

Strategic Analysis Paper

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India-China Relations: How Can They Be Improved?

Part One: A View from Beijing

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Key Points

- China and India have achieved tremendous progress in multi-sector co-operation.
- Notwithstanding that progress, challenges still exist in the bilateral relationship, however. This includes economic constraints, border disputes and perception problems.
- Difficulties aside, the two countries' common interests provide the bases for a brighter future for India-China relations.
- The recommendations listed at the end of this section are tangible measures that can help to improve the bilateral relationship and should be adopted.

Summary

In recent years, India-China relations have maintained a good momentum in their development, with co-operation the key factor. The two sides have sought to continue raising the level of mutual political trust and promote the in-depth development of bilateral co-operation. The current situation suggests that co-operation between the two countries has mainly focussed on economic areas of interest, although pragmatic co-operation has also been gradually promoted in the areas of politics, boundary negotiation and non-traditional security.

Analysis

Multi-Sector Co-operation

The development of economic co-operation is the main pillar of India-China relations. The volume of India-China trade increased from US\$100 million in 1988, to US\$73.9 billion in 2011. China has become India's biggest trading partner and India is China's seventh largest trading partner. The two governments have set the goal of increasing their trade volume to US\$100 billion by 2015. With increasingly closer trade relations, mutual investment has developed quickly as well. By December 2011, China's accumulated investment in India had reached US\$57.6 million and India's investment in China had reached US\$44.2 million. Their mutual investment is still booming.

In their political interaction, a multi-channel and multi-level political dialogue platform has been set up, with frequent bilateral visits for in-depth discussions to resolve difficult issues and problems. On 26 September 2011, the first Sino-Indian Strategic and Economic Dialogue was launched, in which Chinese and Indian economic and foreign affairs policymakers began frank and direct discussions. National leaders of the two countries have frequent meetings in bilateral, regional and global forums. Taking 2012 as an example, in March President Hu Jintao travelled to India to take part in a joint Brazil, Russia, India and China meeting and spoke with Prime Minister Manmohan Singh of India. Then, in June, Premier Wen Jiabao met with Prime Minister Singh at the "Rio+20" United Nations Conference on Sustainable Development in Brazil. In November, Premier Wen again met with Prime Minister Singh in Cambodia, during the East Asia Summit. The leaders' diplomacy strongly promotes the development of the relationship between their countries.

China and India have also begun co-operating on security issues, particularly on border and non-traditional security issues. In January 2012, State Councillor Dai Bingguo and Indian National Security Advisor Shivshankar Menon met to discuss border issues; this was the fifteenth meeting of its kind. The two parties agreed to build a mechanism for consultation and co-ordination on border affairs. The first meeting of the mechanism was held in March 2012. China and India have also reached a basic consensus on strengthening maritime security co-operation and a maritime affairs dialogue is currently being planned.

Cultural exchanges and co-operation between China and India continue to expand. This has become an important driving force for promoting the development and deepening of relations between the two countries. For example, in 2011 and 2012, 500 Indian and 500 Chinese young people were invited to visit the other country and to participate in cultural activities. That same year, 606,000 people travelled from India to China and 118,000 travelled from China to India, illustrating how frequently the people of the two countries interact.

Economic Constraints

Despite the development that has occurred so far, however, there are still many constraints in bilateral relations between China and India, affecting political, economic and security

co-operation. In economic relations, the current status of India-China co-operation does not match the economic scales of the two countries. There is a huge opportunity for them to expand the size of their markets and deepen their economic interdependence. In 2011, the trade volume between China and India was only equal to one-sixth of that between China and the United States and one-third of that between China and South Korea. Given the large populations in each of these countries, it is obvious that neither country has fully explored the market opportunities available in the other. Moreover, India has been worried about a trade deficit with China; for instance, India had a US\$27 billion deficit with China in 2011. Such a trade imbalance could lead to nervousness in the bilateral relationship. According to the *Wall Street Journal*, India has been putting pressure on the Chinese Government to import more Indian products and has set high tariffs to protect Indian industries. Further, the relative backwardness of the domestic infrastructure in India is another constraint on co-operation that restricts deeper economic collaboration and personnel exchanges.

Border Issues

The India-China border and other territorial disputes, along with the issue of Tibet, restrict the establishment of political trust. Such a bilateral security dilemma is difficult to solve and is not conducive to co-operation. India has been concerned with China's infrastructure building in Tibet, which it views as a strengthening of China's strategic advantage in the region. According to the Indian media, Prime Minister Singh agreed to station an additional 90,000 troops along India's border with China in 2012. Although India has officially recognised that Tibet is part of China, it still hosts the Tibetan independence force. Moreover, given that China and Pakistan maintain a quasi-alliance, while India and Pakistan are still hostile to each other, the power-balance game is still being played in the region. China is also very sensitive about India's recent involvement in oil exploration in the South China Sea and its actions to strengthen maritime co-operation with Japan, which has disputes with China over islands in the region. The so-called "String of Pearls" strategy, which suggests that China is constraining India by constructing ports and bases in the Indian Ocean region, has been heavily covered by the Indian media.

Perception Problems

Finally, the peoples of China and India lack a comprehensive and rational understanding of each other. In India, China is often viewed as a dangerous competitor; the media particularly portrays China this way. In China, a few nationalists tend to express a strong dislike of India and do not recognise that the country should be viewed as a regional and global power. A recent poll showed that two-thirds of Chinese respondents had negative views of India and only 23 per cent of Indian interviewees believed that the relationship between China and India was co-operative. The mutual distrust between the two peoples has undoubtedly affected the development of the relationship between their countries and may continue to do so.

Future Prospects

Although these constraints exist, we still believe there is a positive future for the bilateral relationship, because the two countries share many common interests in a wide variety of

areas. For example, their economic structures are complementary. Further, China is a manufacturing power and India is a major worldwide player in the service industry. Both countries face similar problems in domestic economic and social development and can share their experiences and support each other in approaching these. Regarding security, from China's point of view, if China cannot handle its relationship with India effectively, it will not be able to shape an ideal security environment, which is crucial for its domestic development. For India, a good relationship with China will not only benefit India's development but also be an important way to enhance its international influence.

On the regional level, China and India actively participate in multilateral co-operation processes, such as the free-trade schemes in South-East Asia. Both countries have concluded a free-trade agreement with the Association of South-East Asian Nations. The recently launched negotiations for the Regional Comprehensive Economic Partnership also include them. If concluded by 2015, as intended, this partnership will become one of the world's largest free-trade areas. Moreover, both countries recognise that non-traditional security issues in the region, such as terrorism, transnational crime, piracy, natural disasters and other challenges, can only be tackled through joint efforts and regional co-operation. One example is the sub-regional co-operation between China, India, Burma and Bangladesh, which focuses on economic co-operation, as well as non-traditional security issues, such as narcotics. On a global level, broad common interests exist between China and India, such as reform of international financial institutions, maintenance of an open international trade system and tackling the challenge of climate change. As developing countries, China and India can strengthen coordination in global institutions to protect their national interests. China and India's strategic partnership has already had a great impact, especially in dealing with North-South relations. This is why, worldwide, an increasing number of people are beginning to talk about a possible future for "Chindia".

True Strategic Partners

We believe that China and India should become strategic partners in the true sense, rather than viewing each other as hostile competitors. Currently, it seems that a certain degree of asymmetry exists in China's and India's perceptions of each other. In particular, India does not trust China politically and views it as a competitor. In contrast, to the extent that India features in Chinese strategic thinking, it is viewed more as a development partner, rather than a competitor. These different views affect the efficiency of co-operation, which has already led to misunderstandings between the two and some estrangement. Therefore, to achieve fully the goal of co-operation based on common interests, China and India should first adjust their view of each other's role in their foreign policy, by viewing each other as real strategic partners, beyond mere rhetoric. On the regional level, China and India are stakeholders in maintaining regional peace, stability and prosperity. They should go beyond zero-sum thinking and employ a co-operative attitude to resolve their differences and address common regional challenges. Globally, they should play a greater role in the process of reforming global governance.

Prerequisites for Success

The key to achieving this partnership is to abolish both the Cold War mentality and the

concept of “sphere of influence”. India and China should not see South Asia or East Asia as being solely under their respective spheres of influence. For its part, India should understand that China respects the special role that India plays in South Asia and work with Beijing to promote the development and stability of the region. China’s active approach in South Asia and the South Asian Association for Regional Co-operation does not aim at eliminating the influence of India; its involvement concerns the fact that it shares borders with South Asian countries. If we judge a country geographically, China could also be seen as a South Asian country, in the sense that the South Asian-influenced Tibetan Plateau comprises a quarter of China’s overall territory. Historically, culturally and geographically, China has had close ties with South Asian countries and India does not need to be nervous about China’s engagement with the region. Taking economic development as an example, China’s south-western provinces, such as Sichuan and Yunnan, have strong interests in promoting business connections with South Asia, as they see this region as a major market and investment destination. China’s investment in the ports of the region is purely for commercial purposes. This investment is important because China needs commercial ports on the Indian Ocean for transportation across the region, which is very important for China’s trade and its energy supplies.

In turn, China should also accept the reality that India is an important player in East Asia. India, as an emerging power, has been seen as an economic opportunity by many regional countries. For example, the prime minister of Singapore, Lee Hsien Loong, once commented that the historical origin of Singapore was due to trade between China and India. It now seems that history is repeating itself, as an opportunity exists for Singapore in linking the two countries. It is natural for India to pursue its interests in the region, as East Asia is the most robust economy in the world, particularly since the Global Financial Crisis.

Some Chinese intellectuals have expressed concern that India could ally with the US to constrain China. Judging from developments since 2010, however, there is no evidence that India has formed a strong alliance with the US to compete with China. For example, India refused to join in the proposed quadrilateral security mechanism comprising the US, Japan, India and Australia. Regardless of the effort the US has put into trying to draw India closer by emphasising shared values and democratic institutions, Indian policymakers have remained as neutral as possible and developed foreign policy based on India’s own national interests. India has its own goal of great power status and understands that a good relationship with China is the key to achieving it. Both countries are latecomers to the international system and passive receivers of the existing international norms and rules. Hostility between these two countries will only weaken the alliance between the emerging countries in attempting to reform the global order.

Based on the above, the authors recommend following measures to improve India-China relations:

- Upgrading the current Sino-Indian Strategic and Economic Dialogue meetings to a higher level – for example, by having future dialogues led by the Chinese State Councillor and Indian National Security Advisor, with the full participation of diplomatic, economic and military policymakers;

- Strengthening co-ordination and communication in regional and global institutions;
- Nurturing a more positive image of each other, both in government and society;
- Working on non-traditional security issues, such as the maritime security co-operation, and making it a basis for better mutual understanding;
- Careful handling of sensitive issues – particularly such issues as the Tibetan independence movement, the South China Sea and the so-called “String of Pearls”; and,
- Promoting open regionalism and rejecting the idea that East Asia and South Asia should be viewed as separate blocs and defined regions.

India-China Relations: How Can They Be Improved? Part Two: A View from New Delhi

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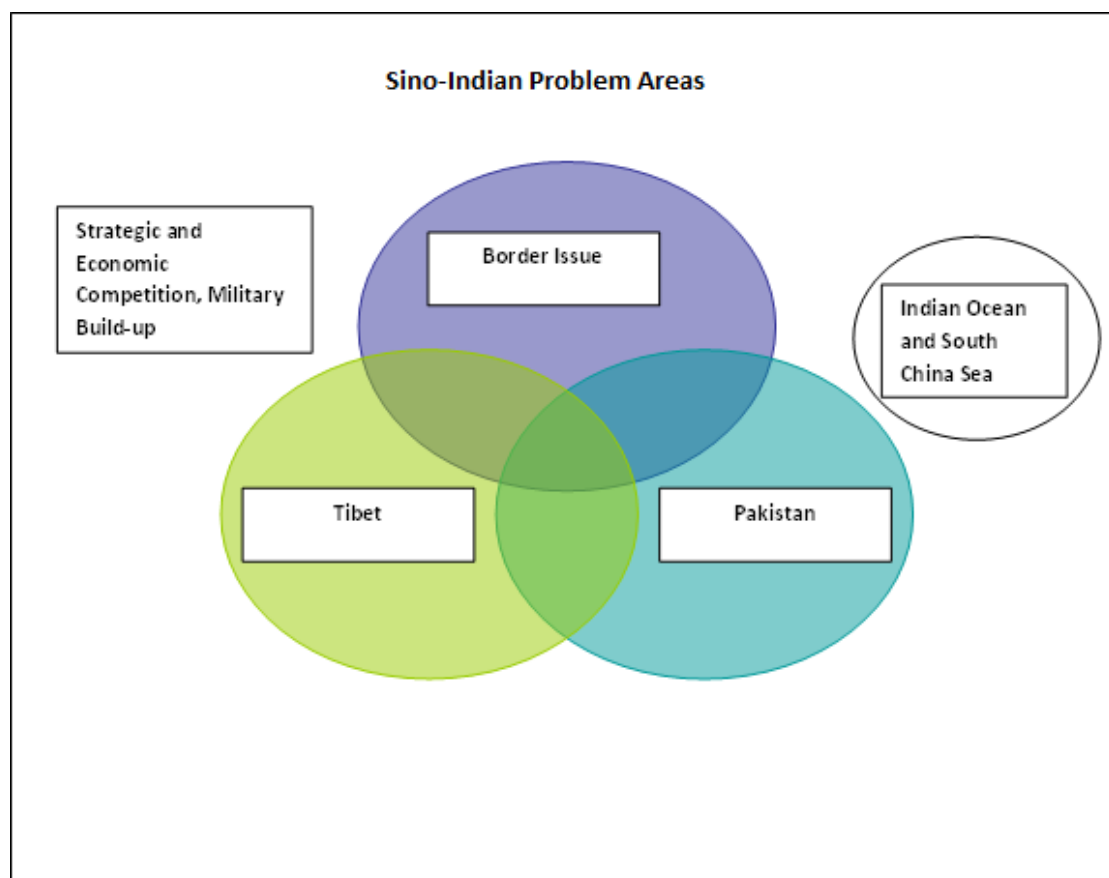
Key Points

- Despite years of estrangement, the overall nature of the relationship is not one of enmity.
- If both India and China can embrace the responsibility and facilitate greater regional integration, a lot can be done.
- India and China have a unique “arms-length” relationship, although both have been able to identify and co-operate on wider global issues.
- Asia’s rise is led by its economic growth, and leading that is China. China and India are both becoming major maritime powers. As they build large navies to secure their growing interests, both countries are roiling the waters of the Indo-Pacific.
- To achieve a fully co-operative relationship, both countries must demonstrate the political will to re-assess and re-configure the narrative that defines it.

Summary

Present day Sino-Indian relations stand at a crossroads. On one hand, there is growing military and economic competition, while on the other there is increasing co-operation (on certain issues, at least). There is wide latitude for further co-operation and this paper strives to broadly identify the most promising threads of convergence for mutual strategic benefit. The only way for that to happen, however, is for the two countries to realise the responsibility that comes with their status as rising powers. By working together, they can best tap existing and future opportunities to build mutual trust and respect.

In view of its position as the other rising Asian power, the world is now looking towards India to maintain peace, stability and development in the South Asian region and to keep a check on China's growing assertiveness. If both India and China can embrace the responsibility that comes with that, and facilitate greater regional integration, a lot can be done. But first, we need to understand the current state of affairs between the two countries and the complexities involved. The following is a model used to represent areas identified as areas of divergence. (Please note that the issues identified are not listed in order of importance). The challenge for both countries is to find ways to convert the divergences into convergences. They are not entirely doomed to impossibility, despite a history of "mutual suspicion", and this paper looks at the probability that these differences can be resolved.



Analysis

Determining the Nature of the Present Relationship and How it Might Evolve

Prime Minister Jawaharlal Nehru's "Hindi-Chini Bhai-Bhai" (Indians and Chinese are brothers) slogan of the 1950s lost its meaning after the 1962 border war, the first and, so far, only military confrontation between the two countries. But, despite years of estrangement, the overall nature of the relationship is not one of enmity. Indeed, the 50 subsequent years of wariness hardly figures in the long history of relations between the two countries and peoples. It is also true, however, that, since 1962, the two have shared a tenuous relationship with mutual mistrust being the most common sentiment.

The nature of the Sino-Indian relationship at present could be well explained by the notion of "Balance of Threat" propounded by Stephen M. Walt in 1985, where he modified the already established "Balance of Power" theory¹ to better explain alliance systems. Walt suggested that alliances made by states are determined by their perception of a common threat from other states (or other alliances). Nation-states thus seek balance by forming alliances against a perceived threat to preserve their security. 'The proposition that states will join alliances ... to avoid domination by stronger powers lies at the heart of traditional balance of power theory.'² He also notes that states ally with other states that are either at parity with or weaker than them, since 'allying with a dominant power would mean placing one's trust in its continued benevolence. The safer strategy is to join with those who cannot readily dominate their allies... to avoid being dominated by those who can.'³

Using the above, we can better understand what is happening in the Indian Ocean Region, as well as the South China Sea. Even so, the motives behind China's so-called "encirclement" of India in the Indian Ocean Region and India's growing presence (or even "intrusion") into the South China Sea towards the wider Asia-Pacific, are not always clear; whether they are seeking economic gains or to create a sphere of influence respectively, or, perhaps, simply as a counter-balancing move. However, exclusive alliances between either China or India with dominant powers do not feature prominently; there are more incentives for the two in a strategic partnership.

The unresolved "border issue" has always been a thorn in Sino-Indian relations. The increasing militarisation on both sides of the border has not been a positive step towards resolving the dispute; neither are China's activities in the Pakistan-Occupied Kashmir (POK)

¹ Watson, Lt. Cdr M. P., 'Balance Of Power vs. Balance of Threat: The Case of China and Pakistan'. The Balance Of Power theory states that a combination of similar capabilities between two nation-states tends to reduce the probability of violent interaction by another, outside, nation-state. The theory suggests that states form alliances ... to prevent stronger powers from dominating them and to protect themselves from states or coalitions whose superior resources could pose a threat to national independence. States thus ally to balance against threats, rather than against another state's power alone. The level of threat posed is influenced by such factors as geographic proximity, offensive power and aggressive intentions. <<http://www.dtic.mil/dtic/tr/fulltext/u2/a401282.pdf>>.

² Walt, S.M., 'Alliance Formation and the Balance of World Power', *International Security*, Vol. 9, No. 4, p. 4, Massachusetts Institute of Technology: 1985. <<http://www.christoph-rohde.de/waltallianceformationandbop1985.pdf>>.

³ *Ibid.*

area. According to a 2010 report, China has deployed approximately three hundred thousand troops within the region. Undeterred by the Chinese show of force, Indian Defence Minister A.K. Anthony declared, 'if they can increase their military strength there, then we can increase our military strength in our own land.'⁴

'Tibet has always been the core issue in Sino-Indian relations. Even during the 1962 conflict, Chinese leaders, including Mao, acknowledged that the conflict was not about the boundary or territory but about Tibet.'⁵ The collapse of the scheduled high-level talks on the border issue because they would coincide with the Dalai Lama's visit to New Delhi for the World Buddhist Conference in November 2011, confirmed once again that Tibet remains an irritant in the relationship.

China's close alliance with Pakistan can also be assessed against the same theoretical backdrop. China has traditionally valued Pakistan as a strategic hedge against India. To some China scholars, Pakistan is a low-cost secondary deterrent to India; for Pakistan, China is a high-value guarantor of security against India.⁶

China's military modernisation programme parallels, and is funded by, its impressive economic growth. India's acquisition of aircraft carriers and Inter-Continental Ballistic Missiles (ICBMs) testifies to the fact that it is willing to meet any challenge posed by China. India's testing of its *Agni-V* ICBM and the repeated references to its ability to reach Beijing, were emphatically matched by Chinese state-run newspapers, saying that 'India would stand no chance in an overall arms race with China'.⁷ Such exchanges exemplify what appears to be a building arms race.

Areas of Common Interest and How They Might Further Develop

India and China have a unique "arms-length" relationship, although both have been able to identify and co-operate on wider global issues, such as climate change, and increasingly they have been successful in consolidating economic ties. 'China and India have been instrumental in solidifying resistance from emerging market and developing economies for pursuing alternative agendas in trade and climate talks. In the process, they have been perceived as obstructionists, particularly by the G-7. From their own vantage points, both have been driven to their current postures by domestic concerns.'⁸ Both "Asian Giants", have managed to co-operate while tiptoeing around contentious issues and have taken care not to amplify any misunderstandings.

⁴ Clement, N., 'A Sino-Indian Conflict of Himalayan Proportions', 12 August 2012.

<<http://atlanticsentinel.com/2012/08/a-sino-indian-conflict-of-himalayan-proportions/>>.

⁵ Kalha, R.S., 'Tibet as a Factor in Sino-Indian Relations: Past and Present', *Journal of Defence Studies*, Institute for Defence Studies and Analysis, Vol. 6, No 4, p. 7.

⁶ Afridi, J. and Bajoria, J., 'China-Pakistan Relations', *Council on Foreign Relations*, 6 July 2012.

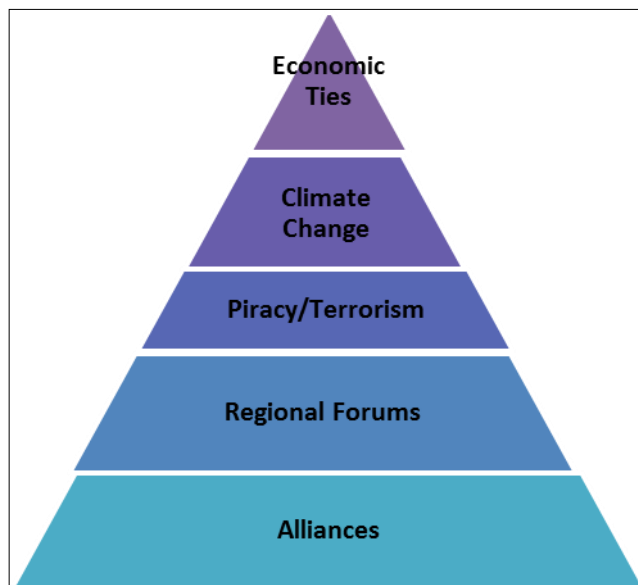
<<http://www.cfr.org/china/china-pakistan-relations/p10070>>.

⁷ Bhasker, R., 'Forging a New Narrative in Sino-Indian Relations', *Centre for Strategic and International Studies*, 3 July 2012. <<http://cogitasia.com/forging-a-new-narrative-in-sino-indian-relations/>>.

⁸ Palit, A., 'China-India Collaboration on Global Economic Issues: Strengthening South-South Bonding?', *Jindal Journal of International Affairs*, October 2011, Vol. 1, No 1, p. 252.

<<http://www.jsia.edu.in/JJIA/PDF/Amitendu%20Palit.pdf>>.

For both, their economic resurgence is directly linked to overseas trade and energy demands, most of which are seaborne, along with which come maritime threat perceptions. 'The importance of the maritime global concern about security and the economic growth of both China and India automatically translate to a convergence of interests that underlines the need for [them] us to strengthen co-operation in the maritime domain.'⁹



Conceptualisation: Areas of Co-operation (Apparent and/or Likely)

Instability in the Indian Ocean Region could hamper global economic prosperity and, therefore, issues such as piracy, drug trafficking, climate change and the security of Sea Lines of Communication (SLOCs) could be some common concerns inviting co-operation. The Indian Ocean Rim Association for Regional Co-operation (IOR-ARC) could serve as a good platform; India is currently the Chair and China is a dialogue partner. Enhanced relations through ASEAN are beneficial for both India and China and can be helpful in strengthening economic linkages between them. In the years to come, according to the Asian Development Bank, 'the combined national wealth of India, China and ASEAN could exceed that of the US and European countries put together.'¹⁰ But, India's current trade deficit with China also gives rise to fears that it might widen further under the proposed Regional Comprehensive Economic Partnership to be negotiated between the ASEAN countries and China, India, Japan, South Korea, New Zealand and Australia.¹¹

The BRICS grouping has also benefited Sino-Indian relations. At talks on the sidelines of the 2012 BRICS summit, Hu Jintao conveyed to Prime Minister Manmohan Singh that, 'it is China's unswerving policy to develop Sino-Indian friendship, deepen strategic co-operation and seek common development.'¹² Despite that, China has not expressed overt support for India's bid for a permanent seat on the United Nations Security Council, perhaps not least because India had associated its bid with Japan – a direct sticking point in the

⁹ 'Warm Reception to Indian Naval Ships in China', *Maritime Security Asia*, 13 June 2012.

<<http://maritimesecurity.asia/free-2/piracy-2/warm-reception-to-indian-naval-ships-in-china/>>.

¹⁰ 'India, China and ASEAN to Surpass Combined Wealth of West by 2030', *Economic Times*, 2 May 2012. <http://articles.economictimes.indiatimes.com/2012-05-02/news/31538270_1_asean-adb-s-board-adb-president>.

¹¹ Sidhartha, 'India Gets China Jitters at ASEAN', *Times of India*, 31 October 2012.

<<http://timesofindia.indiatimes.com/business/india-business/India-gets-China-jitters-at-Asean/articleshow/17027594.cms>>.

¹² 'China Wants to Deepen Strategic Co-operation With India: Hu Jintao', *Economic Times*, 30 March 2012. <http://articles.economictimes.indiatimes.com/2012-03-30/news/31261180_1_brics-summit-bilateral-ties-hu-jintao>.

relationship (China has not supported the Japanese bid for a permanent seat on the Security Council due to “historical baggage”).

If China gives support to India’s bid, both countries will then be able to reinforce each other’s efforts to further the interests of the developing world, where both are already icons of development. Their impressive records of raising hundreds of millions out of abject poverty, in the midst of international crises, must be commended. Collectively, their two giant economies have become pillars of the global economy, supplying vital resistance to the financial tsunami that has swept the system since 2008.

From an Indian perspective, New Delhi is committed to efforts towards bridging the gaps in its relations with China. Former Foreign Minister S.M. Krishna proclaimed that, ‘the government of India will work with China in areas such as trade, investment, cultural exchanges, science and technology co-operation, where both countries stand to gain from each other. We will continue to engage China in a constructive and forward-looking manner so that both countries can achieve a win-win situation.’¹³

Benefits for Both Countries

A stable regional architecture is a pre-requisite for security and prosperity. In the Indo-Pacific, broadly defined, achieving and maintaining that is fundamental to the interests of both India and China. China can be the leader in East Asia, with India the net security provider in South Asia. Individually and collectively, both countries need to find ways to ensure that all the prospects of a resurgent Asia are realised. Given their similar developmental challenges and huge populations, the quest for a stable economic environment is not surprisingly a core concern for both countries.

The growth and prosperity emanating from a “resurgent Asia” will invite “interest” from countries in other regions and, similarly, may also invite interference. What is critical for both India and China is to fashion a solid strategic alliance, since, as Asian behemoths, what could trouble one could easily trouble – or maybe even topple a government – in the other. Continuing at arm’s length may equally invite intervention and unwanted infringements.

In the Indo-Pacific, there are several broad, possible approaches to the rise of China. They range from balancing, to containment and “soft balancing”. There is even the suggestion of countries band-wagoning against China. There is no clear evidence of deliberate containment or balancing behaviour at present. After all, if it were simply a matter of a rising power, countries in the region should also balance against a rising India.

Therefore, none of these notions are as clear cut as the concepts themselves would suggest, but there is another option: engagement.¹⁴ Countries would continue to underwrite their security interests with established powers like the United States, while continuing to invest and/or trade with China. It is an approach that Australia is very familiar with. After the

¹³ Suryanarayan, P.S., ‘China is a Priority for India: S M Krishna’, *Institute of South Asian Studies*, 9 March 2012. <http://www.mea.gov.in/Uploads/PublicationDocs/19501_march-09-2012-interviews.pdf>.

¹⁴ Acharya, A., ‘Will Asia’s Past be its Future?’, *International Security*, Vol. 28, No. 3, Winter 2003, pp. 149-64.

financial turmoil that began in 2008, with major markets in Europe and the Americas in recession, the Australian economy was saved by China's thirst for resources. At the same time, Australia seeks to strengthen its military and strategic relationship with the US, reassuring Washington of its loyalty. Australia is also attempting to forge a deeper and more co-operative relationship with India.

Australia is critically positioned to not only benefit from a prosperous and secure Asia; it is also in the foreground of power projections. Linked by ANZUS, Australia is the springboard for Western and US influence into the Asian littoral from the East (USPACOM is the military gate). Physically, Australia is the other side of the Asian bottleneck squeezing the Indonesian archipelago and its various chokepoints. Australia's participation is critical to the health of any regional framework. It is in Australia's interests that Asia is stable, India is secure and China is prosperous. Australia, therefore, has a critical interest in promoting the positive changes in the region brought about by increasing prosperity and, to the extent that they contribute to stability rather than arms races, military modernisation programmes.

Ultimately, far from being a buffer state whose interests are wedged between great powers, the rise of the Indo-Pacific, and China and India in particular, offers an opportunity to help frame opinions and contribute to the emerging regional architecture. From the South Pacific to its Indian Ocean territories, Australia should encourage Sino-Indian engagement to be conducted in a balanced manner and on a level playing field.

Since the border clash of 1962, the only thing fired across the Sino-Indian borders has been rhetoric. A subtle arms race is perceived as being managed and both are wary of any third party intervention. Despite tensions, the apparent absence of direct conflict between China and its neighbours, including India, is helping the "new" Asia mature into a centre of global power and prosperity. Remaining overly focussed on border disputes will mean missed opportunities when the relationship between India and China needs to be widened and reinforced to serve as the pillar for regional security and prosperity.

This gives wide latitude to both countries for the maximum fulfilment of their national interests. Symbiosis is the key term. A prosperous and growing China is good for India. India will grow, too; projections have hinted that India could become the biggest economy in the world by 2050. South-South co-operation is a key aspect; both countries' pursuit of modernisation and development provides a natural focus for greater Sino-Indian economic co-operation.

What India needs to do is to engage with China economically and signal clearly that it will open up its markets if China is willing to return the favour. The two countries could not find a better strategic friend than each other. Deeper Chinese investments in India could also blunt Pakistani militarism and terrorism in India. In doing so, it would provide a more united front against terrorism, as China is acutely anxious about the Uighur insurgency in its western provinces. This is a strategic threat that, if left unattended, could easily destabilise China or India and stymie economic growth.

Conclusion

While the People's Liberation Army may have a disdain for India, that is but one view. Increasing contact and prosperity can help to balance that view and promote enhanced co-operation. Asia's rise is led by its economic growth, and leading that is China. China and India are both becoming major maritime powers. As they build large navies to secure their growing interests, both countries are roiling the waters of the Indo-Pacific: that vast expanse stretching from Africa to Australasia.

The United States, the dominant global power, is seemingly supportive of a stronger Indian strategic presence in the context of any unfolding Sino-Indian competition. Despite the huge asymmetries in the current naval capabilities of China, India and the United States, C. Raja Mohan argues that the three countries are locked in a triangular struggle destined to mould the future of the Indo-Pacific.¹⁵ What eventuates depends on India and China. Ultimately, it is they that will determine if the "Asian Century" is one of opportunity or debilitating competition. India's military engagement with the US and Japan is disheartening to China¹⁶ and should be considered carefully, even as New Delhi continues to make the most of its relationships with those two democracies and Australia.

China does not have the same threat perceptions about India that India has about China. Chinese Foreign Ministry military spokesperson Hong Lei gave a view from Beijing that the world has enough space to accommodate both China and India. Noting India's commemoration of the fiftieth anniversary of the 1962 war, Hong made the pronouncement that 'China and India are partners, rather than rivals. We have far more common ground than disagreements, more mutual interests than conflicts.'¹⁷ Chinese Defence Minister Liang Guanglie, after meeting with Prime Minister Manmohan Singh and Defence Minister A.K. Antony declared, 'During the talks, we have positively evaluated China-India relations and the ties between the armed forces of the two countries. And we have affirmed the co-operation between the armed forces.' Recently, however, on several occasions, Chinese activities in the Ladakh region across the Line of Actual Control have increased, causing turbulence in Sino-Indian relations. While Chian's exact intent is unclear, the danger is that such posturing could result in an armed conflict if it were to continue. To help mitigate such a possibility, a series of visits by high-ranking officials and delegates is scheduled on both sides to discuss the options for joint naval and air force exercises. Also, a possible agreement on Border Defence Co-operation that includes protocols such as prohibiting the exchange of gunfire could be concluded.¹⁸

¹⁵ Raja Mohan, C., '*Samudra Manthan: Sino-Indian Rivalry in the Indo-Pacific*', Carnegie Endowment for International Peace: Washington DC, 2012.

¹⁶ 'China FM Responds to US-India-Japan Dialogue', *People's Daily Online*, 31 October 2012. <<http://english.people.com.cn/90883/7997862.html>>

¹⁷ 'Enough Space to Accommodate China, India: Beijing', *Times of India*, 24 October 2012. <http://articles.timesofindia.indiatimes.com/2012-10-24/china/34707512_1_china-and-india-ministry-spokesman-hong-lei-mutual-interests>.

¹⁸ Young, A., 'India, China Aim Could Sign Border Agreement During Prime Minister Manmohan Singh's Upcoming Trip to Beijing', *International Business Times*, 11 August 2013. <<http://www.ibtimes.com/india-china-aim-could-sign-border-agreement-during-prime-minister-manmohan-singhs-upcoming-trip>>.

Nonetheless, to achieve a fully co-operative relationship, both countries must demonstrate the political will to re-assess and re-configure the narrative that defines it. In the meantime, they must also refrain from interfering in each other's internal affairs, such as the protests by China against the evolving India-Japan-US relationship. A strong India is the best thing that could happen to a rising China and vice versa.

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