

# China and India Aim To Extend Cooperation

by Ramtanu Maitra

The first-ever strategic talks between India and China, which took place in New Delhi on Jan. 24-25, were the outcome of years of efforts by these two largest Asian nations “to take bilateral engagements into a long-term and strategic relationship.” Chinese Vice-Minister of Foreign Affairs Wu Dawei, who is also involved in the six-party talks on North Korea’s nuclear program, and Indian Foreign Secretary Shyam Saran raised hopes that the two would begin to position their bilateral relations in the context of broader regional and global perspectives.

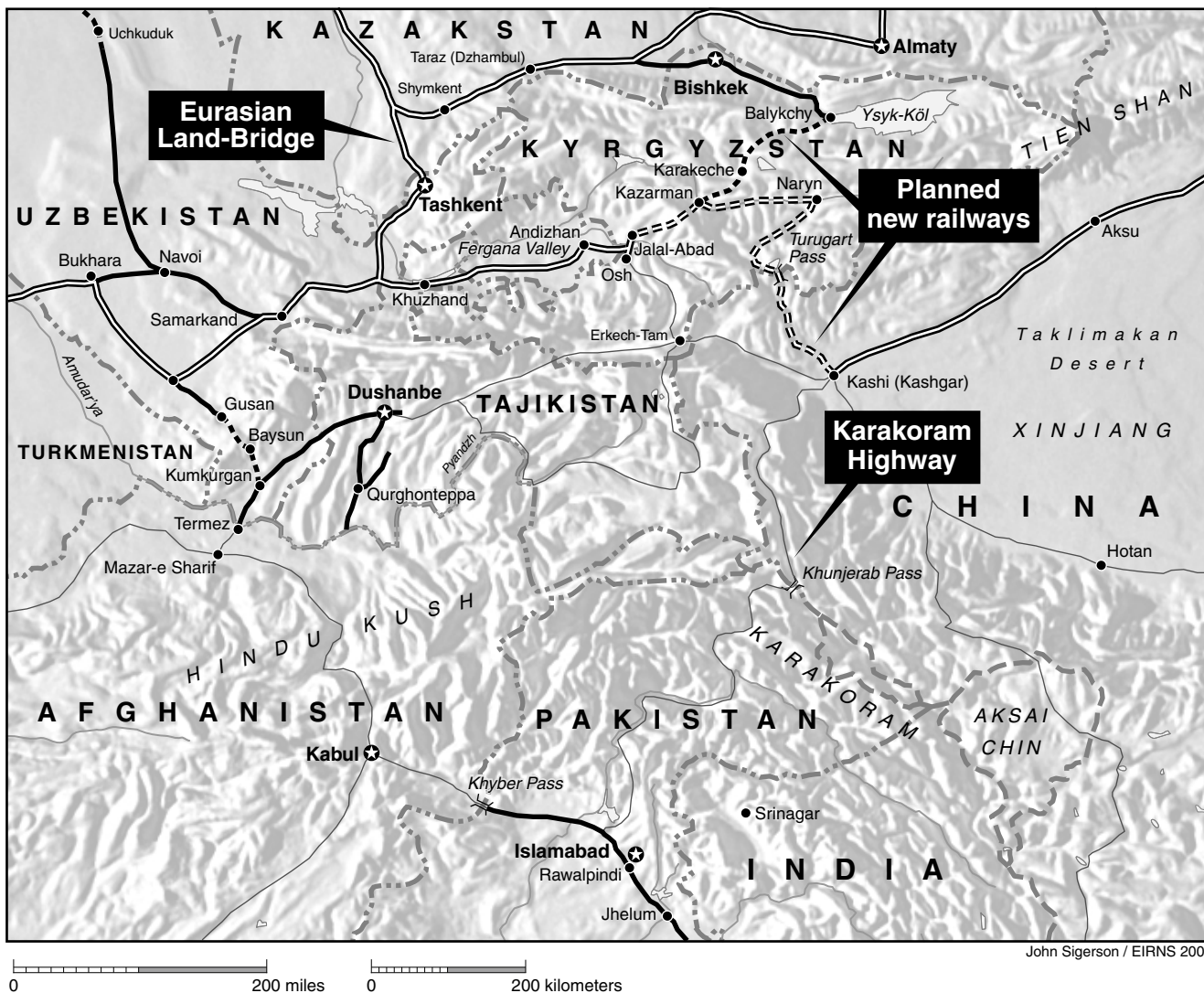
One of the most important outcomes which emerged from the dialogue is the expressed concern of China about deteriorating U.S.-Iranian relations, triggered by U.S. insistence that Iran’s nuclear fuel enrichment program is a cover for developing weapons of mass destruction. Wu Dawei made clear that Beijing is pressing Moscow, Paris, and Berlin to take steps to prevent any U.S. hostility against Iran, saying that China is willing to mediate with the United States and the West about Iran’s nuclear program. New Delhi urged the Chinese Vice-Minister to impress upon Pakistan not to open its air space to the U.S. Air Force, in case Washington plans air strikes on Iran.

## Regional Cooperation

In early December, to prepare the grounds for the strategic talks, a seminar was held at the Institute for Peace and Conflict Studies (IPCS) in New Delhi. Zhang Guihong, the deputy director of the Institute of International Studies, at Zhejiang University in Hangzhou, pointed out that China and India could play a major role in regional affairs. He grouped China and India with Pakistan (nuclear), Japan (economic), Russia (multipolar), and United States (strategic) to form respective triangles, to basically affirm the two countries’ important place in the world. He also grouped the two with the Association of Southeast Asian Nations (ASEAN) and Central Asia, to discuss the benefits of a triangular relationship.

On Jan. 28, India’s Commerce and Industry Minister, Kamal Nath, told the World Economic Forum at Davos, Switzerland that the complementarities between the two nations’ economies are in the process of being harnessed, and when that happens, it would result in achieving rapid expansion of bilateral trade and economic ties.

## Central Asia: A Focus of Regional Development



John Sigerson / EIRNS 2001

“The India-China two-way trade is now US\$1 billion a month, compared to US\$1 billion a year a decade ago. This twelve-fold increase in the last decade only goes to prove that though we are competitors in many respects, we are also complementary and supplementary to each other,” an official statement said, quoting Kamal Nath. He also pointed out that if one takes ASEAN, China, Japan, Korea, and India together, the size of such an integrated market is that of the European Union in terms of income, and bigger than the North American Free Trade Agreement (NAFTA) in terms of trade.

While the credit for identifying India as a potential economic partner should go to former Chinese Prime Minister Zhu Rongji, it is India which recognized China’s value as a

possible ally in espousing some developmental issues in the World Trade Organization (WTO). The current volume of China-India trade (\$12 billion) is of modest proportions by world standards, but the fervor of the new dialogue cannot be missed. A studied Chinese viewpoint is that any “Free Trade Arrangement between China and India in the Information Technology sector will be hard to achieve in the short term,” because “competition between the two countries” is considered “inevitable,” despite the fact that India’s software sector is much superior to China’s at this stage.

But beyond the direct trade, definite moves have been made by both—China, in particular—for regional economic development. According to analyst D.S. Rajan, since June 2004, China’s Xinjiang Autonomous Region has been pro-

moting a nationwide campaign, aimed at achieving economic integration of Kashgar (Kashi), a town known for its historic role in China's trade along the ancient Silk Road, and eight countries in Central and South Asia: the bordering countries of India, Pakistan, Afghanistan, Tajikistan, and Kyrgyzstan, and the other Central Asian republics of Uzbekistan, Turkmenistan, and Kazakstan.

Speaking at a seminar in Kashgar on June 29, 2004, the town's deputy party secretary Zong Jian had alleged that the U.S. entry into Central and South Asia following 9/11 under the pretext of fighting terrorism, and the subsequent growth of the influence of forces representing Western powers, posed a serious threat to the security of China's thinly populated Xinjiang province. Arguing that economic factors play a stabilizing role in such situations, Zong pointed out that because of the threats posed by Western encroachment, Xinjiang wants to forge close and mutually beneficial economic relations with the Central, South, and West Asian countries.

On the proposed economic integration of Kashgar with the emerging Central and South Asia economic grouping, no specific policy announcement from Beijing has emerged. One of the reasons perhaps is Kashgar's weak infrastructural facilities. Xinjiang officials have demanded road and air links between Kashgar and neighboring countries, and establishment of entry/exit permit-issuing agencies, as well as visa offices of Central and South Asian countries in that city, to facilitate border trade and attract foreign investment. In addition, they asked for setting up a Central-South-West Asia University in Kashgar, which could train personnel capable of meeting the region's economic development requirements. Some even visualized conversion of Kashgar into a western "Shenzhen," in the long run.

Shenzhen, an island in the south, was the booming export-processing-zone set up by China in the late-1980s. Diplomats in China representing Tajikistan, Afghanistan, Pakistan, India, and Kazakstan endorsed the proposal, while taking part in the Kashgar seminars.

Rajan points out that in the South Asian context, the proposal for Kashgar's economic integration with the outside world may be of particular interest to India, which, until the early 1950s, maintained a trade mission in that town. Proposals for an India-Xinjiang land link; a Delhi-Kashgar air route; laying a natural gas pipeline from Xinjiang to India through Ladakh, located in the Indian part of the state of Jammu and Kashmir; and bilateral cooperation in agriculture and food processing, traditional medicine and herbs, energy and oil production, and tourism, were put forward by the Chinese hosts. It is interesting to note that Indian External Affairs Minister Natwar Singh has been invited to visit Xinjiang.

## **Defense Cooperation**

While economic cooperation between the two nations had begun in earnest in the year 2000, the most encouraging

recent development is in defense cooperation. In December 2004, India's then-Army chief, Gen. N.C. Vij, during his week-long visit to China, was given a warm welcome. Chinese state media reported that during his visit, China and India agreed to deepen defense cooperation: a sign of warming relations between the giant neighbors and former foes. Vij capped his visit to China, the first by an Indian Army chief in a decade, with talks with his counterpart, Liang Guanglie, and Defense Minister Cao Gangchuan. Cao told the Indian general that "China would like to step up its cooperation with India in the defense and security sector and advance the bilateral military ties to a higher level," Xinhua reported. China and India held their first-ever joint military exercises in March, and Vij said India may invite Chinese officers to observe its military drills.

The Indian general's trip to China was the outcome of a high-profile visit to India by Defense Minister Cao Gangchuan from March 26-30, 2004, and the first meeting of the newly formed Sino-Indian Joint Study Group (JSG) on Trade and Economic Cooperation in Beijing on March 22-23.

In a broader sense, the latest phase of growing trust in China-India relations can be traced to the success of the visit to China by Prime Minister Atal Behari Vajpayee in June 2003. The dialogue on the boundary dispute, at the level of Special Representatives, and the JSG process can be directly linked to the results of Vajpayee's talks with Hu Jintao, Wen Jiabao, and Jiang Zemin, former Chinese President and chairman of the Central Military Commission of the Chinese Communist Party and the government.

While the Chinese Defense Minister's visit to India, the first in nearly a decade, can also be seen in the same light, Cao Gangchuan's agenda had much to do with the process initiated during Indian Defense Minister George Fernandes's visit to Beijing in April 2003. Fernandes had on that occasion proposed joint naval exercises, in an effort to allay some of China's suspicions about India's intentions in its neighborhood. The first such exercise, a confidence-building measure (CBM), has already taken place. For the Chinese Navy, the exercise involving India in late 2003 was only the second CBM with any country (the first was with Pakistan).

It was Defense Ministers Cao and Fernandes who agreed in New Delhi, on March 29, 2004, that the two countries would grant each other the status of an observer during their respective military exercises involving other powers. That is considered a very definite step forward in establishing mutual trust.

## **Continuing Irritants**

There is little doubt that China and India have come a long way in restoring their tattered relationship in the wake of the May 1998 Indian nuclear tests (Pokhran II). India's testing of nuclear weapons then caused a frosty chill on the bilateral front, mainly on account of the manner in which the Indian

leaders had portrayed China as the critical factor in New Delhi's decision to become a "nuclear power." Beijing's interpretation of India's justifications of its nuclear tests was no less a contributing factor. Soon after Pokhran II, Beijing made no secret of its view that India was seeking to emerge as a "regional hegemon," bent upon pursuing a policy of "containment" of China.

Despite the remarkable improvements in bilateral relations, serious obstacles remain. These include the unresolved boundary issue, Tibet, and the Sino-Pakistan nexus. The boundary issue involves more than 125,000 square kilometers in disputed territories. According to observers, for some time, the discussions on the boundary issue have been put on the back burner. This could well have been the right approach to build an atmosphere conducive for dealing with this contentious issue. But at the same time, both sides seem to realize that the issue remains a festering sore, liable to erupt at the slightest provocation. On the other hand, the Tibet issue is becoming less of an irritant, since the former Indian Prime Minister Atal Behari Vajpayee, during his 2003 China visit, made clear that Tibet is a part of China. Still, India's hosting of the Dalai Lama, his entourage, and 120,000 Tibetan refugees, including the titular heads of two major Tibetan-Buddhist sects, is eyed by some in China with considerable suspicion. At the same time, there are some tentative signs of improvement in Beijing's relations vis-à-vis the exiled Tibetans abroad, following the recent initiation of dialogue between the Dalai Lama's emissaries and Beijing.

Perhaps the most explosive issue in bilateral relations is China's strategic relationship with Pakistan. India continues to fret about China's alleged nuclear and missile assistance to Pakistan. According to Western diplomatic sources, Beijing had conveyed to Washington years ago that Pakistan's strategic value to China in the South Asian context was comparable to Israel's critical relevance to the United States in the West Asian context.

The China-Pakistan relationship predates Beijing's contact with India's other neighbors, and goes back to the early 1960s. About 80% of Pakistan's Armed Forces are armed with Chinese equipment, as are 60% of its military aircraft. This long-standing relationship continues, and the changed Sino-Indian relations are unlikely to change it in the near future.

There are indications, however, that Beijing, having joined the Nuclear Suppliers Group (NSG), is in the process of diminishing its nuclear relationship with Islamabad. Answering a question from the floor at the IPCS seminar in New Delhi, Zhang Guihong pointed out that China's relationship with Pakistan in the future would be limited to economic and military matters. In addition, while China maintains its military contacts with Pakistan, it has begun to distance itself politically from Pakistan; it no longer gives Pakistan unconditional support in Pakistan's dispute with India over Kashmir, but urges discussion and moderation.