interest. They should seek common ground while reserving differences and coexist with one another peacefully.

*Pillar 4: Partnership in Multilateral Arenas*

Cooperation in multilateral arenas is a new growth point for Sino-Indian relations. Both countries are subject to the oppression brought about by the West-dominated international system in the course of their development. Emerging powers like China and India have been increasingly supporting and coordinating with each other in global governance institutions to safeguard their future development space. China and India share similar views and understandings on such global issues as

climate change, anti-terrorism, food and energy security. They also share increasing consensus and interests in addressing regional hot issues and enhancing Asia's connectivity. Cooperation in multilateral arenas has brought the two countries even closer, enhanced the integration of their interests and added to their experience and confidence in strategic cooperation.

*Pillar 5: Guided by Respective Civilizations to Promote Exchanges and Mutual Learning*

Both Chinese and Indian civilizations are rich, extensive and profound. Cultural exchanges between the two countries ran throughout the history without disruption. Mr. Tan Zhong, a noted Chinese American scholar, once commented that the Sino-Indian relations should return to the “geo-civilization paradigm”. His view is very enlightening indeed. In contrast with the “geo-political paradigm”, which is based on the “self versus others” mentality and features military force, territorial claims and alliance, the “geo-civilization paradigm” promotes the idea of “self versus self” and pursues justice, equality and diversity among all peoples.<sup>45</sup> Both Chinese and Indian civilizations attach importance to ethics, morality and self-reflection, and they can soften to some extent the present international system in which the “law of the jungle” prevails, and manifest the value of oriental diplomatic wisdom in solving international problems. In this perspective, clearing the hurdles for Sino-Indian wisdom exchanges is far more urgent than resolving their border dispute.

### ***C. Build up a Multi-Pillared and Institutionalized Cooperation Network***

Frictions between China and India in the new era have been largely strategic rather than ideological. Nonetheless, both countries face an increasingly complex and multi-layered relationship amid their growing international diplomat, economic and military clout. Deterring renewed Sino-Indian hostilities will require both countries to devote more resources to manage the potential “spillover” of their bilateral relationship into other arenas, including third-party relations and the maritime domain, through more institutionalized forms of interaction.<sup>46</sup>

45 Tan Zhong, “Caiyong ‘diyuan wenming’ fanshi cujin zhongyin guanxi fazhan”, (Promoting Sino-Indian Relations by a Model of “Geo-Civilization”), *Nanya Yanjiu Jikan* (South Asian Studies Quarterly), Issue 2, 2008.

46 See Chietigj Bajpae, “Spillover’ in the Sino-Indian Relationship: An Indian Perspective”, The Jamestown Foundation Publication: *China Brief*, Volume 12, Issue 24, Dec. 14, 2012.

First, the development of Sino-Indian relations in the post-Cold War period indicates that high-level visits are of crucial importance to promoting bilateral relations. Therefore, both countries need to maintain and institutionalize high-level visits so that exchanges on various levels of officials can be conducted regularly to avoid strategic misjudgment. Second, both sides should optimize various negotiation mechanisms concerning the settlement of the border dispute and establish confidence-building measures in the border areas for the final demarcation of the border while maintaining peace and tranquility in the border areas. Third, China-India economic cooperation and trade should be comparable to those between China and other Asia-Pacific countries. Such relations should be sustainable and of a win-win nature. Besides, along with the spread of their influence overseas, China and India need to build a mechanism to coordinate their respective overseas interests. Lastly, non-confrontational dialogues should be promoted in academic, cultural and knowledge circles of the two countries. Facilitation of people-to-people exchanges are of far-reaching significance to a sustainable and healthy development of bilateral relations.

Since the end of the Cold War, China and India have gradually built a structure of cooperation on four pillars: regular summits and high-level meetings, military confidence-building, border negotiations, and increasing trade. However, these four pillars, as a diplomatic substructure, will no longer suffice. A new China-India architecture will be required. This must be a deeply layered, multilevel, interlocking structure for mutual confidence, consultation, and coordination involving political leaders, legislators, officials, experts, businesses, policy institutes, academics, students, and other actors in the two societies. It should aim to identify and strengthen common ground, manage conflicts as it arises, and promote cooperation in bilateral as well as international affairs.<sup>47</sup>

### ***D. Cultivate an Objective and Balanced Environment of Public Opinion and Research Perspectives***

Due to special historical background and insufficiency of mutual understanding, the Sino-Indian relations are prone to being swayed by the media and the public opinion. Under the new circumstances that new media and Internet communication

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<sup>47</sup> Jing Huang, Kanti Bajpai, Kishore Mahbubani, "Rising Peacefully Together", *Foreign Policy*, Aug. 1, 2012. (<http://foreignpolicy.com/2012/08/01/rising-peacefully-together/>)



techniques are highly developed, stakeholders and actors participating in and affecting the Sino-Indian relations have become more diverse. Mutual perception between China and India and people's affection for each other can easily be changed and reversed. Practice has repeatedly shown that media and the Internet can quickly change the perception and affection between the Chinese and Indian peoples. At present, young generations of both countries are found full of misunderstandings, contempt and even animosity against each other in the cyberspace, media forums and discussion boards, which indicates that the popular basis of Sino-Indian relations is rather fragile.

From the perspective of India's domestic public opinion, hyping up the problems in Sino-Indian relations with sensational and even fabricated news remains a practice deemed "politically correct" and a "tacit rule" in India. Indian high-level officials are often swayed by the public opinion and they often release messages through the media to put pressure on China. Some of the elite and ordinary people in India tend to view the Sino-Indian relations through tinted glasses. They have shown psychological imbalance towards China's irresistible growth, thus needing further psychological rebalance. On the part of China, media coverage of India is also increasingly diverse and of varying quality and depths. Misjudgment and being out of focus do occur from time to time. The Chinese public should view India with a progressive, dynamic and long-term perspective instead of the one used in the past. Though related government departments of both countries are aware of such a problem, considerably long time is needed to overcome this "perception gap". To bring about a long-term, healthy and sustainable development of the Sino-Indian relations, and to strengthen its shock-proof capability and enlarge the room for maneuver for both countries, the support and cooperation from the general public, an objective and balanced media environment and an accurate assessment of each other's words and deeds are essential.

In view of the above, experts on international studies should take up the role of "a public opinion shaper" in promoting the development of Sino-Indian relations to ensure people of each country receiving balanced, sufficient and objective information about the other. Scholars may use their professional knowledge and resources to influence public opinion and shoulder the responsibility of promoting healthy development of the bilateral ties. In the case of the Indian public, their

knowledge about China mainly comes from newspapers, television and the Internet, which frequently quote the viewpoints of experts and scholars to strengthen their arguments. Actually, it is not difficult to find problems and provoke conflicts in the complex Sino-Indian relations. The media and analysts of international relations need to adopt an objective and balanced approach in their comments of news events and bear in mind the overall situation. Their true value does not lie in speaking or acting on hearsay evidence, nor embellishing a story. Rather, they should work to create a peaceful environment of public opinion so as to provide leeway for the two governments and come up with better ways to promote the development of Sino-Indian relations.

*(This report was written in Chinese and translated into English by Lu Zhihong, Jiang Zhida, Peng Lu and Zhang Bei. The translation was examined and revised by Zou Mingrong.)*





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## **About the Author**

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# ABSTRACT

Since the beginning of the 21st century, Sino-Indian relations have entered a new era of all-round development. Internal and external factors bearing on Sino-Indian relations have become increasingly complex and diverse. With the end of the Cold War setup and the emergence of economic globalization, pragmatism together with strength-based diplomacy and the notion of “national interest first” have increasingly become the guidelines of India’s foreign strategies and policies. In contrast, the influence of nonalignment and idealism on India’s foreign policy has been on the decline.

While China and India are striding forward side by side and adjusting their respective diplomatic orientations, the relationship between them has expanded both in intension and extension. And cooperation and competition are both on the rise between the two countries. The bilateral relationship has evolved into “an ever-strengthening developmental partnership amid running-in”.

In the new historical period, the strategic importance of Sino-Indian relations has increased rapidly, and a return to pragmatism and rationalism is evident in the bilateral relations. Currently, “seeking common ground” and “dissolving differences” are advancing side by side, and new ways of thinking and new initiatives on Sino-Indian relations are being proposed one after another. Moreover, new developments have occurred on the Sino-Indian border dispute, and the bilateral relationship is developing toward “dynamic engagement” with a gradual shift of policy focus to “low politics” issues.

To build up a healthy, stable and sustainable Sino-Indian relationship, the two countries need to accurately define their core national interests, link up their development strategies, and actively explore the construction of “a new model of Sino-Indian relations”. They also need to build up a multi-pillared and institutionalized network of cooperation, and effectively cultivate an objective and balanced environment of public opinion.

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