

Sino Indian Relations in a New Perspective

Snehalata Panda

Abstract

Policies of the developed world continue to affect the domestic as well as foreign policies of China and India in the post-Cold War period. The US war against terrorism in Afghanistan has drawn China closer to the US. This has set new parameters for Sino-Indian relationship. Economic reasons dominated the relations among nations in the 1990s, but the scare of terrorism has forged a global coalition and middle powers have few options to choose independent policies.

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Post-colonial state and nation-building in Asian countries required friendly ties with the developed western states, rather the two Superpowers. But the political cost of such relationship was heavy as the developing states could hardly escape their involvement in the global diplomatic game. Geographical reasons apart, this perspective characterized India's relation with China in the post-war period. Maoist China had primacy of ideology in its state building process but it had responded to the changing international relations since the last half century. India had designed its policy in response to the strategic needs and the global role it envisioned for itself. The intrusion of the Superpowers in the Asian affairs generated common strategic concerns and misperceptions in the bilateral relationship of these two countries. India and China had fairly good relationship in the years following India's independence. But the fragility of their relationship became evident when they made different responses to the involvement of the Superpowers in the Asian region and outside.

The post-1962 relations of these two countries were influenced by the 'Sino-Pak alliance' and after 1971 by the 'Sino-Pak-US axis' against India. After 1972, Bangladesh was carved out of Pakistan, Sikkim was merged with India, the first nuclear test was conducted in 1974 which strained Sino-Indian relations further. In China the pandemonium created by the Cultural Revolution rocked the basis of communist leadership. Emerging from the

chaos, its primary security concern was the Soviet Union. Therefore, Sino-US relationship became closer which in turn affected India's policy in the neighbourhood and outside.

India had made earnest efforts¹ to normalise its relations with China soon after the nuclear tests were conducted in 1974, paving the way for the establishment of ambassadorial relationship after a lapse of one-and-a half decades. The icy relationship between both the countries was becoming warm after the collapse of the Soviet Union when the Cold War geographical boundaries began to disappear. Again it was on the verge of being frozen after Pokhran II. However, the diplomatic efforts made by the Indian government have been successful in forging better ties. But the unresolved disputed issues and misunderstandings created by Pokhran II still persist and policies of the developed world continue to affect their domestic as well as foreign policies.

The paper attempts to explore the areas in which both China and India have been trying to improve their relations as a response to the changes in the international sphere in the post-Cold War period and the future directions of their relationship. The first section analyses the factors that determined the improvement in Sino-Indian relationship in the 1990s and the second section focuses on major issues, which may determine their future relationship.

Efforts for Cooperative Relationship

In the 1950s Sino-Indian relations were strained mainly due to the territorial issue² and the Chinese annexation of Tibet. Pakistan had been successful in drawing China closer which multiplied India's problems. The military ties between China and Pakistan have progressed since India was targeted as the common enemy. With the end of the Cold War, China is accommodating to the changes in the international sphere. Along with other factors its aspirations for regional and global supremacy have facilitated a conciliatory approach in its relationship with the Asian countries including India.³ As a result, the interregnum between the Gulf War and Pokhran II witnessed fairly firm Sino-Indian relations. But the detonation of

the nuclear device by India in 1998 and the 'China threat'⁴ resulted in strong reactions in China, which was evident from the way it mobilized world opinion against India's nuclear weapon status. Inherent in China's anxiety is the military capability of India which it perceives to be an attempt to catch up with China and upset the strategic balance in the region. With this backdrop, the paper analyses the various steps taken by both the countries towards normalisation of their relationship.

Normalisation of Political Relations

The end of the Cold War has given a new dimension to Sino-Indian relationship when the peace process was expedited with Chinese Premier Li Peng's visit to India, in 1991. During the visit agreements on resuming of consulate-generals, memoranda on resuming border trade and on cooperation in science and technology for the peaceful uses of outer space were signed. His visit facilitated the reopening of the Chinese Consulate General in Mumbai, in 1992 and the Indian Consulate General in Shanghai, in 1993. The Indian Prime Minister P.V. Narasimha Rao visited China in 1993 when the Peace and Tranquility Agreement was signed which was helpful towards reaching a solution to the Sino- Indian border dispute. Following the Agreement, regular meetings were held between the soldiers on both sides, a hotline link between the two countries was set up, an agreement to maintain peace and security on both sides of the LAC was signed. During President Jiang Zemin's visit to India an accord was signed for partial demilitarization of the disputed border of 4,500 km. Both the countries endorsed that neither India nor China "shall use force against the other by any means and seek unilateral military support". The agreement has its significance in forging a new relationship between both the countries, a 'constructive cooperation' though it does not indicate total dispersal of troops from the border or a constructive discussion on ending the dispute, which is the core to improve relationship between both the countries.

In 1994, the then Indian Vice-President K.R. Narayanan visited China and, this was reciprocated by the visit of Qian Qichen, the Chinese Vice Premier and Foreign Minister to India, when a host of agreements were

signed which included simplification of the procedure for visa applications. In 1995, the Chairman of the Standing Committee of the NPC (National People's Congress) Qiao Shi visited India. The visit of Chinese President Ziang Zemin in late November 1996, was significant for two reasons, one it was the first visit of its kind by the head of state from China to India since the establishment of diplomatic relations; two, the reaffirmation of the 'Five Principles of Peaceful Coexistence to strengthen their relationship in the 21st century' as well as for equitable relationship among sovereign nations. Several accords were signed during the visit for promoting trade and economic cooperation as well as strengthening mutual support on international issues but the most important was the Agreement on Confidence-Building Measures in the Military Field along the Line of Actual Control on the China and India Border. The momentum was maintained by Wei Jianxing's (the Secretary of the Central Committee Secretariat of the CPC) visit, in 1997.

The misperceptions created after India's second nuclear test in 1998 were apparently dispelled by the diplomatic efforts made during Indian External Affairs Minister Jaswant Singh's visit to China, in 1999 when the two sides affirmed not to treat the other as a threat and strengthen their relationship on the basis of the Five Principles of Cooperation. The dialogue process was resumed and the fiftieth anniversary of the establishment of the diplomatic relationship between both the countries was celebrated on April 1, 2000. During the Indian President K.R. Narayanan's visit to China, in May 2000, a broad consensus was reached between the two countries on bilateral relationship including strengthening of cooperation and coordination in the international and regional affairs. In January 2001, Li Peng, the Chairman of the Standing Committee of the NPC visited India which set in order the temporary setback in Sino-Indian relations. The process continued during Chinese Prime Minister Zhu Rongji's visit to India, in January 2002, through wide ranging discussions on bilateral issues as well as international issues covering the tension created on the Indo-Pak border, the terrorist attack on the Indian Parliament, and his declaration that "China is opposed to terrorism in all its forms, no matter when or where it

occurs or who it is directed against."⁵ Indian Prime Minister, A.B. Vajpayee reiterated that "China does not pose any threat to India nor does India believe that China regards India as a threat."⁶ The stabilization of political relationship is well underway with the exchange of maps and the expand Joint Working Group (JWG) parleys, the most recent held in November 2002. The Expert Group's assertion to view this as a "politically feasible package deal rather than seeking clarifications on each disputed sector" marks a way out from the impasse that India was embroiled in since the genesis of the dispute.

Economic Cooperation

India and China have responded positively to the priorities of the post-Soviet world by opening up their economies, though China precedes India in its effort to liberalise its economy. Both the countries have expedited the process of integration in the global economy as well as bilateral economic cooperation. But comparative figures for both the countries indicate China's superiority in several sectors.⁷ The mutual grant of the Most Favoured Nation (MFN) treatment has increased Sino- Indian bilateral trade. On February 22, 2000 China agreed to accord India on a non-reciprocal basis, tariff concessions on a number of items as part of its pre-WTO entry signal.

But bilateral trade between both the countries is not as impressive as during the period from April to October 1999 were it totalled \$965 million against \$853 million in the corresponding months of the previous year. The trade balance has been tilting consistently against India. The major hurdles in Sino-Indian trade are China's non-tariff barriers, language and information gap, lack of transparency in rules and alleged smuggling of Chinese goods. Though China's keenness to promote business ties with India is evident from the recent visit of a business delegation comprising 25 companies under the leadership of Zhu Rongji yet the fear looms large as its access to areas so far dominated by India may affect India's trade the world over.

Though India is exporting some items to China, the fear in business circles is that the relatively cheaper Chinese goods might displace Indian

goods in the international market due to their lower cost. Only in software can India compete with China. But even that sector may be overtaken in view of China's impressive record of export of high-tech products.⁸ Within a period of two decades China has emerged as a major world player in strategic and economic terms.⁹ The entry of China in the WTO on December 11, 2001 has raised apprehensions about impact on Indian agriculture, chemicals, pharmaceuticals, banking, insurance and the IT sectors. Indian business is accommodating by directly setting up its units in China as well as importing goods from it. Regionally, China's economic performance is better than India's. India has proposed a Free Trade Area with South-East Asian countries in the recently held ASEAN Summit in Phnom Penh which will facilitate India's trade in this region but may face tough competition from China. At the moment trade-related competition between both the countries is not ruled out but the economic relationship should become more stable to create an environment conducive for solving more difficult bilateral political problems.

Common Perspectives

The key factors which shape the domestic as well as foreign policies of both the countries in post-Cold War period are their perception of the changing contours of world politics, consensus on several issues, the desire for friendship based on domestic priorities and accommodate changes happening in the international sphere. China's foreign policy emphasizes military security and national sovereignty, economic prosperity and social welfare.¹⁰ Therefore, it has focused on establishing working relationship with as many states as possible, especially in the neighbourhood. Economic interest is a significant motivation behind expanding the network of diplomatic relations and strengthening bilateral relations.¹¹ The shift in the priorities of its foreign policy is due to the influence of non-governmental domestic actors and pragmatic approach based on consultation and consensus building. In the corresponding period India too has modified its foreign policy for promoting a rift free-environment in order to promote its economic interests which is evident in its peace initiatives with Pakistan, the restraint shown in the Kargil crisis and the recent military tension across the

Indo-Pak border. It has realized that armed conflict will be economically disastrous and politically unwise. China has understood that India cannot be prevented from being a dominant player in the Indian subcontinent and from creating space for its larger role in Asia. This may be one of the reasons for its positive attitude to solve several contentious issues and for apparently understanding the nuclear doctrine of India, the minimum nuclear deterrence and other security related issues. China's priorities are in the East and South-East, the South China Sea and beyond, which it could not pursue effectively if its relationship with India are hostile. The convergence of interests of both China and India were spelt out during the visit of the Indian President to China and in the JWG parleys. China's response through the Li Peng and Zhu Rongji visits indicates its sincerity in strengthening economic ties, which may pave the way for solution of more difficult problems like the LAC. It may not be so difficult to define Sino-Indian boundary as it involves no demographic issue to be tackled, neither is it an important trade route but strong popular sentiments have to be overcome to achieve a final settlement.

China's new mood for engagement with India in the recent past indicates its reassessment of security relations with India possibly due to its fear of Pakistani involvement in Central Asia and the Caucasus in which China has commercial and strategic interests.¹² The post-September 11 scenario has changed the attitude of China towards terrorism and particularly after December 13, 2001 China has not opposed India's stand on terrorism.¹³

One important reason of China's changed posture is the ethnic and religious tension in the Xinjiang province.¹⁴ China is also scared by the military presence of the US in South Asia through Pakistan. India has therefore become strategically important for China because India could be a reliable partner in its endeavour to denounce hemispheric dominance by any one power. Secondly, India's technological superiority in computer software will be an important sector for Sino-Indian collaboration. "The fast changing global strategic environment will be the defining paradigm for the exchange of plans of action between China and India. Presently however,

the issue of terrorism has been the defining paradigm of its relation with India vis-a-vis Pakistan." The ominous presence of the US military has further upset China's strategic balance, the vision of a multipolar world and Superpower ambitions in Asia. The present posture of China is in the context of the US coalition against the war on terrorism in which Pakistan has to play a predominant role. It cannot undo the US-Pak tie up and therefore, it is careful that India should not be drawn into the US diplomatic tangle. Reformulation of its policy towards India is one of the consequences of this perspective though traditionally it had played the Pakistan card to restrain India to play a lead role in the region.

At the moment, the following important factors guide the national interests of both the countries:

- Promotion of export-oriented trade
- Guard against terrorist attacks
- Internal stability and prosperity
- Cooperation rather than confrontation in foreign relations

Future Directions

The post-Soviet world system is characterized by merger of geographical boundaries in the overall perspective of economic integration. The Cold War rivalry between two divergent political systems is no more the parameter for choice of allies. Even the US and Russia have come closer and Russia is included in the NATO decision-making.¹⁵ The confrontational diplomacy has been replaced by consensus and engagement. Since 1999, the menace of terrorism has coalesced India and the US as well as the US and China. The new mood of engagement between India and China has been influenced by the developments in the international sphere, which will shape their domestic and foreign policies in the days ahead.

US-China-India Triangular Relationship

At the moment the US has considerable influence in shaping the policy of almost all the countries in the world. China is concerned about the increasing influence of the US rather than the nuclear weaponization of

India and Pakistan. Before the attack on the World Trade Center (WTC), the common problem for China and India was the US.¹⁶ But after September 11, China has positively responded to the US-led war against terrorism and has toned down its indignation at the bombing of its embassy in Belgrade and the US spy plane in its territory. Such incidents might cause occasional resentment between the two countries but China has never lost an opportunity to cultivate US goodwill.¹⁷ A confrontationist approach with the US will damage China's trade interests. Neither is its military strong enough to fight with the US. The US also thinks that it is diplomatically unwise to displease China after it launched war on terrorism. At the moment, it has cautiously avoided to comment on human rights abuses in China and the Taiwan issue because it needs a broader consensus on issues related to terrorism for which a fairly firm relationship with China is essential.

It may be noted that in the last ten years China's relations with the US have not been stable. The National Missile Defence, US-Taiwan ties, its relations with South Korea and Japan and its influence in Central Asia have deepened China's conviction that US would deter it from becoming a regional hegemon or challenge US supremacy. During this period, India's relations with the US have improved.¹⁸ The US-imposed sanctions after Pokhran II were gradually lifted. Their relationship is further stabilised by joint military exercises, the US stand on Kashmir and moving away from the UN resolution 1172. This has been really perturbing for China, though after the terrorist attacks on the WTC, President George W. Bush has shifted his stance of calling China as strategic competitor. China has realised that the US needs it more than ever for its success against the war on terrorism. The frequency of visits of President Bush to China, keeping the terrorist agenda ahead of the economic agenda and the reciprocity of China to utilise the opportunity to rebuild their strained relations, indicate that both the US and China are interested in avoiding a confrontationist approach. China's endorsement of the UN resolution on Iraq testifies that US diplomacy has been successful in drawing China closer. The new leadership under Hu Jintao desires friendly relations with the US and to

contain their differences on Taiwan and Human Rights. It has even expressed its desire to have dialogue in NATO, a status similar to that of Russia. This is a radical shift in China's policy, indicating its concern for avoiding a confrontationalist approach in its relationship with the US.¹⁹

US forces present in South, South-West and Central Asia and the Indian Ocean region are unlikely to be withdrawn in the near future, disconcerting China's diplomatic endeavour for an egalitarian world. After the terrorist attack on the Indian Parliament on December 13, 2001 the US has accepted India's stand on cross-border terrorism. Moreover, its withdrawal from the ABM treaty without much resentment from Russia and the endorsement of the UN resolution on Iraq indicate the growing influence of the US over Russia. China will not displease the US whose influence is pervasive, but will cautiously balance its policy to intertwine its regional aspirations and nationalist sentiments with US hegemony.²⁰ Presently, it is one of the reasons for China's eagerness to be accommodative with India, though its future strategy may change with the change in US policy.

Sino-Pak Relations and India

The unsettled border dispute coupled with its differences with India over several other issues had impacted China's policy towards Pakistan vis-a-vis India and its support to the Pakistani stand on Kashmir. A shift in this policy was made in 1996 when Jiang Zemin in a speech in the Pakistani Senate suggested that Pakistan set aside the Kashmir issue for a more rewarding economic cooperation between both the countries. Since then China is steadfast in following a fairly neutral Kashmir policy, which was tested during the Kargil War, and also in the recent military standoff between India and Pakistan. Immediately after Pokhran II, China had been successful in impressing upon the US its desire to become the watchman in this region, though its foreign policy aims at non-interference in the internal affairs of any country. Subsequently, when the US took India's security perceptions into account and their relations became friendlier, China altered its policy towards India. The nuclear tests were viewed by China as more due to internal pressure on the Indian government though it has not denied India's ambition to catch up with China as a military power. There is also a change

in its relations with Pakistan after the terrorist attack on the WTC and the Islamic insurgency in its own territory. This may restrain China's support to the Kashmiri insurgents while it will resist Islamic insurgency, trans-border arms and drug shipment into China's western region. The self-determination issue in Tibet and Xinjiang is more serious than the Kashmir issue and therefore, China has been maintaining a steady posture while agreeing to India's contention of 'no third-party' in solving the Kashmir dispute. The Chinese endorsement of India's stand on terrorism and the emphasis on the need to constitute a joint working group on this issue during the visit of the Chinese Premier Zhu Rongji to India in January 2002, buttressed its concern for terrorism.²¹ Its uneasiness has been intensified by Pakistani sponsorship of the Taliban and the consequent terrorist activities of the Taliban and Al Qaida which has brought the US into South and Central Asia with a massive military presence. The US presence in Pakistan and its military and economic involvement there will affect the longstanding military relationship, (both nuclear and conventional) between Pakistan and China.

Pakistan will be unwavering in its effort to keep China in its priority list of allies as long as the dispute with India continues nor will it displease China by its support to the US in its war in Afghanistan. China's military and technological collaboration with Pakistan is weakening the confidence generated through the Sino-Indian dialogue process. Though China's relations with Pakistan are viewed as 'not to embark on a war with India', India views that China's military collaboration with Pakistan has circumscribed India's ambition to play a more important role in the regional and global stages. It is not illogical if India seeks widening of representation in the Security Council from the Chinese perspective of a multipolar world. The change in China's policy towards India will have certain depth if it supports India's representation in the Security Council, delinking it from the non-proliferation goal of the P5.

The US has successfully played the role of peacemaker between India and Pakistan during the Kargil War in 1999 and the military standoff after December 13, 2001.²² The changed US posture is due to its dependence on Pakistani troops deployed in the Pakistan-Afghanistan border which

might be withdrawn if Pakistan has to fight with India. At the moment the US has to handle Indo-Pak rivalry to its advantage by a pacifist approach to both. Its policy is based purely on the geopolitical utility of Pakistan. Containing China is camouflaged in this approach and a war between India and Pakistan would frustrate the US strategy.

Conclusion

The institutions and personnel involved in framing China's foreign policy are not unanimous about India's response to the changed posture of China. Recent studies underscore either a gloomy or a bright view of Sino-Indian relations.²³ There is also apprehension that "if there will be a new Cold War between US and China, India might come to occupy the same place in the US security calculus that China had during the US-Soviet Cold War from 1971 to 1989."²⁴ At the moment it is imprudent to draw extreme conclusions but the steady development of events underscore a better relationship between both the countries. While political and economic relations will move forward in a better perspective, China is unlikely to give the same weight to Pakistan against India as it had given before the war in Afghanistan. The reason being the threat from radical Islamic fundamentalists reportedly trained in Pakistan. Though the domestic compulsions of China have pushed it closer to India, the external factors will play a viable role in determining the future course of their relationship. The relations of the two Asian powers with the US and Russia will have a decisive impact in determining their future relationship. Presently, both China and India are relying heavily on Russian military technology and equipment for modernization of their defence systems. Russia's relations with the US would frustrate China's vision of a multipolar world. How the nuclear powers accept India's nuclearisation and how China perceives India's nuclear programme are important determinants for stabilization of their friendly relationship. Trade relations, particularly transfer of military equipment and technology from the West, will have a tremendous impact on political decision-making in both the countries. India's nuclear programme, the disputed borders, the direction of its future pursuit of strategic partnership with the United States and Russia, the future of Tibet

and Tibetan émigrés and more recently India's announcement to hold naval exercises in the South China Sea will determine the future course of the Sino-Indian relationship.

Among other factors the hostility between the two Superpowers had influenced India-China relations during the Cold War. Now the two Cold War adversaries are drawing closer, which has given a new dimension to the relationship between the two countries. The equalitarian worldview advocated by China has many challenges ranging from unequal partnership in political matters to discrimination in trade. Russia's consensus with the US on several international issues, the most recent being Russian support to the UN resolution on weapons inspection in Iraq, might impact China's advocacy of an equalitarian world. China too, has endorsed the UN Security Council resolution on Iraq. Therefore, China would coalesce with the US on issues related to terrorism, but the coalition to fight against terrorism may not end its asymmetrical relation with the US. Its ambition to be a regional hegemon will make its relation with India more competitive. The NMD programme will impact Sino-Indian relations as China will increase its number of ICBMs which is likely to increase the arms race between China and India and also between India and Pakistan. Chinese military support to Pakistan will have grave implications for India's security. These interrelated problems will put Sino-Indian relations in a difficult situation. The trend in international relations indicates US dominance which will continue as long as the terrorist threat persists. Therefore, little choice is left for sovereign nations to pursue a policy independent of the US, which, in other words, means the asymmetrical relations among nations will persist.

It may be recalled that though China and India had been moving forward in improving their relationship, China had convinced the US to exert pressure on India on nuclear disarmament and enter the CTBT. It was only in late 1998 that India could become friendlier with the US. The terrorist attack on the WTC changed the scenario and in the last two years the US has been friendly to China, India as well as Pakistan. The new triangular relation between China, India and the US, is forged due to several reasons. China is friendly with the US as much for economic reasons as it is to

prevent the US-India partnership to contain China. It has not refrained from providing military assistance to Pakistan because a weak Pakistan would increase India's dominance in the region. India needs a better relationship with the US to contain China's aspirations in South Asia and the Indian Ocean region. The US too needs India along with Australia and Japan to create a power structure that would prevent Chinese predominance. China too needs the US to contain India's influence in South Asia and Indian Ocean region. A section of scholars in the US strongly argues for befriending India to counter China. Another view suggests that the US should develop a "relationship with each country on its own merits, not on zero sum terms"²⁵ The US Ambassador in India Robert Blackwill stated that "US-India friendship will not be directed against any third party."²⁶ But China's cooperation with India will be on specific issues. It will guard against losing US goodwill. US engagement with China will raise apprehensions in India and the US-India friendship will whet China's fear of containment. Pakistan will not desire India's friendship with either China or the US and the US will not allow China or India to emerge as potential powers in the South Asian region. All the three countries will keep their relationship with the US in the right track. The war against terrorism in Afghanistan has set the parameters of US involvement in this region and the future direction of the relationship will not be immune to US policy in this region.

In the post-Soviet world, domestic politics is as much affected by internal factors as by the external and a middle power cannot escape the influence of great powers in designing its policies particularly when there is no choice left for determining economic policies or counter terrorism.²⁷ In the changed circumstances, both India and China are trying hard to develop their economy which will be a source of strength to play a meaningful role in the region and outside. But fulfilling this objective will be easier if China and India agree on the boundary issue, China will accept the No First Use offer by India and use its good offices for a better India-Pakistan relationship. It will check unnecessary military build-up and strengthen the confidence-building measures. Though competition between the two Asian giants is not ruled out, their relationship should be sustained for developing a

meaningful positive relationship and contentious bilateral issues should not deter the process. Their efforts will not be unaffected by the policies of the great powers who play a decisive role in the international sphere. India will be closer to the US for "defending their shared values of democracy, freedom and pluralism" and maintaining its policy of broad-based engagement with the United States particularly in view of the terrorist attacks. Similarly, India will be steadfast on its relation with Russia based on its time-honoured friendly ties which will further strengthen through economic and military cooperation. Thus, while in the Cold War, ties with the Superpowers strained Sino-Indian relations, now balancing India's relationship with each of them will determine its relations with China.

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1. After the border war with China in 1962, India had attempted to normalise its relations with China but ambassadorial relations between the two countries were established only in 1976. Following A.B. Vajpayee's (then India's minister for external affairs) visit to China in 1979, it agreed to terminate assistance to the secessionist groups in the North-East of India and preserve peace along the LAC. Before 1981 the Chinese Vice-Premier cum Foreign Minister, Huang Hua visited India and in 1984, both the countries signed trade agreements. Since then the dialogue between China and India entered a new phase as eight rounds of talks were held till the Indian Prime Minister visited China in 1988. But the LAC continued to be the de facto international boundary for both the countries though till 1970 China gained some Indian territory and claimed large tracts of Indian territory, which was also claimed by India.
2. The disputed areas in the India-China border are about 125,000 sq. km out of which 90,000 is in the eastern sector, 2,000 in the middle sector and 33,000 in the western sector. For details see "The Relation between China and India" at www.china.org, Embassy of the People's Republic of China.
3. China has adopted a two-pronged approach in dealing with territorial issues. If the issue is marginal, it has followed a policy of amicable settlement and pursues its broader objectives, which it has followed in its relations with Russia. But where the territorial dispute cannot be solved for its advantage it has avoided a quick solution which has been followed in its territorial disputes with India.
4. Among other reasons threat perceptions are due to China's activities in the South Asian region, military assistance to Pakistan, military build-up in Tibet, road building and visit of Chinese warships in Myanmar, Chinese naval interest in the Pakistani port of Gwadar.
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7. This can be assessed from its domestic savings which crossed 40 per cent compared to India's meagre 25 per cent. Its domestic production is \$1,100 billion and per capita domestic production is \$887 billion whereas the comparative figures for India are \$426 billion and \$424 billion respectively. Within a span of twenty years i.e., 1979-99, China's export has reached 18 per cent of its Gross Domestic Product, including it within the top ten exporters in the world. The share of industrial production has been 50 per cent in China whereas in India it is about 23 per cent. Foreign investment in China is about \$40 billion but in India it is only about \$3 billion. Its income from exports is six times

more and the foreign currency reserve is about three times more than that of India. Professional Worker. August 2001, 10(2) 1-5.

8. Other measures for improving commercial relations like setting up of joint economic groups at the ministerial level, sub-committees on science and technology, agreements on cooperation on coal mining, a civil aviation agreement on direct services, cooperation on Doordarshan and Chinese Central TV and Memorandum of Understanding (MoU) on maritime transport cooperation (in which the Most Favoured Nation treatment was formalized) are well underway.

9. China's production in the IT sector crossed \$15.7 billion in the first six months of 2000 marking a 48 per cent increase over the same period during 1999, of which computer and telecom hardware alone accounted for 72 per cent. China could- achieve the goal of becoming the third-largest hardware manufacturer in the world because of its government regulations which do not allow any kind of hardware component import for local manufacturing. Its policies coupled with consistent pursuit to build a skilled workforce with proficiency in English may threaten India's predominance in international market in the IT sector. China Threatens India's Eminence. Wired News. February 23, 2001.

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Snehalata Panda is professor of political science at Behrampur University, Behrampur, Orissa. She has authored seven books and forty research articles which are published in refereed national and international journals.