

China and South Asia

By Derek Mitchell & Chietigj Bajpae

April 2006

China's primary interests in South Asia include gaining access to markets and raw materials in the region, preventing instabilities in South Asia from spilling over into China, and preventing the region from emerging as a source of anti-China activities. China has also used its diplomatic relations with South Asia to get the region to subscribe to Beijing's One-China policy in relation to Taiwan, Tibet, and Xinjiang.

China's current trade with South Asia exceeds \$20 billion a year. China is engaged in several aid, investment and infrastructure projects in the region, in many cases prompted by the desire to balance U.S. influence. China has also assisted in the development of port facilities in the region, most notably at Gwadar in Pakistan, in order to secure overland access into China of critical resources, such as oil from the Middle East. Beijing hopes to use such access to bypass potential chokepoints, such as in the Strait of Malacca, caused by accidents or conflict along the waterways. In order to make further inroads in its relationship with the region, China has also expressed an interest in joining the South Asia Association for Regional Cooperation (SAARC), a request that all member states but India have welcomed. In 2005, China was admitted to SAARC as an observer.

India

China and India have a long history of trade and cultural exchange, dating back to the first millennium when contact along the Silk Road introduced items and ideas to South Asia and China (including Buddhism). More recently, however, the initially cordial relationship between China and India as founding "non-aligned" signatories of the Five Principles of Peaceful Coexistence in 1954 gave way to openly hostile relations following India's decision to grant asylum to the Dalai Lama and his Tibetan government-in-exile in 1959; a brief military conflict along their shared border in 1962; and China's moral and material support for Pakistan in its conflicts with India. Relations have shown considerable improvement in the last decade, fueled more recently by China's desire to balance India's growing strategic partnership with the United States. The signing of the "India-China Strategic and Cooperative Partnership for Peace and Prosperity" during Prime Minister Wen Jiabao's visit to India in April 2005 paved the way for expanded Sino-Indian ties.

Growing economic and trade cooperation has further cemented China's rapprochement with India. In 2005, Sino-India trade amounted to more than \$18 billion, as China has become India's second largest trading partner after the United States.¹ As the world's largest developing countries with rapidly growing economies and burgeoning energy consumption needs, there is significant room for cooperation between China and India. China's hardware and manufacturing industries complement India's software and service-sector expertise. In the energy sphere, China and India have cooperated increasingly in the development and acquisition of petroleum resources in questionable nations such as Iran, Syria, and Sudan. Some regional observers have suggested the formation of an Asian oil market complete with interlocking pipelines, supply networks,

etc., with China and India at its core to institutionalize regional cooperation and reduce strategic mistrust.

The two sides have also adopted a unified stance on the need for a “multi-polar world,” an “equitable” trading system, and opposition to external interference in separatist movements within their countries. China has adopted an increasingly neutral stance on the Kashmir dispute, and recognized India’s suzerainty over Sikkim as a quid pro quo for India’s recognition of Tibet as part of China.

Nevertheless, a strain of mistrust continues to permeate Sino-Indian relations. India is concerned about China’s strategic encroachment into South Asia. China’s continued close relationships with Pakistan and anti-democratic governments in Nepal and Burma have fueled mistrust. China’s growing political, economic, and military influence in Burma, which is strategically located along the eastern end of the Indian Ocean, has also caused significant concern in New Delhi, and led to greater Indian engagement of the Burmese junta to balance Chinese influence.

The Indian government’s nuclear weapons program is focused not only on Pakistan but also on a prospective “China threat.” China has expressed concern about the U.S.-India nuclear technology deal concluded in March 2006 in which the United States agreed to circumvent the Non-Proliferation Treaty to grant India assistance for its civilian nuclear program in exchange for India opening a limited number of its nuclear facilities to international inspection. Soon after the U.S.-India deal was concluded, China stated that it would provide additional assistance to Pakistan’s civilian nuclear program.

Despite closer U.S.-India strategic ties in recent years that in part are focused on the challenge of a rising China, however, New Delhi will not want to ally with Washington in any active strategy to contain or oppose China absent extraordinary provocation from Beijing. India will maintain its policy independence to pursue a multi-layered strategy combining both cooperation and competition with China that serves its own unique political, economic, and security interests.

Although tensions have declined, progress in resolving the border dispute between the two countries remains elusive given the importance of Aksai Chin to China as a link between Tibet and Xinjiang, and the importance of Arunachal Pradesh to stability in India’s restive northeast, which is plagued by insurgencies. Both sides have agreed to “shelve” their border dispute while pursuing confidence-building measures, such as direct air and road links and growing military-to-military exchanges. China’s vague stance on India’s bid for a permanent seat on the UN Security Council and reluctance to allow India to join the Shanghai Cooperation Organization also signals China’s mistrust of India.ⁱⁱ Beijing remains concerned about India’s continued grant of asylum for the Dalai Lama and his government in exile in Dharmasala, and continues to observe closely New Delhi’s increasing engagement of East Asia, including nations that have had particularly difficult relations historically with Beijing, including Japan, the United States, Vietnam, and others.

Pakistan

The basis for China and Pakistan’s close relationship is rooted in their shared concerns over India. At the heart of the relationship is close defense cooperation. Beijing has supported Pakistan’s ballistic missile, nuclear and conventional weapons

programs for decades in part to preoccupy India's military away from China. China continues to engage with joint defense research and production.

China has also used Pakistan to expand its influence and engagement of the region. Beijing has used its close relationship with Pakistan to make progress in its relationship with a range of Arab and Muslim countries, including Saudi Arabia and Central Asian states. The Karakoram highway between China and Pakistan has given Beijing direct access to energy-rich Central Asia.

Beijing's close relationship with Pakistan has allowed it to balance Washington's on-again, off-again relationship with Islamabad dating back to Pakistan's participation in the CENTO (Central Treaty Organization) and SEATO (Southeast Asia Treaty Organization) alliances during the Cold War. China has had renewed concerns about U.S. relations with Pakistan following September 11, including military base and overflight rights in support of on-going operations in Afghanistan, and U.S. designation of Pakistan as a major "non-NATO ally" in June 2004. The signing of the "Treaty of Friendship, Cooperation, and Good Neighborly Relations" between China and Pakistan in April 2005, which commits both countries to abstain from joining "any alliance or bloc which infringes upon the sovereignty, security, and territorial integrity of the other side," is aimed in part at preventing Pakistan from emerging as a base for anti-China operations, particularly by the United States. Meanwhile, Pakistan has become an important partner in China's battle against radical Islamic separatists: Beijing claims that many Uyghur insurgents in Xinjiang have received training and sanctuary in Pakistan.

Derek Mitchell is a Senior Fellow for Asia in the CSIS International Security Program (ISP).

Chietigj Bajpae is a Research Associate for Asia in the CSIS International Security Program.

ⁱ Paranjoy Guha Thakurta, "China could overtake US's India trade", *Asia Times Online*, March 15, 2006, http://www.atimes.com/atimes/China_Business/HC15Cb06.html, accessed March 15, 2006.

ⁱⁱ China agreed to admit India as an observer at the SCO but only as a quid pro quo for Russia agreeing to admit Pakistan.