



China's Periphery

Part One: South Asia

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Abstract

This Memorandum is part of a broader assessment of the rise of China and its impact on regional and global security. China's rapid accretion of geopolitical weight ensures that other great power will be increasingly wary in their dealings with it. In this context, China's great power rivals in its own neighbourhood assume growing importance both to Beijing and to Western capitals. This Memorandum examines all but the smallest South Asian states in the context of their relations with China. Particular emphasis is placed on potential flashpoints between China and South Asian states, especially on the Himalayan border and in the Indian Ocean.

Résumé

Le présent rapport s'inscrit dans une évaluation globale de l'essor de la Chine et de son impact sur la sécurité régionale et mondiale. L'augmentation rapide du poids géopolitique de la Chine fait en sorte que les autres grandes puissances se montreront de plus en plus prudentes dans leurs rapports avec elle. Dans ce contexte, les grandes puissances rivales de la Chine dans son propre voisinage prennent une importance grandissante pour Beijing et pour les capitales occidentales. Nous examinons ici tous les États de l'Asie méridionale, sauf les plus petits, dans le contexte de leurs relations avec la Chine. Nous mettons particulièrement l'accent sur les points d'inflammabilité entre la Chine et les États de l'Asie méridionale, en particulier à la frontière himalayenne et dans l'océan Indien.

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Executive summary

China's Periphery: Part One: South Asia

**Anthony Kellett; DRDC CORA TM 2010-179; Defence R&D Canada – CORA;
August 2010.**

Background: This Memorandum is part of a broader assessment of the rise of China and its impact on regional and global security. The first phase of the project will assess China's regional dynamics, in this case with reference to South Asia.

China's rapid accretion of geopolitical weight ensures that other great powers will be increasingly wary in their dealings with it. In this context, China's great power rivals in its own neighbourhood assume growing importance both to Beijing and to Western capitals. This Memorandum examines all but the smallest South Asian states in the context of their relations with China. Particular emphasis will be placed on potential flashpoints between China and South Asian states, especially on the Himalayan border and in the Indian Ocean.

Twenty years ago, South Asia was seen as a backwater in global security. That is no longer the case, as demonstrated by the fact that 45 nations, including all NATO allies, are contributing troops to the mission to stabilize Afghanistan. Yet Afghanistan is far from the only issue in South Asia that has significant implications for global security. Others include the incubation of global terrorism in Pakistan; nuclear weaponization in two regional states and nuclear proliferation in one; the growing strategic importance of the Indian Ocean; the 62-year conflict between two of the world's biggest armed forces; and the gradual ascent of India to global power standing. China's footprint in some of these issues of global import (Afghanistan and international terrorism) is relatively small, in others it is far more significant.

Results:

India

The relationship between China and India in the 21st century has an epic quality that easily stirs the public and media imagination. Their assumed rivalry is reinforced by their shared—and disputed—border, one of the longest in the world.

India's population is fast catching up with that of China, and is expected to surpass it within two decades. India's economy now ranks fourth in size in the world and is projected to be third by 2032. Military strength is considered to be one of the attributes of a great power. While growing economies have given both India and China vested interests in bilateral cooperation, they have also provided the means to implement more ambitious security agendas. In India's case, the defence budget has risen in real terms by more than 50 percent between 2000 and 2009. India's nuclear tests in 1998 enabled it to join the ranks of the nuclear weapons states. Nuclear weapons have never been central to India's security thinking, and its decision to become an overt nuclear power seems to have been intended to boost its international stature and its diplomatic leverage. The fact that the major powers quickly diluted their opposition to the move attests to India's new standing. However, from a military perspective, China's nuclear capabilities considerably exceed

those of India. In conventional terms, India's military capabilities are rapidly improving, though still generally short of China's except with regard to operational experience.

India has many of the attributes of a great power, and occupies an increasingly important strategic location. Yet it is still in many respects an Asian power, hobbled by its chronic conflict with Pakistan, and is not yet a major player in issues of global order. In 2003, then-Prime Minister A.B. Vajpayee thought that it would take two decades and partnership with the US for India to attain great power status. Thus, as a partner it is currently more desirable than powerful. Such is US enthusiasm for promoting India as a "global power" that Washington has diluted its non-proliferation policies (with regard to the 2008 US-India accord on civilian nuclear cooperation). Clearly, the US envisages India as a means of containing China. Independence became embedded in India's strategic culture, and New Delhi has shown considerable reluctance to be thus co-opted. Nevertheless, simply suspecting that Washington might be pursuing a containment strategy involving India is disturbing to Beijing, which therefore has a strategic interest in preventing New Delhi from acceding to American blandishments.

India's sense of its global stature is bruised by its failure to secure a permanent seat in the UN Security Council, a project in which China, itself a permanent member, has been unhelpful. In the circumstances of the recent history of Western domination of India and China, their size and rapid economic growth, and their increasing military muscle, it is natural that India would compare itself with China and often feel slighted by the contrast. Defeat in the Sino-India War of 1962 has scarred the Indian psyche, and it has only been in the past two decades that India has wanted to reduce the barriers between them, with economic growth the main lubricant. A target of \$60 billion in bilateral trade in 2010 seems achievable, and both countries are beginning to invest in each other's economy and infrastructure. They are also taking similar stances on international issues, such as the Doha Round and the Copenhagen summit.

China has settled 14 of its 16 border disputes peacefully, but the two remaining are both in South Asia—India and Bhutan—and have been resistant to nearly three decades of negotiation, evidence of how intractable is the disagreement. The bickering along the Himalayan border between the two countries owes a great deal to China's concerns over Tibet, with Beijing trying to persuade New Delhi that any steps seen as antithetical to Chinese rule there can be heavily punished. Although India has not tried to exploit periods of unrest among Tibetans, China is worried about the Tawang monastery, in the Indian state of Arunachal Pradesh, which will be key to the succession to the Dalai Lama. China claims this area, and in fact captured it in 1962 but relinquished it because at the time it was less concerned about Tibetan resistance. If China can get control of the Tawang area, it would also put its forces in a position to threaten New Delhi's control over the seven states in India's northeast. India regularly reports Chinese troop incursions in Arunachal Pradesh and elsewhere along the 3,380-km mutual border, actions which are trumpeted by India's jingoistic media, thereby pressuring the government.

Contestation on the Himalayan frontier is complemented by rivalry in the Indian Ocean. More than 95 percent of India's exports are shipped through the waters that surround it, along with 89 percent of its oil imports. China is in a similar case: approximately 90 percent of its oil imports and around 62 percent of its exports are shipped through the Indian Ocean. China's excessive reliance on the Malacca Strait, one of the world's most significant choke points, increase its vulnerability. Thus, both of Asia's rising powers have powerful maritime interests in the Indian Ocean. India is addressing them by the attempt to build a blue-water navy to control vital trade

routes and key choke points. For its part, China is helping to develop ports in key locations (Pakistan, Bangladesh, Myanmar and Sri Lanka), initially for commercial purposes but, in the eyes of Indian and Western critics, with a view to naval basing in future contingencies (a “string of pearls” strategy).

Pakistan

For nearly half-a-century Pakistan and China have enjoyed a strong relationship, although it is one that is based on shared antagonisms (India) rather than on ideological or other affinity. Between 1963 and 1966, a trade agreement, Pakistan’s cession of a large segment of northern Kashmir and the start of construction of the Karakoram Highway (between Kashkar, in Xinjiang, and Abbottabad) laid the basis of an enduring partnership. The current Pakistani ambassador to Washington has said that if Pakistan had to choose between its main allies, the US and China, it would select the latter.

Pakistan has been described as the most dangerous country in the world, and security issues have been the basis of its alliance with China. Their strategic partnership is intended to confront India with a potential two-front war if it becomes involved in a conflict with either of them. In reality, this may have partially transpired in 1962, but Beijing largely failed to bail out Pakistan in 1965, 1971 and 1999 (Kargil).

Yet the story is different when it comes to defence relations, and in this regard China has equipped Pakistan to balance against India. When the US imposed military sanctions on Pakistan in 1990, China stepped into the breach, becoming Islamabad’s largest arms supplier and helping to develop Pakistan’s indigenous defence industry. Far more critically, China has played a key role in Pakistan’s acquisition of nuclear weapons, giving Islamabad a shield below which it could indulge low-level military adventurism in Kashmir, and also probably reducing the likelihood of large-scale conventional action of a sort likely to require Chinese intervention (especially given warming Sino-Indian relations). China’s contribution to Pakistan’s nuclear arsenal is probably the only example of the transfer, by a nuclear weapon state, of highly enriched uranium to a non-nuclear state for military use. China’s support for Pakistan’s nuclear arsenal appears to continue, in part possibly in reaction to the US-India nuclear deal.

Internal security is a major issue for both sides. Chinese workers in Pakistan are vulnerable to attack by extremists, with negative effects on economic cooperation. Militancy has threatened both the Gwadar project and the Karakoram Highway, and when Chinese workers were kidnapped in Islamabad in 2007, Chinese pressure was apparently key to convincing the Pakistani government to clean out the Red Mosque. More importantly, from Beijing’s perspective, Uighur militants whom it associates with subversion in Xinjiang are allegedly based in Pakistan’s tribal areas. As it showed in the Red Mosque affair, Islamabad is very sensitive to Chinese concerns, and is quick to stifle signs of Uighur activity.

For China, strategic and commercial objectives are strongly intermixed in Pakistan. It is playing the leading role in developing a port at Gwadar, strategically located just 180 nautical miles from the Strait of Hormuz. Gwadar is widely regarded as the archetype of China’s “pearls” in the Indian Ocean, a port designed to serve dual trade and military interests. However, if naval usage is intended, it is in the distant future, and in the near- to mid-term Gwadar is being touted as the hub of regional trade with China. Bilateral trade has grown quite rapidly since 2000, but is still

only about one-sixth the size of that between China and India, and Pakistan ranks far down the scale of China's trade partners.

Afghanistan

China's border with Afghanistan is very short and largely inaccessible, ensuring that its interest in the country is far less pressing than might be imagined. Its involvement there is mainly economic and political, and largely driven by domestic considerations.

Afghanistan is thought to have large deposits of minerals, notably oil, natural gas, copper, lithium and so on, resources that would be very tempting for China with its huge pool of liquid capital and domestic requirement for continued rapid growth. In a possible foretaste of Chinese interest in Afghan resources, in 2006 China invested \$3.5 billion in the Aynak copper field, the largest direct investment in Afghanistan's history. Yet bilateral trade is quite small, and Chinese aid is extremely modest. In some ways, Beijing appears to be in a waiting game in Afghanistan. Insecurity has delayed work on the Aynak project, but slow progress also limits China's financial exposure to any deterioration in the situation in the country.

China's contribution to Afghan security is extremely limited. It has refused to deploy troops there, and is also reluctant to allow the passage of NATO supplies, even non-lethal ones. It has confined itself to a very unexceptional training role. Thus, it is Afghan and US troops who protect the Chinese investment in Aynak. China obviously wants to avoid instability in Afghanistan, particularly given the potential for both drugs and extremism to seep across the border into Xinjiang. However, Beijing is also uncomfortable with an American military presence next-door, although it does have the merit of tying down the US. Like Pakistan, China wants to be in an influential position in Afghanistan when NATO forces withdraw, and it does have some experience of working cooperatively with the Taliban prior to 9/11.

Nepal

Nepal offers a custom-made arena for Sino-Indian rivalry, since those countries are its only neighbours. India has many advantages in any competition for Nepalese favour. Hindus form four-fifths of the population of Nepal, and religion has played a major role in bilateral relations. Commercial access is far easier from India, Nepal's trade with India is about five times that with China, and the Nepalese currency is tied to the Indian rupee. The Indian embassy in Kathmandu is New Delhi's largest mission, testimony to the importance it attributes to the relationship. But, as is so often the case in "big brother" international relations, India appears not to regard Nepal as a fully sovereign country, and Nepal feels itself to be bullied by India. There have been recurrent tensions over tariff arrangements, exemplified by a semi-blockade lasting fifteen months imposed by New Delhi in 1988. While India played a key role in promoting the peace process between 2006 and 2008, it then sought to reverse the results when they produced a Maoist victory followed by a Nepalese détente with China.

Perhaps largely due to geography (a shorter border, greatly inferior communications, extremely mountainous terrain, an infinitely smaller population in the adjacent part of China), Beijing's influence in Nepal has been far less than that of India, but that situation is changing. Communications are being enhanced, and bilateral trade has quadrupled since 2003. Beijing's relations with Kathmandu have been more deft than have New Delhi's, with China able to switch

its support from the monarchy to a Maoist government relatively smoothly, while keeping its options open.

Domestic security is the primary concern for both China and India *vis-à-vis* Nepal. India has long been troubled by the prospect of Maoist insurgency spilling from Nepal into India, where government data show twenty states are “Maoist affected.” Anti-Chinese demonstrations among Tibetans in Kathmandu in 2008 greatly embarrassed Beijing, which wants Kathmandu to tighten border controls and clamp down on Tibetan protests. While it held office, the Maoist government obliged Beijing, and the current political dispensation in Kathmandu seems unlikely to change direction.

China has been relatively reticent towards Nepal, in light of India’s proprietary attitude to that country, apparently to avoid irritating New Delhi (which is why its aid has been smaller). Nonetheless, there is competition between the two regional giants. India’s practice of a Monroe Doctrine with regard to South Asia was epitomized by the 1988-89 semi-blockade, which seems to have been triggered by Kathmandu’s attempt to buy a small quantity of Chinese arms. After the Maoist victory in Nepal in 2008, India worried about an apparent tilt towards China, and may have encouraged its allies in Nepal (notably the army) in their resistance to the Maoist government, leading to its ouster. Given the money and effort New Delhi has committed to Nepal, its returns have been far less than those for the more frugal Chinese.

Bhutan

Like Nepal, Bhutan’s only borders are with India and China, so that it too has become a buffer zone. Although the border with China is much shorter than the Nepal-China border, it is of far greater strategic significance, with the result that it is one of the two borders disputed by Beijing.

India is far more influential than China in Bhutan, and was allowed by treaty to “guide” Bhutanese foreign and defence policy until 2007. India and Bangladesh are the only two countries to have embassies in Thimphu. Of all India’s neighbours, relations with Bhutan are probably the closest. In contrast, Bhutan closed its northern border after an influx of Tibetan refugees in 1959, and there have been no official diplomatic or commercial relations since. Talks to resolve their border dispute have been underway since 1984, with China offering to renounce one area claimed by it (but within Bhutan’s boundaries) to gain another in the tri-border area (India-China-Bhutan) that would advance China’s forward posts closer to the narrow Siliguri corridor between Nepal and Bangladesh that connects India to its seven isolated northeastern states. Chinese troop incursions in the tri-border region have so alarmed India that it moved 6,000 troops from Kashmir to the disputed area in 2007-8. Worried that Bhutan might concede China’s claim, New Delhi has also stepped up its diplomatic, military, economic and infrastructural links with the kingdom, an effort China cannot match. In 2003-4, pressure from New Delhi persuaded the Bhutanese army to clear the sanctuaries in Bhutan of several insurgent groups from India’s northeastern states.

Bangladesh

Although Bangladesh is almost entirely surrounded by India, and has no border with China, it, too, has become an arena of Sino-Indian competition. India began with the advantages of playing a key role in Bangladeshi independence and of shared ethnicity. China began as Pakistan’s ally, and did not establish diplomatic relations with Bangladesh until 1976. However, China has now

evolved into Bangladesh's strongest friend and largest trade partner, while the relationship with India is much more uneven.

Bangladesh's border with India is 4,093-km long (that with Myanmar is only 193-km), and brings with it border tensions, water disputes, territorial sea conflict, refugee and rebel intrusions and so on. Equally, proximity, size and history have produced the "big brother" relationship that can be found in similar situations elsewhere (Russia-Ukraine, for instance), with the weaker party rather prone to take offence. India fares rather better in bilateral relations when the Awami League is in power in Dhaka (as now).

Although economics are a key driver of Bangladesh's relationship with China, security is also an important dimension. India worries about the proximity to the Siliguri corridor of a China-friendly Bangladesh, and is also afraid that Chinese assistance to the development of Chittagong port is part of the alleged "string of pearls" strategy. Beijing has also agreed to provide financial assistance to infrastructure projects designed to link Chittagong with Yunnan province, thus giving China better access to the Bay of Bengal. Bangladesh's armed forces are both very potent in decision-making in Dhaka and very dependent on China for their equipment, thereby reinforcing Beijing's influence in the country. However, on the whole it does appear that India's fears about Chittagong may be exaggerated.

There is one school of thought in Bangladesh that sees the country as being useful to China as a balance against India, while another perspective is that Bangladesh plays a bridging role between the two regional giants. On the whole, the latter may be the more persuasive assessment.

Sri Lanka

Two aspects of Sri Lanka's domestic situation have been particularly influential in determining the country's foreign relations. The first is party politics. As in Bangladesh, the main parties tend to incline either to India or to China; the current government in Colombo favours the latter. The other mainspring has been the response of outside powers to Colombo's efforts to quell the ethnic conflict that pitted Sri Lanka's Sinhalese majority against its Tamil minority between 1983 and 2009.

As in the case of some of India's other neighbours, in Sri Lanka propinquity and ethnicity do not always work in New Delhi's favour. The Palk Strait separating the two countries is little more than 30-km wide. This closeness and the presence in India of 60 million Tamils, who are often represented in the coalition governments typical of modern India, has complicated New Delhi's response to events in Sri Lanka. Early in the insurgency, the Tamil Tigers found support in India, but after India sent in a peacekeeping force that briefly calmed the conflict, the Tigers assassinated former Prime Minister Rajiv Gandhi in retaliation. As a result, New Delhi turned against the Tigers, and in the later stages of the conflict helped Colombo with non-lethal military equipment, training and diplomatic cover. But it cannot entirely turn its back on Sri Lanka's Tamils, and risks annoying that country's largely Sinhalese government by advocating for the displaced Tamils, particularly as a state election in Tamil Nadu in 2011 approaches. Interestingly, Indian post-war aid to Sri Lanka is mainly concentrated in Tamil areas, while that of China is clustered in Sinhalese areas, a distinction that may reinforce Beijing's advantage in Sino-Indian competition in the island.

Lacking ethnic ties to Sri Lanka, and being far distant, China was able to weigh in strongly on the government's side in the closing stage of the war, such that Colombo attributed its victory to the Chinese supply of arms and its strong diplomatic backing at the UN. It was the refusal of both India and Western governments to supply arms that might be used in a civil war that allowed Beijing to step into the breach. No sooner had a major weapons deal been finalized with Colombo in 2007 than agreement was also reached on China assisting in the development of a container port in Hambantota, strategically situated just ten miles from one of the world's busiest shipping routes between the Bay of Bengal and the Arabian Sea. India, of course, regards this development as another of Beijing's "pearls" in the Indian Ocean, but it does seem that New Delhi was also offered the opportunity to develop Hambantota but turned it down. At the time, India's security establishment seems to have thought that the project had no strategic value.

Significance:

Implications for Canada

At present, two developments in South Asia have direct repercussions for Canadian security. The first is the Afghan insurgency, and the active involvement in it of the Canadian Forces. The second is the threat to Canadian domestic security posed by events in the region. Canada has not been affected by Afghan-origin jihadi terrorism, as the US was both on and before 9/11. However, this country has been afflicted by jihadi terrorism that has strong links to Pakistan. The Afghan insurgency and the Pakistani nursery of jihadi terrorism are both areas in which China could play a significant mediatory role, owing to its proximity to Afghanistan and its alliance relations with Pakistan. However, Beijing is so focused on its own internal security problems, some of which it traces to Pakistan's tribal areas, that it has been indifferent to the broader globalization of jihadi terrorism from Pakistan. Equally, China is willing to let ISAF bear the burden of neutralizing the nursery of extremism in Afghanistan, but quite unwilling to influence Pakistan, its "all-weather friend," to do more to eliminate the terrorist sanctuaries on its soil.

For more than three decades, Ottawa took a very strong stand on the issue of nuclear proliferation, and was slower than other Western governments to normalize relations with India after its 1998 nuclear tests. Pakistan has been probably the world's most egregious nuclear proliferators, and apparently continues the practice, on probably a reduced scale. China played a key role in Pakistan's development of nuclear weapons and not only does little to rein in its close ally's activities but may in fact continue to supply it.

The growing economic profile of South Asia makes security developments that could disrupt trade relations in the region a source of concern for Canada, particularly if they have a knock-on effect on China (notably in the Indian Ocean). In 2009 two-way trade between Canada and South Asian countries amounted to \$6.7 billion, and to \$50.8 billion between Canada and China. There are ambitious plans to increase these totals, which, if realized, could increase Canada's exposure to trade disruption.

Apart from Afghanistan, Canada has a relatively light security footprint in South Asia. However, developments there that affect Canada's allies have repercussions for Canada. Any development that raises questions about NATO unity and purpose, as the Afghan conflict has done, affects all members of the Alliance. China's unwillingness to intercede in Afghanistan and Pakistan, beyond

the limits of its own domestic concerns, has added to the strain faced by the Alliance, but only indirectly.

There are also strong personal links between Canada and the two Asian giants. One in fourteen Canadian residents is of Chinese or East Indian origin, and increasing numbers of South Asians and Chinese are visiting Canada or studying here. Visitors and students alike bring important economic benefits to Canada, as well as constituting a significant and growing element of people-to-people contact. There would doubtless be consequences for these personal and economic ties should there be a serious deterioration in the security environment in South and East Asia.

Conclusions

Developments in South Asia, particularly with regard to India, will influence the pace and direction of China's rise, but probably no more so than regional obstacles (notably Pakistan's obsessive attempt to drag India down) will in the long haul prevent India from achieving global status. Over the past quarter-century or so, China has tended to have more even relations with South Asian countries than has India. However, in its relations with Afghanistan and Pakistan, Beijing's pursuit of local objectives (countering domestic unrest and balancing against India) have prevented it from contributing to global security goals. In this, as in its minimal contribution to UN peacekeeping, China demonstrates that it is still more a great than a global power.

There are undoubtedly plenty of hotspots in South Asia that could provoke conflict between China and India. However, growing economic interdependence, increasing military might and the shift of New Delhi's and Beijing's gaze to the Indian Ocean, suggest that such an eventuality is improbable. The fact is that it has been nearly half-a-century since the only real conflict between them, and it is telling that there has not been a single fatality in skirmishing on the Sino-Indian border since 1967 (which cannot be said of the Indo-Bangladeshi frontier).

Finally, China has the capability but not the interest to contribute to the resolution of two of Canada's security concerns in South Asia: the stabilization of Afghanistan and the neutralization of the nurseries of global extremism. Equally, China seems unlikely to stop its support for Pakistan's nuclear adventurism, although it has probably curtailed it considerably. Canada has growing economic links and person-to-person ties with India and China. Any conflict in the South Asia region would disrupt these ties.

Sommaire

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Contexte

Le présent rapport s'inscrit dans une évaluation globale de l'essor de la Chine et de son impact sur la sécurité régionale et mondiale. Dans la première phase du projet, nous évaluerons la dynamique régionale de la Chine, dans ce cas-ci par rapport à l'Asie méridionale.

L'augmentation rapide du poids géopolitique de la Chine fait en sorte que les autres grandes puissances se montreront de plus en plus prudentes dans leurs rapports avec elle. Dans ce contexte, les grandes puissances rivales de la Chine dans son propre voisinage prennent une importance grandissante pour Beijing et pour les capitales occidentales. Nous examinons ici tous les États de l'Asie méridionale, sauf les plus petits, dans le contexte de leurs relations avec la Chine. Nous mettons particulièrement l'accent sur les points d'inflammabilité entre la Chine et les États de l'Asie méridionale, en particulier à la frontière himalayenne et dans l'océan Indien.

Il y a vingt ans, l'Asie méridionale était considérée comme un désert en fait de sécurité mondiale. Ce n'est plus le cas, comme en témoigne le fait que 45 nations, y compris tous les alliés de l'OTAN, fournissent des troupes à la mission de stabilisation de l'Afghanistan. Pourtant, l'Afghanistan est loin d'être le seul point épineux en Asie méridionale qui revêt des implications considérables pour la sécurité mondiale. Parmi les autres enjeux, il faut compter l'incubation du terrorisme international au Pakistan; la course à l'armement nucléaire dans deux États régionaux et la prolifération des armes nucléaires dans un autre État; l'importance stratégique grandissante de l'océan Indien; le conflit datant de 62 ans entre deux des plus grandes forces armées du monde; et l'ascension graduelle de l'Inde au rang de puissance mondiale. L'empreinte de la Chine dans certains de ces dossiers d'importance mondiale (Afghanistan et terrorisme international) est relativement petite tandis que dans d'autres, elle est beaucoup plus considérable.

Résultats

Inde

La relation entre la Chine et l'Inde au XXI^e siècle a une qualité épique qui stimule facilement l'imagination du public et des médias. Leur présumée rivalité est renforcée par leur frontière commune (et contestée), l'une des plus longues du monde.

La population de l'Inde rattrape rapidement celle de la Chine et devrait la dépasser d'ici deux décennies. L'économie de l'Inde se classe aujourd'hui au quatrième rang mondial et devrait prendre le troisième rang d'ici 2032. La force militaire est considérée comme étant l'un des attributs d'une grande puissance. Si l'essor de leurs économies a créé en Inde et en Chine un intérêt direct pour la collaboration bilatérale, il leur a aussi procuré les moyens de mettre en œuvre des programmes de sécurité plus ambitieux. Dans le cas de l'Inde, le budget de la défense a

augmenté en termes réels de plus de 50 p. 100 entre 2000 et 2009. Les essais nucléaires que l'Inde a réalisés en 1998 lui ont permis de joindre les rangs des États dotés de l'arme nucléaire. Les armes nucléaires ont été au cœur de la position de l'Inde en matière de sécurité et sa décision de devenir une puissance nucléaire affichée semble avoir été destinée à promouvoir sa stature internationale et son influence diplomatique. Le fait que les grandes puissances aient rapidement adouci leur opposition à ce geste atteste de la nouvelle stature de l'Inde. Toutefois, d'un point de vue militaire, les capacités nucléaires de la Chine dépassent considérablement celles de l'Inde. En termes conventionnels, les capacités militaires de l'Inde s'améliorent rapidement bien qu'elles soient généralement à court de celles de la Chine, sauf en ce qui a trait à l'expérience opérationnelle.

L'Inde possède bon nombre des attributs d'une grande puissance et elle joue un rôle stratégique de plus en plus important. Néanmoins, à bien des égards, elle demeure une puissance asiatique, handicapée par son conflit chronique avec le Pakistan, et elle n'est pas encore un acteur majeur dans les dossiers d'importance mondiale. En 2003, le premier ministre de l'époque, A.B. Vajpayee, croyait qu'il faudrait deux décennies et un partenariat avec les États-Unis pour que l'Inde atteigne le statut de grande puissance. En tant que partenaire, l'Inde est actuellement plus désirable que puissante. L'enthousiasme des États-Unis à présenter l'Inde comme une « puissance mondiale » est si grand que Washington a dilué ses politiques de lutte contre la prolifération (comme en fait foi l'accord de coopération nucléaire civile que l'Inde et les États-Unis ont conclu en 2008). Manifestement, les États-Unis voient l'Inde comme un moyen de contenir la Chine. L'indépendance s'étant enracinée dans la culture stratégique de l'Inde, New Delhi a manifesté une réticence considérable à être ainsi cooptée. Néanmoins, le simple fait de soupçonner que Washington peut mener une stratégie de limitation impliquant l'Inde perturbe Beijing qui a donc un intérêt stratégique à empêcher l'Inde de se laisser gagner par les flatteries américaines.

L'idée que l'Inde se fait de sa stature mondiale est entachée par son échec à obtenir un siège permanent au Conseil de sécurité de l'ONU, un projet dans lequel la Chine, elle-même un membre permanent, a été peu coopérative. Compte tenu de l'histoire récente de la domination occidentale de l'Inde et de la Chine, de leur taille, de leur essor économique rapide et de leur puissance militaire grandissante, il est naturel que l'Inde se compare à la Chine et se sente souvent sous-estimée en comparaison. La défaite dans la guerre sino-indienne de 1962 a marqué le psychisme indien et ce n'est qu'au cours des deux dernières décennies que l'Inde a souhaité réduire les obstacles entre elles, principalement sous l'impulsion donnée par la croissance économique. Une cible de 60 milliards de dollars de commerce bilatéral en 2010 semble réaliste et les deux pays commencent à investir dans l'économie et l'infrastructure de l'autre. Ils adoptent également des positions similaires sur des enjeux internationaux, par exemple dans le cycle de Doha et au Sommet de Copenhague.

La Chine a réglé pacifiquement 14 de ses 16 litiges frontaliers mais les deux derniers se situent tous deux en Asie méridionale—avec l'Inde et le Bhoutan—et ils ont résisté à près de trois décennies de négociations, preuve de la mesure dans laquelle le désaccord est tenace. La querelle que se livrent les deux pays le long de la frontière himalayenne est due en grande partie aux préoccupations que la Chine entretient au sujet du Tibet. Beijing tente de convaincre New Delhi que tout geste vu comme allant à l'encontre du régime chinois pourrait être lourdement puni. Bien que l'Inde n'ait pas tenté d'exploiter les périodes d'agitation chez les Tibétains, la Chine s'inquiète de la présence du monastère de Tawang dans l'État indien de l'Arunachal Pradesh. Ce monastère devrait jouer un rôle de premier plan dans la succession du dalaï-lama. La Chine

réclame ce territoire et, en fait, elle s'en était emparée en 1962 mais elle l'avait abandonné parce qu'à l'époque, elle se souciait moins de la résistance tibétaine. Si la Chine pouvait mettre la main sur la région de Tawang, ses forces pourraient alors être à même de menacer le contrôle que New Delhi exerce sur les sept États du Nord-Est indien. L'Inde signale régulièrement des incursions de troupes chinoises dans l'Arunachal Pradesh et un peu partout le long de leur frontière mutuelle qui s'étend sur 3380 kilomètres, des interventions dont les médias chauvins indiens font grand cas ce qui augmente la pression sur le gouvernement.

Au conflit relatif à la frontière himalayenne s'ajoute la rivalité dans l'océan Indien. Plus de 95 p. 100 des exportations de l'Inde transitent par les eaux qui l'entourent, comme 89 p. 100 de ses importations de pétrole. La Chine est dans une situation similaire : environ 90 p. 100 de ses importations de pétrole et environ 62 p. 100 de ses exportations transitent par l'océan Indien. La dépendance excessive de la Chine vis-à-vis du détroit de Malacca, l'un des goulets d'étranglement stratégiques les plus importants du monde, accroît sa vulnérabilité. Les deux puissances grandissantes de l'Asie ont donc de puissants intérêts maritimes dans l'océan Indien. L'Inde les défend en tentant d'établir une marine hauturière pour contrôler les routes commerciales vitales et les principaux goulets d'étranglement. Pour sa part, la Chine contribue à l'établissement de ports dans des endroits clés (Pakistan, Bangladesh, Myanmar et Sri Lanka), à première vue à des fins commerciales, mais aux yeux de critiques indiens et occidentaux, en vue d'établir des bases navales en cas de crises futures (dans une stratégie dite « du collier de perles »).

Pakistan

Depuis près d'un demi-siècle, le Pakistan et la Chine jouissent d'une relation solide, bien qu'il s'agisse d'une relation basée davantage sur des antagonismes communs (Inde) plutôt que sur des affinités idéologiques ou autres. Entre 1963 et 1966, un accord commercial, la cession par le Pakistan d'une partie importante du Nord du Cachemire et le début de la construction de l'autoroute Karakoram (entre Kashkar, dans la province de Xinjiang, et Abbottabad) ont jeté les bases d'un partenariat durable. L'actuel ambassadeur pakistanais à Washington a dit que si le Pakistan devait choisir entre ses principaux alliés, les États-Unis et la Chine, il choisirait cette dernière.

Le Pakistan a été décrit comme le pays le plus dangereux du monde et les questions de sécurité ont été à la base de son alliance avec la Chine. Le partenariat stratégique des deux pays est destiné à confronter l'Inde à une guerre potentielle sur deux fronts si un conflit devait se déclarer avec l'un ou l'autre d'entre eux. En réalité, ce scénario s'est peut-être joué en partie en 1962, mais Beijing a essentiellement négligé de venir au secours du Pakistan en 1965, 1971 et 1999 (Kargil).

Le scénario est pourtant différent en ce qui a trait aux relations en matière de défense et sous ce rapport, la Chine a outillé le Pakistan de manière à établir l'équilibre avec l'Inde. Lorsque les États-Unis ont imposé des sanctions militaires au Pakistan en 1990, la Chine a colmaté la brèche et est devenue le plus grand fournisseur d'armes d'Islamabad et elle a aidé à développer l'industrie de la défense indigène du Pakistan. Fait beaucoup plus significatif, la Chine a joué un rôle de premier plan dans l'acquisition de l'arme nucléaire par le Pakistan en fournissant à Islamabad un bouclier sous lequel le pays pouvait se livrer à un aventurisme militaire discret au Cachemire tout en réduisant probablement le risque que soit déclenchée une action conventionnelle d'envergure de la sorte qui serait susceptible de nécessiter l'intervention de la

Chine (en particulier compte tenu du réchauffement des relations entre la Chine et l'Inde). La contribution de la Chine à l'arsenal nucléaire du Pakistan est probablement le seul exemple de transfert, par un État doté de l'arme nucléaire, d'uranium hautement enrichi à un État non doté de l'arme nucléaire à des fins militaires. L'appui de la Chine à l'arsenal nucléaire du Pakistan semble se poursuivre, peut-être en partie en réaction à l'entente nucléaire conclue entre les États-Unis et l'Inde.

La sécurité interne est une grande préoccupation des deux parties. Les travailleurs chinois au Pakistan sont vulnérables aux attaques d'extrémistes, ce qui a des répercussions négatives sur la coopération économique. Le militantisme a menacé tant le projet Gwadar que la construction de l'autoroute Karakoram et quand des travailleurs chinois ont été enlevés à Islamabad en 2007, les pressions de la Chine auraient été un facteur clé pour convaincre le gouvernement pakistanais de faire un ménage dans la Mosquée rouge. Ce qui est plus important du point de vue de Beijing, les militants ouïgours, qu'elle associe à la subversion dans la province de Xinjiang, seraient basés dans les régions tribales du Pakistan. Comme en témoigne l'affaire de la Mosquée rouge, Islamabad est très sensible aux préoccupations de la Chine et ne tarde pas à étouffer les manifestations ouïgoures.

Pour la Chine, les objectifs stratégiques et commerciaux sont étroitement liés au Pakistan. La Chine y joue un rôle de premier plan dans l'installation d'un port à Gwadar, situé stratégiquement à seulement 180 milles nautiques du détroit d'Hormuz. Gwadar est largement considéré comme l'archétype des « perles » de la Chine dans l'océan Indien, un port destiné à servir les doubles intérêts commerciaux et militaires. Cependant, si l'intention est d'en faire un usage naval, elle se réalisera dans un avenir lointain puisqu'à court terme et à moyen terme, on vante les mérites de Gwadar comme le carrefour du commerce régional avec la Chine. Le commerce bilatéral a connu un essor assez rapide depuis 2000, mais il ne représente encore qu'environ le sixième de la taille du commerce bilatéral entre la Chine et l'Inde. Le Pakistan se classe loin dans la liste des partenaires commerciaux de la Chine.

Afghanistan

La frontière entre la Chine et l'Afghanistan est très courte et en grande partie inaccessible ce qui fait en sorte que l'intérêt de la Chine à l'égard de ce pays est beaucoup moins pressant qu'on pourrait l'imaginer. Son rôle y est essentiellement économique et politique, animé en grande partie par des considérations intérieures.

L'Afghanistan renfermerait des dépôts importants de minéraux, en particulier du pétrole, du gaz naturel, du cuivre, du lithium et ainsi de suite, des ressources qui seraient très tentantes pour la Chine compte tenu de ses énormes réserves de liquidités et de son besoin de maintenir sa croissance rapide. Fait qui laisse vraisemblablement présager de l'intérêt chinois pour les ressources afghanes, la Chine a investi 3,5 milliards de dollars dans le champ de cuivre d'Aynak en 2006, le plus important investissement direct dans l'histoire de l'Afghanistan. Pourtant, le commerce bilatéral est relativement limité et l'aide de la Chine est extrêmement modeste. À certains égards, Beijing semble être dans une position d'attente en Afghanistan. L'insécurité a retardé les travaux dans le projet Aynak, mais la lenteur des progrès limite également l'exposition financière de la Chine en cas d'une détérioration de la situation dans le pays.

La contribution de la Chine à la sécurité de l'Afghanistan est extrêmement limitée. Elle a refusé d'y déployer des troupes et elle hésite également à autoriser le passage de fournitures de l'OTAN, même de fournitures non létales. Elle s'est limitée à un rôle de formation très ordinaire. Par conséquent, ce sont des troupes afghanes et américaines qui protègent l'investissement chinois à Aynak. La Chine veut manifestement éviter l'instabilité en Afghanistan, surtout compte tenu du risque que la drogue et l'extrémisme filtrent à travers la frontière dans la province de Xinjiang. Cependant, Beijing est également gênée par la présence militaire américaine voisine, bien que celle-ci ait pour effet d'accaparer les États-Unis. Comme le Pakistan, la Chine veut exercer une influence en Afghanistan quand les forces de l'OTAN se retireront et elle a déjà une certaine expérience de la coopération avec les talibans avant le 11 septembre.

Népal

Le Népal offre un terrain sur mesure pour alimenter la rivalité entre la Chine et l'Inde puisque ces pays sont ses seuls voisins. L'Inde est avantagée sur de nombreux plans dans une compétition pour la faveur du Népal. Les Hindous représentent les quatre cinquièmes de la population népalaise et la religion a joué un grand rôle dans les relations bilatérales. L'accès commercial est beaucoup plus facile à partir de l'Inde, le commerce du Népal avec l'Inde est cinq fois plus important que celui avec la Chine et la devise népalaise est liée à la roupie indienne. L'ambassade de l'Inde à Katmandou est la plus grande mission de New Delhi ce qui témoigne de l'importance qu'elle accorde à la relation. Cependant, comme c'est souvent le cas dans les relations internationales avec un « grand frère », l'Inde semble ne pas considérer le Népal comme un pays entièrement souverain et le Népal se sent intimidé par l'Inde. Il y a eu des tensions récurrentes au sujet des ententes tarifaires, illustrées par un semi-embargo de 15 mois imposé par New Delhi en 1988. Si l'Inde a joué un rôle de premier plan en faveur du processus de paix entre 2006 et 2008, elle a ensuite cherché à renverser les résultats lorsque les négociations ont abouti à une victoire maoïste suivie d'une détente dans la relation entre le Népal et la Chine.

Peut-être en grande partie à cause de la géographie (une frontière plus courte, des communications nettement inférieures, un terrain extrêmement montagneux, une population infiniment plus petite dans la région voisine de la Chine), l'influence que Beijing exerce au Népal a été beaucoup moins importante que celle de l'Inde, mais cette situation évolue. Les communications s'améliorent et le commerce bilatéral a quadruplé depuis 2003. Les relations de Beijing avec Katmandou ont été plus habiles que celles de New Delhi puisque la Chine a réussi à transférer son appui de la monarchie à un gouvernement maoïste de façon relativement harmonieuse tout en se réservant toutes ses marges de manœuvre.

La sécurité intérieure est la principale préoccupation et de la Chine et de l'Inde vis-à-vis du Népal. L'Inde est préoccupée de longue date par la perspective d'un débordement de l'insurrection maoïste du Népal vers l'Inde. Ses données officielles montrent que vingt États sont « touchés par le maoïsme ». Les manifestations contre la Chine parmi les Tibétains à Katmandou en 2008 ont grandement embarrassé Beijing qui veut que Katmandou resserre ses contrôles frontaliers et réprime les manifestations tibétaines. Alors qu'il était au pouvoir, le gouvernement maoïste a forcé la main de Beijing et le système politique en place à Katmandou semble peu susceptible de changer d'orientation.

La Chine a été relativement réservée envers le Népal, compte tenu de l'attitude de propriétaire que l'Inde manifeste envers ce pays. La Chine semble vouloir éviter d'irriter New Delhi (raison

pour laquelle son aide a été limitée). Néanmoins, les deux géants régionaux se livrent concurrence. La pratique par l'Inde d'une doctrine de Monroe par rapport à l'Asie méridionale a été incarnée par le semi-embargo mis en place en 1988-1989 qui semble avoir été déclenché par la tentative de Katmandou d'acheter une petite quantité d'armes chinoises. Après la victoire maoïste au Népal en 2008, l'Inde a craint un glissement apparent vers la Chine et a peut-être encouragé ses alliés au Népal (notamment l'armée) à s'opposer au gouvernement maoïste, ce qui a conduit à son expulsion du pouvoir. Compte tenu de l'argent et des efforts que New Delhi a investis au Népal, son rendement a été beaucoup moins élevé que celui de la Chine qui s'était pourtant montrée plus frugale.

Bhoutan

Comme le Népal, le Bhoutan n'est bordé que par l'Inde et la Chine. Il est donc lui aussi devenu une zone tampon. Même si la frontière avec la Chine est beaucoup plus courte que celle de la Chine avec le Népal, elle revêt une importance stratégique beaucoup plus grande, ce qui fait en sorte qu'il s'agit de l'une des deux frontières contestées par Beijing.

L'Inde exerce une influence beaucoup plus grande que la Chine au Bhoutan et elle a été autorisée par traité à « guider » la politique du Bhoutan en matière d'affaires étrangères et de défense jusqu'en 2007. L'Inde et le Bangladesh sont les deux seuls pays dotés d'ambassades à Thimphu. De tous les voisins de l'Inde, c'est probablement le Bhoutan qui entretient les relations les plus étroites avec elle. En revanche, le Bhoutan a fermé sa frontière nord après un afflux de réfugiés tibétains en 1959 et il n'y a pas eu de relations diplomatiques ou commerciales officielles depuis. Des pourparlers visant à régler le conflit frontalier sont en cours depuis 1984, dans le cadre desquels la Chine offre de renoncer à un territoire qu'elle réclame (mais qui est situé à l'intérieur des frontières du Bhoutan) afin de gagner un autre territoire dans la région tri-frontalière (Inde-Chine-Bhoutan) qui rapprocherait ses avant-postes de l'étroit corridor Siliguri entre le Népal et le Bangladesh qui relie l'Inde à ses sept États isolés du Nord-Est. Les incursions de troupes chinoises dans la région tri-frontalière ont tellement alarmé l'Inde qu'elle a déplacé 6 000 soldats du Cachemire vers la région contestée en 2007-2008. Craignant que le Bhoutan puisse céder à la Chine le territoire qu'elle réclame, New Delhi a également intensifié ses liens diplomatiques, militaires, économiques et infrastructurels avec le royaume, un effort que la Chine ne peut égaler. En 2003-2004, des pressions exercées par New Delhi ont convaincu l'armée bhoutanaise de débarrasser les sanctuaires au Bhoutan de plusieurs groupes d'insurgés provenant des États du Nord-Est de l'Inde.

Bangladesh

Même si le Bangladesh est presque entièrement entouré par l'Inde et n'a pas de frontière avec la Chine, le pays est lui aussi devenu une arène où se joue la rivalité sino-indienne. Au départ, l'Inde avait pour atout d'avoir joué un rôle clé dans l'indépendance du Bangladesh et d'avoir une ethnicité commune. Au départ, la Chine était l'alliée du Pakistan et n'a pas établi de relations diplomatiques avec le Bangladesh avant 1976. Cependant, la Chine est depuis devenue l'amie la plus proche du Bangladesh et son plus grand partenaire commercial tandis que la relation avec l'Inde est beaucoup plus inégale.

La frontière du Bangladesh avec l'Inde s'étend sur 4 093 kilomètres (celle avec le Myanmar ne compte que 193 kilomètres) et elle engendre des tensions frontalières, des litiges relatifs à l'eau,

des conflits maritimes territoriaux, des intrusions de réfugiés et de rebelles et ainsi de suite. De même, la proximité, la taille et l'histoire ont créé la relation de « grand frère » qui existe ailleurs dans des situations similaires (par exemple entre la Russie et l'Ukraine), dans laquelle la partie la plus faible est assez prompte à se sentir blessée. L'Inde s'en tire beaucoup mieux dans ses relations bilatérales lorsque la Ligue Awami est au pouvoir à Dhaka (comme c'est le cas actuellement).

Bien que l'économie constitue un déterminant clé de la relation que le Bangladesh entretient avec la Chine, la sécurité est également une facette importante. L'Inde s'inquiète de la proximité au corridor de Siliguri d'un Bangladesh ami de la Chine et elle craint également que l'aide de la Chine au développement du port de Chittagong fasse partie de la soi-disant stratégie « du collier de perles ». Beijing s'est également engagée à financer des projets d'infrastructure destinés à relier Chittagong à la province du Yunnan, ce qui procure à la Chine un accès plus facile au golfe du Bengale. Les forces armées du Bangladesh ont un très grand poids dans le processus décisionnel à Dhaka et dépendent grandement de la Chine pour leur équipement, ce qui renforce l'influence que Beijing exerce dans le pays. Cependant, dans l'ensemble, les craintes que l'Inde entretient à propos de Chittagong semblent exagérées.

Selon une école de pensée au Bangladesh, le pays est utile à la Chine à titre de contrepoids à l'Inde, tandis que selon un autre point de vue, le Bangladesh joue un rôle de pont entre les deux géants régionaux. Dans l'ensemble, la dernière hypothèse représente peut-être l'évaluation la plus convaincante.

Sri Lanka

Deux aspects de la situation intérieure du Sri Lanka ont été particulièrement déterminants dans les relations étrangères du pays. Le premier tient à la politique partisane. Comme au Bangladesh, les principaux partis ont tendance à pencher soit pour l'Inde soit pour la Chine; le gouvernement au pouvoir à Colombo favorise cette dernière. L'autre ressort principal a été la réaction des puissances extérieures aux mesures que Colombo a prises pour enrayer le conflit ethnique qui a opposé la majorité cinghalaise du Sri Lanka à sa minorité tamoule entre 1983 et 2009.

Comme c'est le cas de quelques autres voisins de l'Inde, au Sri Lanka, la proximité et l'ethnicité ne jouent pas toujours en faveur de New Delhi. Le détroit de Palk qui sépare les deux pays a à peine plus de 30 kilomètres de largeur. Cette proximité et la présence en Inde de 60 millions de Tamouls, qui sont souvent représentés dans les gouvernements de coalition typiques de l'Inde moderne, ont compliqué la réaction de New Delhi aux événements survenus au Sri Lanka. Au début de l'insurrection, les Tigres tamouls ont trouvé des appuis en Inde mais après que l'Inde eut dépêché une force de maintien de la paix qui a brièvement calmé le jeu, les Tigres ont assassiné l'ex-premier ministre Rajiv Gandhi en représailles. Par conséquent, New Delhi s'est retournée contre les Tigres et au cours des étapes ultérieures du conflit, elle a aidé Colombo en lui fournissant de l'équipement militaire non létal, de la formation et une couverture diplomatique. Cependant, l'Inde ne peut tourner entièrement le dos aux Tamouls du Sri Lanka et elle risque d'agacer le gouvernement largement cinghalais du pays en défendant les intérêts des Tamouls déplacés, en particulier à l'approche d'une élection fédérale au Tamil Nadu en 2011. Fait intéressant, l'aide que l'Inde accorde dans l'après-guerre au Sri Lanka se concentre essentiellement dans les régions tamoules tandis que celle de la Chine se concentre dans les

régions cinghalaises, une distinction qui peut renforcer l'avantage que Beijing possède dans la rivalité qu'elle se livre avec l'Inde dans l'île.

Malgré l'absence de lien ethnique avec le Sri Lanka et son éloignement géographique, la Chine a pu intervenir lourdement en faveur du gouvernement dans les dernières étapes de la guerre, à tel point que Colombo a attribué sa victoire à l'approvisionnement en armes de la Chine et à son solide appui diplomatique aux Nations Unies. Ce fut le refus de l'Inde et des gouvernements occidentaux de fournir des armes qui auraient pu être utilisées dans une guerre civile qui a permis à Beijing de colmater la brèche. La Chine venait à peine de conclure une entente importante avec Colombo pour la fourniture d'armes en 2007 lorsqu'elle a également conclu une entente d'aide au développement d'un port de conteneurs à Hambantota, situé de façon stratégique à une distance d'à peine 16 kilomètres de l'une des voies maritimes les plus occupées du monde, entre le golfe du Bengale et la mer d'Oman. Bien sûr, l'Inde considère que ce développement est l'une des autres « perles » de Beijing dans l'océan Indien, mais il semblerait que New Delhi s'était également vu offrir la possibilité de développer Hambantota, mais elle avait refusé. À l'époque, les responsables de la sécurité de l'Inde semblent avoir jugé que le projet n'avait aucune valeur stratégique.

l'importance

Implications pour le Canada

À l'heure actuelle, deux situations en Asie méridionale ont des répercussions directes sur la sécurité du Canada. La première est l'insurrection afghane et le rôle actif que les Forces canadiennes y jouent. La deuxième est la menace pour la sécurité intérieure du Canada qu'engendrent les événements dans la région. Le Canada n'a pas été touché par le terrorisme jihadiste d'origine afghane, contrairement aux États-Unis le 11 septembre et même avant. Toutefois, notre pays a été touché par le terrorisme jihadiste qui entretient des liens étroits avec le Pakistan. L'insurrection afghane et la pépinière pakistanaise du terrorisme jihadiste sont deux domaines dans lesquels la Chine pourrait jouer un rôle de médiation important, vu sa proximité de l'Afghanistan et son alliance avec le Pakistan. Cependant, Beijing se concentre tellement sur ses propres problèmes de sécurité interne, dont elle retrace en partie l'origine jusqu'aux régions tribales du Pakistan, qu'elle s'est montrée indifférente à la mondialisation globale du terrorisme jihadiste issu du Pakistan. De même, la Chine est disposée à laisser la FIAS porter le fardeau de neutraliser la pépinière de l'extrémisme en Afghanistan, mais elle est très peu disposée à influencer le Pakistan, son « ami indéfectible », pour qu'il en fasse davantage afin d'éliminer les sanctuaires terroristes sur son territoire.

Depuis plus de trois décennies, Ottawa défend une position très ferme sur la prolifération nucléaire et a davantage tardé que d'autres gouvernements occidentaux à normaliser ses relations avec l'Inde après ses essais nucléaires de 1998. Le Pakistan a probablement compté parmi les plus ardents proliférateurs nucléaires du monde et il semble continuer cette pratique, probablement à une échelle réduite. La Chine a joué un rôle de premier plan dans le développement de l'arme nucléaire au Pakistan et non seulement elle en fait peu pour freiner les activités de son proche allié, elle continue peut-être même à les alimenter.

Le poids économique grandissant de l'Asie méridionale fait que les problèmes de sécurité qui pourraient perturber les relations commerciales dans la région sont une source de préoccupation

pour le Canada, en particulier si elles ont des répercussions sur la Chine (notamment dans l'océan Indien). En 2009, le commerce bilatéral entre le Canada et les pays de l'Asie méridionale représentait 6,7 milliards de dollars, et le commerce entre le Canada et la Chine, 50,8 milliards de dollars. Des projets ambitieux visent à augmenter ces sommes. S'ils se concrétisent, l'exposition du Canada à la perturbation des échanges pourrait être encore plus grande.

Exception faite de l'Afghanistan, le Canada a une empreinte relativement légère en matière de sécurité en Asie méridionale. Toutefois, les développements dans cette région qui touchent les alliés du Canada ont des répercussions sur ce dernier. Toute situation qui met en doute l'unité et la raison d'être de l'OTAN, comme le conflit afghan l'a fait, touche tous les membres de l'Alliance. La réticence de la Chine à intercéder en Afghanistan et au Pakistan, au-delà des limites de ses propres préoccupations, a exacerbé les tensions auxquelles l'Alliance est confrontée, mais seulement de façon indirecte.

Il y a également des liens personnels solides entre le Canada et les deux géants asiatiques. Un résident canadien sur quatorze est d'origine chinoise ou indienne et un nombre grandissant d'Asiatiques du Sud et de Chinois visitent le Canada ou y étudient. Les visiteurs et les étudiants sont importants pour l'économie canadienne en plus de constituer un élément important et grandissant des rapports individuels. Il y a peu de doutes que ces liens personnels et économiques subiraient les contrecoups d'une grave détérioration de la sécurité en Asie du Sud et de l'Est.

Conclusions

L'évolution des situations en Asie méridionale, en particulier à l'égard de l'Inde, influera sur le rythme et la direction de l'essor de la Chine, mais probablement pas plus que les obstacles régionaux (notamment la volonté obsessionnelle du Pakistan de rabaisser l'Inde) empêcheront à long terme l'Inde d'acquiescer à une stature mondiale. Au cours du dernier quart de siècle environ, la Chine a eu tendance à entretenir des rapports plus stables avec les pays de l'Asie méridionale que l'Inde. Cependant, dans ses relations avec l'Afghanistan et le Pakistan, les objectifs locaux que Beijing visait (contrer l'agitation intérieure et faire contrepoids à l'Inde) l'ont empêchée de contribuer aux objectifs en matière de sécurité mondiale. Ce constat, tout comme sa contribution minimale aux activités de maintien de la paix de l'ONU, prouve que la Chine reste davantage encore une grande puissance et non une puissance mondiale.

Il y a manifestement une multitude de zones sensibles en Asie méridionale qui pourraient provoquer un conflit entre la Chine et l'Inde. Cependant, l'interdépendance économique grandissante, la puissance militaire croissante et le nouvel intérêt que New Delhi et Beijing accordent à l'océan Indien donnent à penser qu'une telle éventualité est improbable. Le fait est que près d'un demi-siècle s'est écoulé depuis le seul véritable conflit qui les a opposées et il est révélateur qu'il n'y ait eu aucun décès dans les escarmouches qui ont eu lieu sur la frontière sino-indienne depuis 1967 (on ne peut en dire autant de la frontière indo-bangladaise).

Enfin, la Chine est capable de contribuer au règlement de deux préoccupations du Canada en matière de sécurité en Asie méridionale, soit la stabilisation de l'Afghanistan et la neutralisation des pépinières de l'extrémisme mondial, mais elle n'y est pas intéressée. De même, la Chine semble peu susceptible de mettre fin à l'appui qu'elle accorde à l'aventurisme nucléaire du Pakistan, bien qu'elle ait probablement réduit considérablement cet appui. Les liens économiques

et les relations individuelles du Canada avec l'Inde et la Chine s'intensifient. Tout conflit qui surviendrait dans la région de l'Asie méridionale perturberait ces rapports.

Table of contents

Abstract	i
Résumé	i
Executive summary	iii
Sommaire	xi
Table of contents	xxi
1 Introduction.....	1
1.1 Background	1
1.2 A Rising China	2
2 India.....	4
2.1 Demographic and Economic Weight.....	5
2.2 Military Power.....	6
2.3 Status Concerns	12
2.4 Relationship with China	15
2.5 Other Bilateral Irritants.....	33
2.6 Security Relations.....	35
2.7 Trade.....	37
2.8 International Cooperation.....	39
3 Pakistan.....	40
3.1 Sino-Pakistani Relations.....	40
3.2 Security.....	41
3.3 Defence Relations.....	45
3.4 Internal Security	48
3.5 Global Security.....	50
3.6 Economic Ties.....	51
4 Afghanistan.....	54
4.1 Background	54
4.2 China's Interests in Afghanistan.....	54
5 Nepal.....	62
5.1 Background	62
5.2 Influence.....	62
5.3 Security.....	66
5.4 Sino-Indian Competition	69
6 Bhutan.....	72
6.1 Background	72
6.2 Influence.....	72

6.3	Security.....	74
6.4	Sino-Indian Competition	77
7	Bangladesh.....	78
7.1	Background	78
7.2	Relationship with China	79
7.3	Relationship with India.....	82
7.4	China-Related Indian Security Concerns in Bangladesh.....	83
7.5	Bridge or Balance? Between India and China.....	84
8	Sri Lanka.....	86
8.1	Background	86
8.2	Relationship with China	87
8.3	Relationship with India.....	88
8.4	Defence and Security Issues	91
9	Implications for Canada.....	94
9.1	Terrorism	94
9.2	Proliferation.....	96
9.3	Commercial Interests.....	98
9.4	Security Implications for Canada’s Allies.....	99
9.5	Impact on Canadians	100
10	Conclusions.....	101
	List of acronyms.....	103
	Distribution list.....	107

1 Introduction

1.1 Background

This assessment is intended to be a contribution to a broader assessment of the rise of China and its impact on regional and global security, with a view to exploring the potential implications of these developments for Canada and its key alliance relationships.

The first phase of the overall project sets out to examine the key issues and factors that have affected, and may in the future have an impact on, China's progression to global power. This phase will assess China's regional dynamics, which are a key element in the development of China's geopolitical standing, given that there are a number of areas on its periphery where great power strategic interests intersect.

This is particularly true of South Asia. That this is so is attested by the fact that, as of 7 June 2010, 119,500 troops from 45 nations, including all 28 North Atlantic Treaty Organization (NATO) states, were participating in the International Security Assistance Force (ISAF) in Afghanistan; by that date 25 troop-contributing nations had suffered fatalities. Yet Afghanistan is far from the only regional issue in South Asia that has significant implications for global security. Others include the incubation of international terrorism in Pakistan; nuclear weaponization in two regional states and nuclear proliferation in one; the growing strategic importance of the Indian Ocean; the 62-year conflict between two of the world's biggest armed forces; and the gradual ascent of India to global power standing. China's footprint in some of these issues of global import (Afghanistan and international terrorism) is relatively small, in others it is far more significant, and its involvement in them will affect the directions they take, with ramifications for countries well beyond South and Northeast Asia.

Five South Asian states border China, and two have unresolved border disputes with Beijing. If China does, indeed, have aspirations to be a global military power, capable of extending its influence at greater distance from its borders, it will almost inevitably abrade some of the countries around it, especially India. In turn, this will have implications for the security interests of Canada and its allies. Even China's relative non-involvement in Afghanistan indirectly impacts Canada and its ISAF partners; the same is true of Beijing's response to Pakistan's incubation of terrorism, where Beijing focuses almost entirely on domestic security (the Uighurs) and shows very little concern for the global spread of jihadi terrorism from this epicentre.

For Canada, some of the key security issues in South Asia, which are affected by Chinese actions or inactions, include Afghanistan, nuclear proliferation, and terrorism. The fortunes of Canada's allies are also bound up in developments in the South Asian and Indian Ocean regions over which China has considerable actual or potential influence.

This present report will examine all but the smallest regional states in the context of their relations with China. Obviously, the primary emphasis will be on India, as China's primary regional rival. The two countries are easily equated in the public and media imagination, and in the security realm, as concerns grow in the West about China's increasing military power, it is almost natural to envisage India as balancing against or containing China. Considerable attention

will also be given to Pakistan, given its close relationship to China and its role in the war on terror, in both its Afghan and its globalized terrorism aspects.

Because each country's relationship to China is different, no single model of bilateral relations will be used here, as the Table of Contents demonstrates. Particular emphasis will be placed on potential flashpoints between China and South Asian states, notably on the Himalayan border with India, Nepal and Bhutan and in the Indian Ocean. These geographic contexts further embody key issues for both China and regional states, such as energy security, sea lines of communication, and trade.

In keeping with the emphasis on the Himalayan border and the Indian Ocean, the countries are grouped first by the significance of their relationships with China (India, Pakistan), then by their position on the Himalayan border, where India and China have major territorial and security issues (Afghanistan, Nepal, Bhutan), and finally on the Indian Ocean (Bangladesh, Sri Lanka). As noted, states like the Maldives and the Seychelles are not discussed separately, but will be briefly examined in the context of Sino-Indian rivalry in the Indian Ocean in the section on India.

The primary goal of this report is to assess the interactions between South Asian states and China, their influence on the rise of the latter, China's impact on them and the way in which South Asia-China relations affect great power strategic interests. A secondary goal of the report is to provide a database of bilateral relations between regional countries and China in order to provide inputs to Phase 2 of the overall project. With this in mind, some emphasis is placed on longer-term aspects of bilateral relations, in order to provide a context for current strategic developments in South and Northeast Asia.

1.2 A Rising China

In a famous 2001 report, Goldman Sachs analysts popularized the term BRIC—Brazil, Russia, India, China—and forecast that by 2050 the combined economies of the BRICs could eclipse the combined economies of the current richest countries of the world. In a December 2009 update of the 2001 report, Goldman Sachs reported that it was possible that the BRICs could become as big as the G7 by 2032 (about seven years earlier than had originally been believed possible), that China could become as big as the US by 2027, and that the BRICs could account for almost 50 percent of global equity markets by 2050.¹ But one of the BRICs is *primus inter pares*. A report by Deutsche Bank Research in mid-2009 asserted that economically, financially and politically, China overshadowed the other BRICs and would continue to do so. Indeed, it noted that China had been outperforming the other BRICs by a wide margin over the previous thirty years and that its economy was larger than that of the three other BRIC economies combined.²

With this kind of validation, Chinese President Hu Jintao would seem to have been justified when he said that his country would become a “world power second to none.”³ In February 2010, a book by Senior Colonel Liu Mingfu, a professor at the National Defence University, urged China

¹ Jim O'Neill and Anna Stupnytska, “The Long-Term Outlook for the BRICs and N-11 Post Crisis,” *Global Economics Paper* No. 192 (London: Goldman Sachs International, 4 December 2009).

² “BRIC economies poised for growth; China to outperform peers,” *The Hindu* (8 June 2009).

³ Anand Giridharadas, “India welcomed as new sort of superpower,” *The New York Times* (21 July 2005).

to challenge the United States and become “the top power.”⁴ In a report to Congress published in February 2010, the Pentagon said that it was concerned by China’s missile buildup and increasingly advanced capabilities in the Pacific region.⁵ China’s rapid accretion of geopolitical weight—political, economic and military—at the outset of the twenty-first century ensures that other great powers will be increasingly wary in their dealings with it. In this context, China’s great power rivals in its own neighbourhood assume growing importance both to Beijing and to Washington.

China is the fourth largest country in the world, and has land boundaries totaling over 22,000 kilometres, the largest extent of any state. Equally, China has more land neighbours—fourteen—than any other country. (To these can be added maritime neighbours, such as Japan.) These physical realities alone hold the potential for conflict. Of particular concern, the boundary between China and India, much of which has not been clearly marked either on the ground or in mutually-agreed maps, has been disputed for more than half-a-century. Quite apart from border contestation, China’s strategic environment is complicated by the fact that many of its neighbours are growing in power themselves. Two of the BRICs—Russia and India—border China. Russia’s nuclear arsenal gives it enormous military potency. As for India, its population is projected to surpass that of China in twenty years, it occupies a key strategic location for China, and its military capabilities are growing.

While the Pentagon may worry about China’s growing military might, Beijing cannot be indifferent to the many security challenges confronting Asia. The Asia-Pacific region is home to four of the eight declared nuclear weapons states (India, China, Pakistan and North Korea), and is bordered by a fifth (Russia). Five of the world’s biggest armed forces are in the region (China, India, North Korea, South Korea and Japan). It also boasts major arms importers—three of the top six in 2005 (India, China and Taiwan). The overall region, and especially South Asia, has experienced high levels of both inter-state conflict and insurgency. Afghanistan has been at war for over three decades, and Pakistan has been described as the most dangerous country in the world.⁶ Two of Asia’s nuclear powers—India and Pakistan—have a sixty year record of confrontation that includes three wars, the twenty-year Kashmir conflict, and the 1999 Kargil mini-war.

It is hardly surprising, then, that China faces a complex web of inter-relationships, perhaps most particularly with South Asia. Five of China’s neighbours are in South Asia (Afghanistan,⁷ Bhutan, India, Nepal and Pakistan).

⁴ Michael Lelyveld, “Military Budget Cuts Raise Questions,” *Radio Free Asia* (15 March 2010).

⁵ Ben Blanchard, “China’s military bluster camouflages toothless bite,” *Reuters* (8 March 2010).

⁶ “The World’s most dangerous place,” *The Economist* (5-11 January 2008), cover and pp. 21-23; David Blair, “Pakistan: the world’s most dangerous country,” *Daily Telegraph* (7 October 2007); Ron Moreau and Michael Hirsh, “Where the Jihad Lives Now,” *Newsweek* (29 October 2007).

⁷ There is some dispute as to whether Afghanistan is in South Asia. Many definitions limit themselves to Pakistan, India, Nepal, Bhutan, Bangladesh, the Maldives and Sri Lanka. However, in 2005 the premier regional association—the South Asian Association for Regional Cooperation (SAARC), which was founded twenty years earlier—added Afghanistan to the seven countries just named. The Asian Development Bank also does so. Like those seven states, Afghanistan is separated from the rest of Asia by the mountain barriers that traverse the country, giving physical as well as organizational expression to country’s inclusion in South Asia.

2 India

The relationship between China and India in the 21st century has an epic quality that easily stirs the public and media imagination. Endless book, newspaper and journal titles contrast the “Dragon” and the “Tiger” (occasionally the “Elephant”).⁸ The similarities between them make for ready comparison: they both share histories of recent Western domination; they are the two most populous nations on earth, with India’s potential to surpass China having the quality of a horse race; their emergence as huge economies is quite sudden; they both demonstrate startling contrasts of wealth and poverty; they have both increased greatly in military power; and so on. And, of course, the big difference between them, an ideational one (democracy versus authoritarianism), only spices the contrast. The fact they share one of the longest borders in the world (3,380 kilometres, about the sixth lengthiest), and dispute the delineation of the frontier, further adds to the dramatic quality of the relationship.

In examining the relationship between India and China, it may be useful at the outset to outline an interesting difference in political philosophy between Indian and Chinese officials that likely conditions to some extent their differing foreign and security policies. Rollie Lal, of the Asia Pacific Center for Security Studies, interviewed senior policy-makers in the two countries between 2001 and 2005. Democratic India has had far more success than has authoritarian China in providing a political definition of national identity acceptable to the majority of citizens. As a result, the perception of sovereignty among her Indian respondents tended to be a political and economic one, whereas among Chinese interviewees it was generally a territorial and legitimizing one. Lal concluded that her Indian interlocutors wanted to uphold the sovereignty of their country’s decision-making in international political and economic arenas, in order to protect India’s ability to develop in the future and to avoid being forced into disadvantageous agreements that could hinder growth. For example, she found that for India a nuclear capability was not meant to be used in warfare but rather, in conjunction with growing economic power, to increase the country’s overall negotiating power. For Lal’s Chinese respondents, economic growth and military modernization were ultimately intended to maintain national unity and the political stability of the Communist Party. From this perspective, state sovereignty was critical for maintaining China’s territorial unity, particularly with regard to Taiwan, but also—to a somewhat lesser degree—Tibet and Xinjiang. One approach (the Indian) is more externally-focused, the other more internally.⁹

⁸ David Smith, *Growling Tiger, Roaring Dragon: India, China, and the New World Order* (Vancouver and Toronto: Douglas & McIntyre, 2008); Robyn Meredith, *The Elephant and the Dragon: The Rise of India and China and What It Means for All of Us* (New York: W.W. Norton & Company, 2008); “China v India: A Tiger Falling Behind a Dragon,” *The Economist* (June 2003); “The Tiger in Front,” *The Economist* (5 March 2005); Jing-dong Yuan, “The Dragon and the Elephant: Chinese-India Relations in the 21st Century,” *The Washington Quarterly* 30:3 (Summer 2007); Saritha Rai, “China business: The dragon eyes the tiger,” *GlobalPost* (25 May 2010); Rajeev Mantri, “Crouching Tiger, Hidden Dragon,” *The Wall Street Journal* (26 June 2009); Emrys Chew, *Crouching Tiger, Hidden Dragon: The Indian Ocean and the Maritime Balance of Power in Historical Perspective* (Singapore: S. Rajaratnam School of International Studies, 25 October 2007); in May 2010, *BBC Radio 4* ran a series entitled “Tiger v Dragon.”

⁹ Rollie Lal, *Understanding China and India. Security Implications for the United States and the World* (Westport and London: Praeger Security International, 2006), pp.4-9.

2.1 Demographic and Economic Weight

2.1.1 Population

Demographically, India's population is fast catching up with that of China. In July 2009, it was estimated to be 1.157 billion, whereas China's was estimated to be 1.339 billion. India's population growth is twice that of China (1.407 percent, compared with 0.655 percent), and it is expected to pass China within twenty years. India's is also a considerably younger population: its median age was estimated to be 25.3 years in mid-2009, compared with a median age of 34.1 years in China.¹⁰ In other Asian countries that experienced the bulge in the working-age population that is now occurring in India, the phenomenon was associated with rapid economic growth, and India looks on its growing population as a potential asset, a "demographic dividend." The ratio of the dependent population to the working-age population was about 0.6 percent in 2007; it is projected to fall to just over 0.4 percent by 2030.¹¹

2.1.2 Economy

Two centuries ago, China was slightly richer than India, but has been poorer for most of the time since then. In 1990 dollars, India's national income per head was US\$533 in 1820, US\$673 in 1913 and US\$619 in 1950; China's was US\$600, US\$552 and US\$439 respectively. In 1950, each country's share of global Gross Domestic Product (GDP) was just under 5 percent, while their share of global population was a little over 20 percent (China) and slightly under 15 percent (India).¹² A half-century later, the picture has changed dramatically. Where India had the world's ninth largest economy in 1980, it now ranks fourth and is projected to become third by 2032.

China and India are generally regarded as the success stories of globalization among large developing nations. China is typically described as becoming the "workshop" or "factory" of the world through the expansion of manufacturing production, and India as becoming the "office" of the world, in particular because of its ability to take advantage of information technology (IT)-enabled services off-shoring. The Bharatiya Janata Party (BJP) coined the slogan "India Shining" to help fight the 2004 election. The slogan referred to the widespread feeling of economic optimism in the country after plentiful rains in 2003 and the success of the IT boom. This view was not confined to India. An article in the July 2003 edition of *Foreign Policy* magazine was entitled "Can India Overtake China?" Written by Tarun Khanna of the Harvard Business School and Yasheng Huang of the Massachusetts Institute of Technology, the article concluded that India's path "may well deliver more sustainable progress than China's..."¹³

Khanna later revised his opinion of Indian companies downwards. More tellingly, Indian voters did not share the optimism of *Foreign Policy* and the sloganeers. In February 2004, Prime Minister Atal Bihari Vajpayee, the BJP leader, dissolved parliament early in the confident expectation that the economic optimism underlying "India Shining" would return him to power

¹⁰ Central Intelligence Agency, *The World Factbook* (<https://www.cia.gov/library/publications/the-world-factbook/>), accessed 31 March 2010.

¹¹ Kaushik Basu, "India's demographic dividend," *BBC News* (25 July 2007).

¹² "The great divide," *The Economist* (5 March 2005), pp. 4-5.

¹³ "The insidious charms of foreign investment," *The Economist* (5 March 2005), p. 9.

with an improved mandate. Instead, the Congress Party-led coalition was given a comfortable majority by the overwhelming mass of Indians who felt that the boom had not benefited them. In a further sign of the limits to India's economic miracle, by 2007 leftist insurgents were making their presence felt in about one-quarter of the country, leading Prime Minister Manmohan Singh to assert that Maoism had become the biggest single internal security challenge ever faced by India.¹⁴

Estimates of the incidence of poverty in the country find that it has been remarkably persistent, especially in rural India. Recent World Bank estimates put the number of absolutely poor people in India at 456 million in 2005. Worse, World Bank data suggest that the rate of poverty reduction in India is slowing. The Asian Development Bank (ADB) put the number of absolutely poor people in India even higher, at between 622 to 740 million. The ADB data give India the second highest poverty ratio (at 54.8 percent) among all the Asian countries considered by the Bank, more than twice as high as Pakistan's (at 24.9 percent). Thus, it would appear that Indian poverty reduction has been much below what would be expected given the rapidity of income growth in the past fifteen years. Both health and education indicators have lagged well below those in other countries at similar levels of development and with similar per capita incomes, and recent studies have shown alarming levels of hunger in India—indeed, the situation appears to have worsened in the recent period of rapid economic growth with national sample surveys pointing to declining per capita calorie consumption.¹⁵ Nonetheless, a recent article in *The Wall Street Journal* concluded that although India started from a lower base than China and has a lot of catching up to do, it has made greater gains than China since 2000, and is “actually outpacing China where it counts most—the economic growth of the rural poor” (the author claimed that some key socioeconomic indicators in China had actually worsened over the decade).¹⁶

2.2 Military Power

Military strength is considered one of the attributes of a great power. Demographic and (relative) economic strength enable New Delhi to maintain the world's third largest armed forces. They have also whetted India's appetite for inclusion among the leading powers, and have provided the means to implement a more ambitious security agenda. Thus, the defence budget will have increased by 50 percent in real terms between 2000 and 2009; in 2009 alone there was a 21 percent rise in the budget, thanks in considerable measure to the Mumbai terrorist attacks in November 2008.¹⁷ For well over a decade, it has been New Delhi's ambition to procure 70 percent of its military equipment indigenously, but it has fallen far short of that goal—in January 2009 the Defence Minister stated that India's defence companies were only supplying around 30 percent of the armed forces' hardware.¹⁸ As a result, India is one of the developing world's leading arms importers. In 2007 it ranked first, with US\$1.6 billion in arms deliveries, with arms transfer agreements in that year totaling US\$5 billion (in the latter category it ranked second, behind Saudi Arabia). In 2008, India ranked second in terms of deliveries, importing US\$1.8

¹⁴ George Arney, “India Rising,” *BBC* (February 2007).

¹⁵ Jayati Ghosh, “Poverty Reduction in China and India: Policy Implications of Recent Trends,” *Monthly Magazine* (9 March 2010).

¹⁶ John Lee, “India's Rising Tide,” *The Wall Street Journal* (2 July 2009).

¹⁷ International Institute for Strategic Studies, *The Military Balance 2010* (London: Routledge for the International Institute for Strategic Studies, February 2010), p. 349.

¹⁸ *The Military Balance 2010*, p. 350.

billion-worth of equipment (and concluding deals worth US\$4 billion, ranking fourth in this category).¹⁹ India's major arms purchases are projected to triple in the five-year period 2009-13.²⁰

2.2.1 Nuclear Weapons

India conducted its first "peaceful nuclear explosion" in 1974, but although it thereby became nuclear-capable, it was not until around 1989 that a nuclear weapon was actually produced, turning India into a covert nuclear power. India's nuclear tests in May 1998 appear to have been less successful than they were trumpeted as being. In 2009, Dr K Santhanam, a senior scientist involved in the tests, revealed that the single thermonuclear device tested was a "fizzle," failing to produce anything near the expected design yield. Nevertheless, the tests made overt what was already widely known, that India had joined the ranks of the nuclear weapons states.

As will be seen, there is a status element to this capability, epitomized in the belief that the possession of a nuclear arsenal is a ticket to permanent membership of the Security Council. In addition, in her interviews with Indian policy-makers, Lal found that for India a nuclear capability was intended more to increase the country's overall negotiating power than for its use in warfare. Likewise, Rajesh Basrur, a specialist on South Asian nuclear weapons, argues that nuclear weapons have never been central to Indian security thinking.²¹ He notes that Indian nuclear strategy is very low-key, reflected in its "recessed" (non-deployed) posture. Unlike the superpowers during the Cold War, India has never deployed its nuclear weapons in ready-to-use form, let alone kept them on alert. There is no evidence that even at the height of the 1999 Kargil crisis they were assembled.²²

However, India's rising international standing and economic weight have led major powers to come to terms with its status as a nuclear weapons state. This took concrete form in a joint US-India statement in July 2005 that described India "as a responsible state with advanced nuclear technology," and was made even clearer in the successful completion, in October 2008 of the US-India accord on civilian nuclear cooperation.

A recent estimate of India's nuclear weapons, by the Federation of American Scientists and the Natural Resources Defense Council puts the number at 60-80.²³ They are not believed to be fully operational under normal circumstances, and it is thought that they are stored in central storage locations rather than on bases with operational forces.²⁴ Among India's delivery systems are a range of aircraft, including Mirage 2000H, Jaguar IS, MiG-27 and Su-30 MKI, as well as a number of short- and intermediate-range missiles, including *Prithvi* and *Agni*.

¹⁹ International Institute for Strategic Studies, *The Military Balance 2009* (London: Routledge for the International Institute for Strategic Studies, January 2009), p. 453; *The Military Balance 2010*, p. 469.

²⁰ *The Military Balance 2009*, p. 334.

²¹ Rajesh Basrur, "Indian Perspectives on the Global Elimination of Nuclear Weapons," in Barry Blechman (ed.), *China and India*, second part of the series *Unblocking the Road to Zero. Perspectives of Advanced Nuclear Nations* (Washington, D.C.: Stimson Center, March 2009), p. 5.

²² Basrur, "Indian Perspectives on the Global Elimination of Nuclear Weapons," p. 6.

²³ Robert S. Norris and Hans M. Kristensen, "Nuclear Notebook: Worldwide deployments of nuclear weapons, 2009," *Bulletin of the Atomic Scientists* (November/December 2009), p. 87.

²⁴ Norris and Kristensen, "Nuclear Notebook," p. 89.

India has spent three decades trying to develop an underwater deterrent capability, the most difficult of the nuclear triad systems. In 2004, a new Indian maritime doctrine was released, which argued that “a truly independent foreign policy” was inexorably linked to “credible strategic capabilities” in the form of a submarine-based nuclear deterrent.²⁵ In July 2009 the Indian Navy’s indigenous nuclear submarine, the *INS Arihant* was launched; but it will need several years of sea trials to become operational, and the development of the nuclear-tipped missiles that can turn it into a nuclear-powered ballistic missile submarine (SSBN) is still underway. Once these programmes come to fruition, India will join the elite club of five nuclear weapon states (China among them) that have operational nuclear submarines. India is also attempting to lease an *Akula II* SSBN from Russia. The induction of nuclear submarines is seen as giving India a true blue-water status²⁶, and in this regard would complement India’s aircraft carrier programme (it is intended to build or procure three).

2.2.2 Conventional Strength

India maintains the second-largest all-volunteer force (behind the US). Approximately 85 percent of India’s military personnel are in the army, which is, of course, the service that most immediately butts up against the Chinese and the Pakistanis along the disputed borders. The army as a whole is thought to be professional and largely competent, and is capable of rapid mobilization. Thanks to its operations in Kashmir and the northeastern states, it boasts a generation of leaders with combat experience, although of the counter-insurgency variety. In addition, the Indian Army has had an extensive history of United Nations peacekeeping, where its soldiers have been valued for their professionalism. The latest US Quadrennial Defense Review asserts that India’s military capabilities are rapidly improving through increased defence acquisitions, and they now include long-range maritime surveillance, maritime interdiction and patrolling, air interdiction, and strategic airlift.²⁷

However, training has been reduced, there are critical personnel shortages (especially of junior officers and high-quality technicians in specialist units), and there have been morale problems associated with pay, lengthy operational tours and so on. Brave boasts of developing technology-centric forces have been largely unrealized, and the army suffers considerably from lack of medium artillery and modern tanks.²⁸ Political indecision, service rivalries, poor coordination, bureaucratic inertia, corruption and other problems ensure that a considerable proportion of the defence budget goes unspent each year: between 2002 and 2008, the Defence Ministry was forced to return some US\$5.5 billion of unspent funds to the Treasury.²⁹ Arms programmes are also subjected to interminable delays, for the same reasons. For instance, implementation of an ambitious plan to rationalize the field artillery is already ten years overdue.

²⁵ “A Maritime Doctrine by any other name. The Indian Navy’s Book of Reference,” *Vayu. Aerospace & Defence Review*, 2005 (http://www.vayuaerospace.in/Selected_articles/Vayu%20special/A%20Maritime%20Doctrine.htm).

²⁶ C. Raja Mohan, “India’s Nuclear Navy: Catching up with China,” *ISAS Insights* (Singapore: Institute of South Asian Studies, 20 July 2009), p. 3.

²⁷ U.S. Department of Defense (DOD), *Quadrennial Defense Review Report* (Washington, DC: Department of Defense, February 2010), p. 60.

²⁸ “India,” in Eleanor Keymer, *Jane’s World Armies* (Coulson: HIS (Global) Limited, December 2009), pp. 328-35.

²⁹ *The Military Balance 2010*, p. 349.

2.2.3 Power Projection Capacity

In late 2003, former Prime Minister A.B. Vajpayee told senior officers that India wanted to be a world power within twenty years. He directed planners to craft defence strategies that extended beyond South Asia and transcend past sub-regional mindsets.³⁰

All great powers have some offensive capability, and India's location and economic, diplomatic and strategic needs ensure that if New Delhi is to acquire such a capability, an important element of it should be naval. This is a major departure for a country whose strategic thinking has been continental and landlocked.

The navy is now setting new goals for itself as it shifts from a mainly coastal defence role to a "blue-water" one, able to project power and to respond to distant contingencies. The 2004 Maritime doctrine billed itself as "a maritime vision ... to fulfil our maritime destiny." In contrast to earlier inward-looking Indian strategies, the maritime doctrine sought to deal with "conflict with extra-regional power."³¹ The doctrine asserted that the navy's missions had global as well as regional dimensions. In 2007, Defence Minister A.K. Antony stated that "India has the potential and the capability to be a significant maritime player."³² New Delhi has begun a comprehensive programme to acquire power projection platforms, ranging from aircraft carriers to dock landing ships.

The navy's responses to the Asian tsunami (2004) and the Beirut evacuation (2006) were two examples of its new ability to project power. It emerged with credit from both. Its efficient performance in tsunami relief contrasted with the Chinese navy, which stayed at home. With its growing reach, the navy provides another asset for Indian diplomacy. The response to the tsunami, and ship visits and exercises around the Indian Ocean and beyond, all attest to New Delhi's assertion of a leading role in shaping Asian security (this topic will be discussed further in the section on Indian Ocean rivalry).

While much of India's power projection is naval, New Delhi's efforts to enhance its strategic footprint in the region have non-maritime dimensions also. For instance, in a bid to monitor China's space and military activities, India is expanding its defence and security links with Mongolia through a series of peacekeeping and jungle warfare exercises, and it is reportedly considering building early warning radars in that country. India has close relations with Tajikistan, and has refurbished a Tajik air base at Ayni. The Indian air force is also purchasing air-to-air refuelers and longer-range transport aircraft, evidence of a greater concern in India for strategic issues.³³

³⁰ Stephen Blank, "The Geostrategic Implications of the Indo-American Strategic Partnership," *India Review* 6:1 (January-March 2007), p. 15.

³¹ Vivek Raghuvanshi, "India's New Naval Ambition," *Defense News* 19:23 (7 June 2004), p. 1.

³² Vivek Raghuvanshi, "Indian Navy To Survey Islands of Mauritius," *Defense News* (18 March 2010).

³³ Brian K. Hedrick, *India's Strategic Defense Transformation: Expanding Global Relationships* (Carlisle, PA: US Army War College, Strategic Studies Institute, November 2009), p. 46.

2.2.4 Strategic Situation

During the Cold War, India did not play a significant role in the balance of power between the Soviet Union and the West, and thus the superpowers tended to take the country for granted. Thus, after President Nixon's visit to China enlisted the latter in the confrontation with the Soviet Union, India appeared "irrelevant" to Washington, and the US alliance with Pakistan to defeat the Soviet occupation of Afghanistan only reinforced Indian alienation.³⁴ After the Soviet withdrawal, South Asia came to be seen as a backwater in global security. This situation was dramatically altered with the Indian and Pakistani nuclear tests and the terrorist strikes – launched from al-Qaida's Afghan base—in 1998.

This section will assess only those aspects of India's strategic situation that are of significance to its relationship with China. Its involvement in Afghanistan is discussed in an earlier report,³⁵ and its relations with Pakistan, insofar as they relate to China, are examined below in the section on Pakistan.

2.2.5 Regional or Global Power?

Shortly after India's nuclear tests in 1998, Stephen P. Cohen stated that "India seems ready to take its place among the world's leading nations."³⁶ But for that actually to happen, India would need to "act like a major power" and the US would need to recognize how India had changed. However, at that time, Cohen confined himself to describing India as an emerging "major Asian power."³⁷ Nine years later, Cohen told an Ottawa audience that, to that point, India had been only a "bit player" when it came to issues of global order: "...other than run of the mill peacekeeping operations under UN auspices—just like Bangladesh—it shows few signs of playing a larger role."³⁸ He argued that one of the obstacles to India playing a larger role was the chronic conflict with Pakistan, which confined India to its own region.

India has many of the attributes of a great power. Its huge and growing population inhabits a country which occupies an increasingly important strategic location. It is unable adequately to feed a large proportion of its population, but it incontestably has a large and rapidly growing economy. Despite perhaps the strongest anti-incumbency political tradition in the world, along with a growing trend to multi-party coalition governments, India has successfully sustained democracy (with some brief exceptions at both national and state levels) and the rule of law for most of the six decades of independence. Militarily, India is a nuclear weapons state with a large armed forces and a growing capacity for power projection. Aided by large-scale emigration and widespread English-language skills, India's soft power assets are considerable, ranging from the highly influential diaspora in the West (and especially in the US) to the cross-cultural appeal of

³⁴ Stephen P. Cohen, "India Rising," *The Wilson Quarterly* (Summer 2000).

³⁵ Anthony Kellett, Nebojsa Bjelakovic, Ben Lombardi, Anton Minkov, Don Neill, Eric Ouellet and Christina Yeung, "The Involvement of Key States in Afghanistan. A Strategic Assessment," DRDC CORA Technical Report TR 2008-01 (Ottawa: Defence R&D Canada, Centre for Operational Research and Analysis, January 2008).

³⁶ Cohen, "India Rising."

³⁷ Cohen, "India Rising."

³⁸ Stephen P. Cohen, *Rising India has a Pakistan Problem*, presentation to the International Development Research Centre, Ottawa, 9 April 2009 (reproduced by The Brookings Institution).

Bollywood and Indian food. At the same time, India has switched from the “global utopianism” of the post-independence decades to assigning geopolitics the central position in the formulation of foreign and security policy. India’s assumption of nuclear weapons status made an impression on Asian countries, which had believed that India was not capable of pursuing a geopolitical rivalry with China.³⁹

Another test of great power status is the degree to which India influences the actions of other countries, at the global and not just the regional level. India is increasingly making its concerns felt in international fora, such as the Doha Development Round of the World Trade Organization and the UN climate change summit in Copenhagen in 2009. Another test of India’s changing international status is the willingness of the great powers to dilute some of their own policies in order to accommodate New Delhi. For instance, after expressing anger at the 1998 nuclear tests and the blow they dealt to the non-proliferation regime, most countries quickly accepted the *fait accompli*; indeed, the US has formally acknowledged India’s nuclear weapons status. Attracted by the supposed marketing opportunity of a “middle class” putatively 300 million strong, Western countries are beating a path to India’s door (often unaware that the buying power of a “middle class” Indian bears no resemblance to that of his Western counterpart). In March 2005, US Secretary of State Condoleezza Rice announced Washington’s decision to “make India a global power.”⁴⁰

Washington’s enthusiasm to promote India as a “global power,” epitomized by its willingness to undermine its own non-proliferation stance, owes a great deal to the belief in the US that India can help to “contain” China. New Delhi has shown considerable reluctance to be thus co-opted. Having escaped colonialism in 1947, India’s new leaders wanted their country to enjoy complete and uncompromising autonomy in its strategic decision-making process.⁴¹ This independence became embedded in India’s strategic “culture.” A recent study noted that “The unrelenting attempts of Indian scientists and policy-makers to ensure complete strategic autonomy are not based on ad hoc decisions made by the government of the day... India’s strategic behaviour is shaped by beliefs institutionalised over time.”⁴² The author noted that the tough stance adopted by India *vis-à-vis* the US in the negotiations over civilian nuclear cooperation reflected this cultural tradition.

Nevertheless, simply suspecting that Washington might be pursuing a containment strategy involving India is, of course, disturbing to Beijing. In purely bilateral terms, Beijing does not really perceive of India as being a direct threat to China, but its growing power does complicate China’s relations with other great powers, most notably the US. Indeed, China believes that any threat to its vital shipping route in the Malacca Strait will come from the US or Japan, rather than from India.⁴³ An American authority on Chinese grand strategy suggests that partnership with India fits with Beijing’s emphasis on cultivating relations with the world’s major powers that “fall somewhere between those of traditional allies or adversaries.” But it also conforms to Beijing’s

³⁹ Ashok Kapur, *India—From Regional to World Power* (London and New York: Routledge, 2006).

⁴⁰ “Why the United States Promotes India’s Great-Power Ambitions,” *Monthly Review* 57:10 (March 2006).

⁴¹ Even *in extremis*, during the 1962 war, Prime Minister Jawaharlal Nehru showed the greatest reluctance to invoke American help.

⁴² Rudra Chaudhuri, “Why Culture Matters: Revisiting the Sino-Indian Border War of 1962,” *The Journal of Strategic Studies* 32:6 (December 2009), p. 866.

⁴³ Jonathan Holslag, “The Persistent Military Security Dilemma between China and India,” *The Journal of Strategic Studies* 32:6 (December 2009), pp. 831-32.

strategic interest in trying to head off any American attempt to co-opt India should Washington decide to try and encircle and contain China.⁴⁴

A startling contrast to this increased global standing is India's patent inability to influence some of its neighbours, notably Pakistan and Sri Lanka. Equally, American willingness to promote the great power ambitions of another country reflect the belief in Washington that India's ability to project power without US assistance is limited and thus that India poses little threat to the US for the foreseeable future. In 2003, Vajpayee reportedly confessed that strategic partnership with the US was essential to his twenty-year program to attain great power status; "otherwise India's ability to project power and influence abroad anywhere would be greatly compromised."⁴⁵ The fact that Vajpayee believed his project needed American assistance and two decades to come to fruition is indicative of self-doubt among Indian leaders about their nation's international clout.

Cohen contends that India's strategic weight and its military power have been misjudged, and that the country has failed to capitalize on its real assets, which are its great cultural and economic power, not its strategically dysfunctional army and its nuclear arsenal.⁴⁶ For Cohen, India may be the dominant power in South Asia, but that says relatively little, given the lack of integration in the region and the weakness of regional states, and India's efforts to become an extra-regional power are too often and easily sabotaged by Pakistan. Of the eight regional countries, two (Afghanistan and Pakistan) ranked among the top ten candidates for state failure in *Foreign Policy's* failed states index for 2009 (7 and 10 respectively), while three more (Bangladesh, Sri Lanka and Nepal ranked among the top 25 (19, 22 and 25 respectively). Bhutan ranked number 48, the Maldives number 81 and India number 87 (China was at number 57, being pulled down by demographic pressures and uneven development).⁴⁷

2.3 Status Concerns

Conscious of its magnificent civilizational heritage, India has wanted to be a global power since independence, but for most of that time has substituted rhetoric for real weight in the international system. Outside observers sometimes made the same mistake as impatient Indians. A 1978 *Fodor* guide book stated that "India has rocketed from a backwater colony into the forefront of the world's leading nations."⁴⁸ In December 2004, the National Intelligence Council in the US compared the emergence of China and India in the early-21st century to the rise of Germany in the 19th century and that of the US in the 20th.⁴⁹

Hitherto the reality has been less flattering to national ego. Stephen P. Cohen contends that "In the past, India was a less-than-great power attempting to act like a great one, which sometimes made it look foolish."⁵⁰ With this background, Cohen wonders whether India will emerge as a

⁴⁴ Avery Goldstein, *Rising to the Challenge. China's Grand Strategy and International Security* (Stanford: Stanford University Press, 2005), p. 172.

⁴⁵ "Why the United States Promotes India's Great-Power Ambitions."

⁴⁶ Cohen, *Rising India has a Pakistan Problem*.

⁴⁷ "The Failed States Index 2009," *Foreign Policy* (July/August 2009) (http://www.foreignpolicy.com/articles/2009/06/22/2009_failed_states_index_interactive_map_and_rankings).

⁴⁸ George Arney, "India Rising," *BBC* (February 2007).

⁴⁹ "The tiger in front," *The Economist* (5 March 2005), p. 3.

⁵⁰ Cohen, "India Rising."

great power, or will remain “forever arriving.” In Cohen’s view, “until very recently the self-identity of India’s elite was that they were citizens of a loser state,” and he noted that those who were able to do so emigrated to more promised lands.⁵¹

Nonetheless, the drumbeat of assertion about India’s global standing is becoming louder. Lately, both France and the United Kingdom have expressed a desire to expand the G8 to include five developing countries, referred to as the “Outreach Five” or the “Plus Five:” India, China, Brazil, Mexico and South Africa. These countries have participated as guests in G8 meetings.

With this background, it would not be surprising to find a degree of jingoism in Indian opinion and behaviour. In 2001 Rollie Lal interviewed Manmohan Singh (who was then an opposition politician), and he told her “...we interpret India’s nationalism as an aspiration which is deeply shared in India that India should become a major global power considering its natural resources, mineral resources, human resources, and civilizational heritage.”⁵²

The Indian historian Ramachandra Guha has observed that in recent years there has been much talk in the Indian press with regard to the country’s imminent arrival as one of the world’s superpowers:

These anticipations of India’s rise to greatness were most powerfully expressed in...New Delhi and Bangalore. Politicians and journalists in the former city, and businessmen in the latter, were in a visible mood of self-congratulation. Long beset by an inferiority complex vis-a-vis the West, they thought that India’s democratic credentials and information technology boom would now jointly ensure that at places such as the World Economic Forum in Davos, they would be treated with as much respect—not to say reverence—as leaders, entrepreneurs and editors coming out of Paris, Berlin, London or (especially) New York.⁵³

During 2007 and 2008, Guha said that he heard talk of “India as an emerging superpower” all around him, both in India and in the US. In fact, he thought that non-resident Indians played a major role promoting this vision of global greatness. A poll conducted by a German foundation in 2007 found that 79 percent of Indians believed that their country would be a ‘world power’ by 2020, whereas only 29 percent of respondents from eight other nations believed the same. A report on the survey in an Indian newspaper was revealingly entitled “We Will Be Better Than US: Indians.”⁵⁴

Since the economic surge of recent years had played a major role in this mood of national self-congratulation, the recession which began in 2008 dented the hubris, and Guha observed that through the winter of 2008-09, the mood in the press, the political class and the business elite was more sombre than it had been in recent years. However, the onset of recovery “led to the renewal of the idea that India, and Indians, are on the verge of claiming world leadership. Once more, the

⁵¹ Cohen, *Rising India has a Pakistan Problem*.

⁵² Lal, *Understanding China and India*, p. 103.

⁵³ Ramachandra Guha, “Superpower fantasies,” *India Together* (13 September 2009).

⁵⁴ Basrur, “Indian Perspectives on the Global Elimination of Nuclear Weapons,” p. 10, fn.

“S” word has begun to appear in conversations in television studios and private living rooms alike.”⁵⁵

India is anxious to acquire the global standing and respect now enjoyed by China, and which it feels accrues to the acquisition of a permanent seat in the UN Security Council. All five of the permanent members of the UN Security Council are nuclear weapons states, and now that India has acquired the latter status, it feels that the former should also accrue to it. The successful conclusion of the US-India deal on civilian nuclear cooperation goes part-way to conferring a sense of belonging in that top-tier group.

New Delhi also feels that India’s major role in UN peacekeeping entitles the country to consideration for a permanent seat on the Security Council. India is amongst the longest serving and the largest troop contributors to UN peacekeeping activities. As of August 2008, more than 100,000 Indian troops, observers and police officers had participated in 43 out of the 63 peacekeeping operations and observer missions that had been mounted since the inception of the UN;⁵⁶ 126 Indian nationals had been killed while serving in UN peacekeeping operations.⁵⁷ In 2005, Manmohan Singh argued that India’s size, its role in the world, its economy and its contribution to UN peacekeeping all made it a very strong contender for permanent membership.⁵⁸

India now appears likely to be elected to a two-year term as a non-permanent member of the Security Council, starting at the beginning of 2011. Such election would be a marked contrast with the situation thirteen years ago, when India last tried for a seat and was humiliatingly trounced by Japan. This setback is thought to have so traumatized New Delhi that for close to a decade it became reluctant to involve itself in elections at the UN. However, in the last few years, India’s emergence as a growing power has been accompanied by its acquisition of posts in the world body.⁵⁹

Indian nationalism, and in particular the jingoism of the media, plays a significant role in perceptions of China and the putative threat it poses to India. The suspicion and the bruised national ego associated with it owe a great deal to the Sino-Indian War of 1962. The two countries did not resume diplomatic relations until 1976, but the blow to the Indian psyche was far more lasting. Indian references to the war still refer to the humiliation it inflicted on the

⁵⁵ Guha, “Superpower fantasies.”

⁵⁶ In contrast, since its first dispatch of military observers to UN peacekeeping operations in 1990, China has sent some 3,400 military personnel to 13 UN peacekeeping operations. As of 30 April 2010, China fielded 1,928 military observers and troops on UN peacekeeping missions, compared with 8,054 for India (and 9,810 for Pakistan and 8,612 for Bangladesh). Revealingly, of the five troop contingents deployed by China on UN duty in April 2010, four were in Africa, two in Sudan; of the 1,884 personnel involved, 82 percent were in Africa, 41 percent in Sudan. It may be noted that if a significant contribution to UN peacekeeping should be an important factor in obtaining a seat on the Security Council, as India implies, then Pakistan and Bangladesh are as equally deserving of one as India.

⁵⁷ *United Nations Peacekeeping and India’s Contribution* (New Delhi: Ministry of External Affairs, UNP Division, August 2008) (<http://www.indianembassy.at/content/multilateral/documents/UNPKandIndiascontribCorrectedVersion2008.pdf>).

⁵⁸ N.K. Pant, “India and UN Security Council seat,” *India Daily* (8 April 2005).

⁵⁹ “UN Security Council seat for India within reach,” *News of Ap* [Andhra (Pradesh) News Portal] (21 February 2010).

country. Forty years after the 1962 Sino-Indian War, a retrospective assessment referred to India's "humiliation" and argued that the wounds from the conflict had not been forgotten.⁶⁰ For instance, in late 2009 an article on air force readiness baldly stated that the Indian armed forces were humiliated by Chinese forces in the short but bloody war.⁶¹ John W. Garver, an American academic who specializes in China's foreign relations, contends that there exists in Indian military culture a desire for payback against China, which would someday erase the humiliation of 1962. He argues that the trauma impelled New Delhi into close strategic alignment with the Soviet Union in the 1960s and 1970s, and even in the 2000s has been "a remote but distinct factor" in India's development of a military partnership with the US.⁶²

Compounding the sense of humiliation has been the view among Indians that their country is treated "with some contempt" by China.⁶³ Kapur claims that Chinese leaders in the 1970s made no serious study of India "and dealt with it on the basis of contempt rather than knowledge"⁶⁴, and that in the late 1990s Beijing still expected New Delhi not to project India as the equal of China. An American specialist on China wrote that his Chinese interlocutors during visits to Beijing in 1998 and 2000 "often expressed rather skeptical, even dismissive, views of India's prospects."⁶⁵ Some Indians still resent what they regard as a Chinese sense of superiority. For instance, Brigadier Arun Sahgal, of the United Services Institution of India, argues that any attempt at engagement between the two powers "will always be on Chinese terms with India a junior partner."⁶⁶

2.4 Relationship with China

The strong urge in both India and China to strut their stuff on the world stage is a shared reaction to the humiliation each felt at their subjection to external and Western domination for much of their recent history:

...they share a sense of 'inferiority to the power of the Western alliance.' Like China, India has long harbored a deep sense of denial of its rightful world status by the US-led great power coalition.⁶⁷

In such circumstances, competition would seem to be a natural corollary to two large countries finally asserting their place in the sun. As one senior official in India's Ministry of External

⁶⁰ "Remembering a War. The 1962 India-China Conflict *Rediff.com*, 26 December 2002 (<http://www.rediff.com/news/indochin.htm>).

⁶¹ "Repeat of 1962 India-China war not possible: IAF chief," *Thaindian News* [Thailand] (1 October 2009).

⁶² John W. Garver, *China's Decision for War with India in 1962*, p. 64 (<http://www.people.fas.harvard.edu/~johnston/garver.pdf>); reproduced from Robert S. Ross and Alastair Iain Johnston, *New Directions in the Study of Chinese Foreign Policy* (Stanford: Stanford University Press, 2006).

⁶³ Bill Emmott, *Rivals. How the Power Struggle Between China, India and Japan Will Shape Our Next Decade* (Orlando: Harcourt Publishing Company, 2008), p. 143.

⁶⁴ Kapur, *India—From Regional to World Power*, p. 165.

⁶⁵ Goldstein, *Rising to the Challenge*, p. 168.

⁶⁶ Emmott, *Rivals*, p. 61.

⁶⁷ Yong Deng, "Remolding Great Power Politics: China's Strategic Partnerships with Russia, the European Union, and Russia," *The Journal of Strategic Studies* 30:4-5 (August-October 2007), p. 889.

Affairs put it in an interview in March 2007, “The thing you have to understand is that both of us think that the future belongs to us. We can’t both be right.”⁶⁸

That shared sense of victimhood ensured that during the 1950s India and China were well-disposed to each other—the Indians coined the phrase *Hindi-Chini bhai-bhai* (“Indians and Chinese are brothers”) to denote it. Yet even at that time of apparent amity—which owed much to Nehru’s reluctance to confront China—there were border skirmishes. As noted, these developed into full-scale fighting in 1962, and diplomatic relations were not resumed until 1976. In 1988, Prime Minister Rajiv Gandhi reversed previous Indian policy when he decided that bilateral cooperation in various areas could move forward even while the two sides disagreed on the territorial issue, opening the door to the gradual improvement in relations during the 1990s.

Yet despite periodic upsets, often accompanied by jingoistic rhetoric, Lal concluded from her interviews that the two countries were moving closer, and resolving some of their differences.⁶⁹ The Indian nuclear test in 1998, and the attempt to justify it on the basis of China being a serious potential threat, was galling to China because it came at a time of improving Sino-Indian relations, and it had the effect of temporarily stalling that *rapprochement*. However, both sides soon began a renewed push to improve relations. In this, Beijing was motivated by fear at the possibility of being trumped by the US, which had been quick to set aside its anger with India for its nuclear test. In 2003, India formally accepted Chinese sovereignty in Tibet, and China implicitly recognized Indian control over Sikkim. During a 2005 visit to Beijing, Vajpayee insisted that India did not regard China as a foe, while he did acknowledge that there were areas of disagreement.⁷⁰

Even the military got in on the act. The two armed forces started to mend fences in 1990, beginning with officer exchanges. Although these were curtailed following the 1998 nuclear tests, they were resumed a year later. Sino-Indian defence ties were institutionalized in 2007 with the establishment of an Annual Defence Dialogue and in December 2007 the two armies participated in a joint exercise for the first time. India and China have conducted three bilateral defence exercises since 2007, including two maritime search and rescue exercises.

On the whole, the bilateral relationship has been cautious and understated—when compared with Sino-Russian ties, for example—with a greater emphasis on technological and economic than on political cooperation.⁷¹ In her interviews, Rollie Lal found that the growing economies of China and India were seen to be a critical factor in drawing India and China together. As for India’s long-held ambition of acquiring a permanent seat on the UN Security Council, New Delhi has not forgotten the rejection by the China-dominated Shanghai Cooperation Organization (SCO) in 2005 of the “Group-of-Four” formula for Security Council expansion.⁷² China has so far avoided declaring its support for India, and has tended to evade the issue by backing a bigger role for New Delhi in international affairs. In April 2010, India pressed China to review this stance to coincide with the 60th anniversary of diplomatic relations.

⁶⁸ Emmott, *Rivals*, p. 16.

⁶⁹ Lal, *Understanding China and India*, p. 133.

⁷⁰ Goldstein, *Rising to the Challenge*, p. 171.

⁷¹ Deng, “Remolding Great Power Politics,” pp. 889-90.

⁷² Mohan Malik, “The Shanghai Cooperation Organization,” in Sumit Ganguly, Andrew Scobell and Joseph Chinyong Liow (eds.), *The Routledge Handbook of Asian Security Studies* (London and New York: Routledge, 2010), p. 78.

As China's actions with regard to the Security Council show, the two countries are jealous of their own turf. For example, India has prevented China from joining the South Asian Association for Regional Cooperation (SAARC). In turn, Beijing frowns upon any Indian attempt to secure full SCO membership (it has observer status) without New Delhi lifting its bar on Chinese membership in SAARC.

2.4.1 Who Influences India's China Policy?

When it comes to relations with China, there seem to be several different varieties of opinion in India. For the purposes of this report, three different groups will be assessed to judge their influence in setting the bilateral agenda from India's side: officials, the security community, and the media.

2.4.1.1 Officials

In her interviews with Indian policy-makers, Rollie Lal found a growing recognition among her respondents in both countries that their national interests can be compatible and that, although points of disagreement remain, there is an absence of fundamental differences between them. The growing economies of China and India were seen to be a critical factor in drawing India and China together.

Lal also found that the "vast majority" of her Indian respondents did not view China as a serious threat. Those of her respondents who mentioned China in the context of threat mainly referred to its transfer of weapons technology to Pakistan.⁷³ She noted that, when asked, many leading officials and scholars in both countries believed that the remaining bilateral disputes regarding the borders and Tibet were not worth a war.⁷⁴ When the media get carried away with sensationalist stories about China's aggressive intentions, it often falls to military and civilian officials to try to calm things down. In mid-September 2009, stories and opinion in the more hawkish television stations and newspapers in India, with regard to alleged cross-border intrusions by Chinese troops, made it seem as if the two countries were at each other's throats. The hullabaloo prompted a spate of official denials, from the Indian Ministry of External Affairs, the Border Guards and even the Indian Air Force, which insisted that there had been no clashes and no violations of Indian air space. A senior Indian official told the BBC that "Nothing has changed on the ground between the two countries. I just can't understand the reasons for this hysteria."⁷⁵ A Paris-based authority on the Indian navy and maritime strategy recently commented that there seems to be an increasing disconnect between strategic commentary and official declarations.⁷⁶

While officials naturally play a key role in the foreign and security policies of India and China, and hence in shaping the bilateral relationship, on the Indian side there are institutional weaknesses in the foreign policy establishment that allow other, often less level-headed, bodies of opinion to influence the public and thus exert pressure on the government with regard to China. A recent analysis of India's foreign policy "software"—the intellectual and institutional

⁷³ Lal, *Understanding China and India*, p. 100.

⁷⁴ Lal, *Understanding China and India*, p. 131.

⁷⁵ Amit Baruah, "China bashing' in the Indian media," *BBC News* (16 September 2009).

⁷⁶ Iskander Rehman, "China's String of Pearls and India's Enduring Tactical Advantage," *IDS Comment* (New Delhi: Institute for Defence Studies and Analyses, 8 June 2010).

infrastructure needed to exercise power on the international scene—found that it is too often underdeveloped, decaying or starved of resources: “In particular, India’s diplomatic service, think-tanks and universities are not yet up to the task of managing an agenda befitting a great power.”⁷⁷ The Indian foreign service is remarkably small, with 669 professional diplomats (China has 4,500 but does not distinguish between professional and second-tier personnel, and Singapore has nearly 500 foreign service officers).⁷⁸ As will be seen, the Indian press made a great hullabaloo about China’s alleged role in the Maoist government in Nepal deciding to up the ante against the Nepalese army in May 2009. There was no evidence that China did so, and it is worth noting that the International Crisis Group has reported that the Indian embassy in Kathmandu is thinly staffed and narrowly focused;⁷⁹ thus, it may be surmised that there are few checks on media hyperbole over Nepal.

2.4.1.2 Security Community

Jonathan Holslag, the head of research at the Brussels Institute of Contemporary China Studies, has observed that civilian experts on Sino-Indian relations who tend to be more suspicious dominate the news media, in India particularly.⁸⁰ As might be expected military analysts are no different, especially retired officers attached to defence institutes. Retired Brigadier Arun Sahgal refers to China’s incursions in the Indian Ocean (to be discussed below) as China’s “strategy of concirclement.”⁸¹ Retired Lieutenant-General Harwant Singh has drawn attention to China’s potential to damage vital Indian interests, including through the diversion of major rivers that originate in Tibet (see below in the section on border disputes).⁸² And finally, in May 2009 the former chief of the Indian Air Force, retired Air Chief Marshal Fali Homi, told a prominent Indian newspaper that China posed a greater threat than Pakistan.⁸³

2.4.1.3 Media

The study of India’s foreign policy “software” observed that India’s newspapers now play “a primary role in foreign policy debate.”⁸⁴ The “sensational reporting” of India’s “hyper-active” media has been blamed for some of the bilateral friction on the border issue, particularly in late 2009 and early 2010: “India’s young and inexperienced TV media anchors are full of jingoistic drumbeat and are adept at prompting unwary Indian officials into giving statements they later regret.”⁸⁵ The media have been accused of irresponsible reporting on a range of issues,⁸⁶ and top

⁷⁷ Daniel Markey, “Developing India’s Foreign Policy ‘Software’,” *Asia Policy*, No.8 (July 2009), p. 75.

⁷⁸ Markey, “Developing India’s Foreign Policy ‘Software’,” p. 83.

⁷⁹ International Crisis Group (ICG), “Nepal’s Future: In Whose Hands?” *Asia Report* No. 173 (Kathmandu/Brussels: ICG, 13 August 2009), p. 22.

⁸⁰ Jonathan Holslag, “The Persistent Military Security Dilemma between China and India,” *The Journal of Strategic Studies* 32:6 (December 2009), p. 836.

⁸¹ Emmott, *Rivals*, p. 61.

⁸² Dr Maqbool Ahmad Bhatti, *China’s Peaceful Rise and South Asia*, IPRI Paper 13 (Islamabad: Islamabad Policy Research Institute, August 2008), p. 71.

⁸³ Edward Wong, “Uneasy Engagement. China and India Dispute Enclave on Edge of Tibet,” *The New York Times* (3 September 2009).

⁸⁴ Markey, “Developing India’s Foreign Policy ‘Software’,” p. 83.

⁸⁵ Daniel Wagner and Subhash Agrawal, “The State of Indian-Sino Relations,” *The Huffington Post* (11 February 2010).

⁸⁶ Wagner and Agrawal, “The State of Indian-Sino Relations.”

officials and the army chief have apparently blamed the “testosterone-driven” media for “sexing up” the China threat.⁸⁷

The example of Nepal has been noted above. Another is the Brahmaputra water diversion issue, discussed below. Apparently, the media have also been reporting “growing evidence” of Chinese support of insurgent groups in India’s northeastern states. There have been recent reports of Chinese arms reaching the rebels, and of rebel leaders entering China. The hint of collusion from Beijing has been rebutted by the Indian corps commander in the area, who stated “we do not have any evidence of the involvement of official agencies of China in the arms deals.”⁸⁸ According to Cohen, China supported Naga separatists and other irredentists in India for many years,⁸⁹ but it seems to have discontinued the practice in the early 1980s.⁹⁰ In the context of putative Chinese incursions in Arunachal Pradesh, it would be tempting for a media used to detecting the machinations of a “foreign hand”⁹¹ to attribute the rebels’ alleged acquisition of Chinese-made weapons to deliberate policy on the part of the Chinese government.

With these very varied groups of opinion-makers, it is perhaps not surprising that a calm official view might be swamped by excitable media commentary or the jeremiads of members of the security “industry,” with regard to China’s alleged activities on the Tibetan plateau, in Nepal, in Pakistan, in the Indian Ocean, and elsewhere.

2.4.2 Border Disputes

China borders more countries⁹² than any other state. Naturally, this has resulted in a considerable number of territorial conflicts. Yet China has settled fourteen of its sixteen border disputes peacefully, largely through offering substantial compromises to its neighbours in return for their cooperation in helping it to strengthen its control over these frontier areas.⁹³ The two unresolved disputes are along China’s Himalayan border with South Asia: India and Bhutan. In contrast, a recent analysis of Sino-Indian rivalry wryly observed that “Where India has not followed China’s example is in clearing up troubles and tensions around its borders.”⁹⁴

⁸⁷ Manish Chand, “Why the China threat story sells in India (Comment),” *Thaindian News* [Thailand] (22 September 2009).

⁸⁸ “India’s Arunachal Pradesh: Insurgent Overflows—South Asia Intelligence Review,” *Arunachal News* (17 February 2010); Samudra Gupta Kashyap, “Chinese arms, porous border worry Army,” *Indian Express* (19 October 2010).

⁸⁹ Cohen, *Rising India has a Pakistan Problem*.

⁹⁰ India, in its turn, supported the Tibetan cause (as also it backed Bengali rebels in East Pakistan and Tamils in Sri Lanka).

⁹¹ For instance, a seminar given in 2000 by a New Delhi-based think-tank attributed the alleged anti-Indian attitude of the Nepalese Maoists “to instigation by the foreign hand...” with a not too subtle hint that that hand was Chinese (“The Future of India-Nepal Relations: Problems and Prospects,” seminar organized by the Institute of Peace and Conflict Studies, 16 November 2000).

⁹² Fourteen, counting its two widely-separated borders with Russia as one.

⁹³ Robert J. Art, “The United States and the Rise of China,” in Robert S. Ross and Zhu Feng (eds.), *China’s Ascent. Power, Security, and the Future of International Politics* (Ithaca and London: Cornell University Press, 2008), pp. 279-80.

⁹⁴ Emmott, *Rivals*, p.172.

The boundary dispute between China and India is neatly demonstrated in Google Maps. China's version of Google Maps shows part of Arunachal Pradesh as being inside China's borders. In contrast, the Indian version of Google Maps depicts the state as part of India. The global version of Google Maps shows Arunachal Pradesh as disputed territory.⁹⁵ These differences are important, given the historical propensity of boundary disputes to lead to conflict.

The dispute, which actually traces back to the 1914 Simla Accord and the McMahon Line associated with it, led to war between China and India in 1962. The two countries have been negotiating their border disagreement since 1981, making them the lengthiest boundary talks in modern history. Between April 2005 and September 2009, India and China went through 13 rounds of bilateral negotiations over the border issue, with little result. As a leading American expert on China's borders put it, "The China-India border has got to be one of the most continuously negotiated borders in modern history. That shows how intractable this dispute is."⁹⁶ In his survey of regional rivalry, published in 2008, Bill Emmott (a former editor of *The Economist*) took a relatively sanguine view of the dispute, claiming that the two sides regarded it as no big deal, with the consequence that there is no urgency to reach an agreement on the issue.⁹⁷ Nevertheless, the border remains in contention, and has inflamed relations more than Emmott would have anticipated just two years ago. In the words of an India specialist at the China Institute of Contemporary International Relations in Beijing, "The entire border is disputed. This problem hasn't been solved, and it's a huge barrier to China-India relations."⁹⁸

The dispute over the border could have been resolved a half-century ago. In 1960, China offered India a compromise: India could keep the disputed territory that later became the state of Arunachal Pradesh, in return for China retaining the disputed territory in Aksai Chin. This offer would have entailed India taking 68 percent of the total area under contention. The offer was refused, but was repeated in 1980. In neither case was the proposal formalized, and it was withdrawn by Beijing in 1980. Ironically, by 2000 New Delhi was prepared to settle the issue along the lines suggested by China in 1960 and 1980, but by then Beijing was unwilling to entertain the idea of a swap.⁹⁹ Thus, the informal Line of Actual Control (LAC), which was first proposed by China in 1959 and covers the whole of the China-India border, remains the status quo solution.¹⁰⁰ In 1993, the two sides signed an agreement on maintaining peace and security along the LAC. In November 1996, President Jiang Zemin visited India—the first visit to the country by a Chinese head of state since the two established diplomatic relations in 1950—and during his stay the two sides signed an agreement on confidence-building measures along the LAC, Article II of which stated that "No activities of either side shall overstep the line of actual

⁹⁵ John Ribeiro, "Google Placates India, China With Different Map Versions," *PC World* (23 October 2009).

⁹⁶ Edward Wong, "Uneasy Engagement. China and India Dispute Enclave on Edge of Tibet," *The New York Times* (3 September 2009).

⁹⁷ Emmott, *Rivals*, p. 250.

⁹⁸ Wong, "Uneasy Engagement."

⁹⁹ John W. Garver, "Sino-Indian security relations," in Sumit Ganguly, Andrew Scobell and Joseph Chinyong Liow (eds.), *The Routledge Handbook of Asian Security Studies* (London and New York: Routledge, 2010), p. 126.

¹⁰⁰ Bruce Riedel and Pavneet Singh, "U.S.-China Relations: Seeking Strategic Convergence in Pakistan," *Policy Paper* number 18 (Washington, D.C.: The Brookings Institution, January 2010), p. 12.

control.”¹⁰¹ Between them, these accords effectively gave legal recognition to the term Line of Actual Control.

As will be further seen in the discussion of Nepal (below), China’s primary concern along its Himalayan border with South Asia is the security of Tibet. Once China had asserted its control over Tibet, it did not regard the area as a major security issue until the late 1980s, when serious dissent began to rock the region. At the beginning of 2009, a Chinese Defence Ministry spokesman stated that “...Tibetan independence and other separatist forces form a major security threat to the unity of the nation and a challenge to our security organs.”¹⁰²

The bickering between India and China over the border owes a great deal to the Tibet issue, which appears to be far more of a concern now for Beijing than it was in 1962, probably largely because of the severe ethnic unrest that occurred in Tibet on the eve of the Beijing Olympics in 2008. (The rioting in Urumqi in July 2009 has added to Beijing’s sensitivity about insecurity on China’s periphery.) There are more than 125,000 Tibetan refugees in India, and Beijing sees them as a source of unrest, alleging that the Dalai Lama and his supporters in India send saboteurs and terrorists into Tibet.¹⁰³ In March 2008, refugee protesters tried to march on the border, but were prevented by India, earning New Delhi the gratitude of China. Similar protests by Tibetan refugees in Nepal added to the public relations setback for China. Beijing also fears that the Indo-Tibetan Border Police, an Indian-officered but Tibetan-manned frontier force, first raised in 1962 and now numbering some 36,000 personnel, could be used to undermine Chinese rule in Tibet, although it is no longer deployed in close proximity to the border. It has been claimed that the soldiers of this formation have been lured to military service by the thought of one day fighting China.¹⁰⁴

Therefore, in Garver’s view, Beijing wants to keep India “sober” on the Tibetan issue while at the same time making it clear that it can chastise New Delhi if it interferes in Tibetan affairs.¹⁰⁵ In actuality, India has been relatively “sober” with regard to Tibet. It declined to support Tibet in late 1950 when the Chinese invaded, and New Delhi has long accepted that Tibet is part of China (India formally accepted Chinese sovereignty in Tibet in 2003). New Delhi’s choice of a refuge in Himachal Pradesh for the Dalai Lama in 1959 was based on its relative remoteness from the nearest railway line and from the foreign media. An American expert on Tibet has pointed out that during periods of unrest there, India has done nothing along the border to exploit China’s problems.¹⁰⁶

The presence in India of the Dalai Lama, with his global reputation, and also of one of the most revered shrines of Tibetan Buddhism, makes the China-India border issue more pressing for Beijing than is the China-Nepal one. As will be seen, China has gone to considerable lengths to

¹⁰¹ Pobzeb Vang, *Five Principle of Chinese Foreign Policy* (AuthorHouse, 2008), p. 185 (http://books.google.com/books?id=TvXIFsxmJiMC&pg=PA165&source=gbs_toc_r&cad=6#v=onepage&q&f=false)

¹⁰² Elliot Sperling, “The Tibet question and security in Asia,” in Sumit Ganguly, Andrew Scobell and Joseph Chinyong Liow (eds.), *The Routledge Handbook of Asian Security Studies* (London and New York: Routledge, 2010), p. 61.

¹⁰³ Mohan Malik, “War Talk: Perceptual Gaps in ‘Chindia’ Relations,” *China Brief* (Jamestown Foundation) 9:20 (7 October 2009).

¹⁰⁴ Sperling, “The Tibet question and security in Asia,” p. 66.

¹⁰⁵ Garver, “Sino-Indian security relations,” p. 133.

¹⁰⁶ Sperling, “The Tibet question and security in Asia,” p. 70.

curtail the movement of Tibetans across the Nepalese border, and the refugee population in Nepal is much smaller than that in India. Of particular concern to Beijing, with regard to the Indian border, is the monastery in Tawang, in the state of Arunachal Pradesh. It is expected that this monastery which will play a key role in the succession to the 74-year old Dalai Lama, a process over which Beijing is keen to assert control.

During the 1962 war, the Chinese captured Tawang, and held it for some six months before withdrawing voluntarily. In recent years, China has occasionally voiced its claims on Tawang, on the grounds that it has a sizable Tibetan population and was previously a part of Tibet. The acquisition of Tawang would be strategically highly advantageous for China, by placing Bhutan between two southward-stretching Chinese salients. Bhutan is a de facto Indian protectorate and a key element of India's defensive plan.¹⁰⁷ Bhutan's primary road, the east-west highway, was started in 1962, and with Indian aid; New Delhi envisaged the strategic possibilities of such a road in the event of a Chinese invasion. The western end of the road is maintained by Indian army engineers, and Indian labourers are housed at work camps in the mountain passes to be dispatched to clear the roads in the event of road blockage. India is able to access its seven northeastern states through the Siliguri corridor (the "chicken's neck"), which is 25-km at its widest. Chinese troops located around the Chumbi valley—the best pass in the Himalayas—are only 85-km from the Siliguri corridor, and scattered along the Chumbi-Lhasa road are the heaviest concentrations of People's Liberation Army (PLA) forces and bases in Tibet.¹⁰⁸ Since, as will be seen, New Delhi cannot rely on obtaining access to its vulnerable northeastern states through Bangladesh, Chinese possession of Arunachal Pradesh would render the entire region, with a population of over 38 million, virtually indefensible for the Indians.

In these circumstances, it is no surprise that India has rebutted Chinese claims and the Indian prime minister has stated categorically that Tawang is an integral part of India.

Just before Chinese President Hu Jintao visited India in 2006—the first such visit for a decade—the Chinese ambassador in New Delhi outraged Indians by stressing that China claimed the whole of Arunachal Pradesh, not just part of it. A few months later, in May 2007, a "confidence-building" visit to China by more than one hundred Indian officials was cancelled after Beijing refused one of them a visa, on the grounds that it was unnecessary, given that he was from Arunachal Pradesh. The Indian Prime Minister reiterated India's claim to Tawang when he met his Chinese counterpart in Thailand in October 2009.

During the late 1990s, New Delhi did not permit the Dalai Lama to visit Arunachal Pradesh or any area contested by China, and in November 2008, the Indian government denied permission to the Dalai Lama to visit Tawang, reportedly under pressure from China. Even the Prime Minister stayed out of the state for a dozen years after 1996. Yet within two weeks of Manmohan Singh visiting Beijing in mid-January 2008, the Prime Minister visited Arunachal Pradesh. Two weeks after that event, Beijing expressed its dissatisfaction with it. Within another two months Tibetan protests in Tibet, Nepal and India attracted international attention, to the mortification of the Chinese government on the eve of the 2008 Beijing Olympics. Less than three weeks after the conclusion of the Games, it was announced that the Dalai Lama planned to visit Tawang in mid-November (the visit was not officially confirmed by an official of the Tawang district until 26

¹⁰⁷ Garver, "Sino-Indian security relations," p. 127.

¹⁰⁸ Garver, "Sino-Indian security relations," p. 128.

October). Three weeks after the September announcement, Manmohan Singh was back in Arunachal Pradesh. This time China was somewhat quicker with its expression of annoyance. India rejected the Chinese objection, saying that the Dalai Lama was an honoured guest in India and could visit any place in the country, and he was welcomed by the Chief Minister of the state. In this case, India's stance was less conciliatory towards Chinese concerns than it had been in March 2008 during the Tibetan protests.

It was in this climate of tender Chinese sensitivities vis-à-vis Tibet and the border, and of increased militancy among expatriate Tibetans, that at about the time of the initial announcement of the Dalai Lama's visit the Indian media started to report an increase in incursions by Chinese troops. Although critics of Indian media sensationalism swiftly denounced the "silly season in India-China relations," and pointed to government and military rebuttals of the stories of Chinese border forays,¹⁰⁹ in recent months the Indian armed forces have themselves been reporting increased intrusion, and in addition have poured troops and equipment into Arunachal Pradesh. Even the level-headed Manmohan Singh recognized in late November 2009 that bilateral relations had cooled somewhat, observing during a visit to Washington that there had been a "certain amount of assertiveness of late" in China's behaviour.¹¹⁰ If media reports in September 2009 were judged to be exaggerated, it is nonetheless possible that the Dalai Lama's visit to Tawang (see below) and its environs between 8 and 13 November 2009 may have been a catalyst for Chinese cross-border activity of a more challenging kind.

The last major mobilization along the border—the Sumdorong Chu incident—occurred in 1986 when 200,000 Indian soldiers were sent to a strategic valley in Arunachal Pradesh. However, minor border incursions happen with some regularity, mostly in the Aksai Chin/Ladakh area. Between 2000 and 2007, the annual number of violations observed by Indian border troops increased from 90 to 140.¹¹¹ In May 2008, Chinese soldiers threatened to demolish stone structures in the northernmost part of the Indian state of Sikkim, and in June 2008 People's Liberation Army (PLA) troops entered more than a kilometre into the area.¹¹² The Indian military recorded 270 border violations and nearly 2,300 instances of "aggressive border patrolling" by Chinese soldiers last year, according to Brahma Chellaney, a professor of strategic studies at the Center for Policy Research in New Delhi who has advised the Indian government's National Security Council. He went so far as to suggest that "The India-China frontier has become more 'hot' than the India-Pakistan border."¹¹³ This activity seems to have persisted in 2010. In mid-May 2010, *The Times of India* claimed that Chinese incursions across the LAC, including motorized armed patrols of the PLA, had increased sharply over 2009. The newspaper claimed that China has persistently been "needling India" all along the LAC. While most of the alleged intrusions are in the Aksai Chin area, purportedly involving foot, vehicle and boat patrols, there have been some in the Asaphila sector of Arunachal Pradesh.¹¹⁴

¹⁰⁹ Amit Baruah, "'China bashing' in the Indian media."

¹¹⁰ D.S. Rajan, *China: Nationalistic Blogs Raise New Issues Concerning Sino-Indian Border*, Paper No. 3562 (Noida, Uttar Pradesh: South Asia Analysis Group, 24 December 2009).

¹¹¹ Holslag, "The Persistent Military Security Dilemma between China and India," p. 817.

¹¹² *Military Power of the People's Republic of China 2009*, Annual Report to Congress (Washington, D.C.: DOD, Office of the Secretary of Defense, March 2009), p. 5.

¹¹³ Wong, "Uneasy Engagement."

¹¹⁴ "Chinese intrusions become frequent," *Times of India* (11 May 2010).

As for Aksai Chin, the Chinese have built a key roadway, highway G219, that connects Xinjiang with Tibet via Aksai Chin; the road is open year-round. This route enables China to send troops, officials and supplies to Tibet to help to consolidate its control, making Aksai Chin a vital lifeline.¹¹⁵

Given the Indian jingoism, discussed earlier, and its Chinese counterpart, epitomized in the Beijing Olympics and Shanghai World Expo, it is difficult for either side to compromise in their border feud. Indeed, Garver believes that China is now more reluctant than India to resolve their territorial dispute, and he notes that the leaders in Beijing are very sensitive to a growing nationalism in China¹¹⁶ (Robert Ross has also pointed to an increasing naval nationalism in China and to the pressure it places on the government¹¹⁷). Observers have been surprised by Beijing's willingness publicly to air its disputes with India and by the sharp rhetoric it has employed.¹¹⁸

However, in the face of the media excitability, it needs to be recognized that there has not been a single fatality in border skirmishing since 1967.¹¹⁹ In addition, in April 2010 India's Foreign Minister met his Chinese counterpart in Beijing, and the two sides agreed to set up a hot line between their prime ministers. This would allow them to connect more easily and reduce the likelihood of flare-ups over the border and other disputes.¹²⁰

2.4.3 Indian Ocean Rivalry

The Indian Ocean is the nexus of the maritime trading routes that connect Europe and the Middle East to China and the rest of Asia. It is the world's third largest ocean, covers 2,850,000 square miles and is surrounded by some four dozen countries. It is estimated that half of the world's container ships transit the Indian Ocean.¹²¹ The region contains one-third of the world's population, one-quarter of its landmass, and 40 percent of its oil and gas reserves. More than a century ago, Rear Admiral Alfred Thayer Mahan stated that "Whoever controls the Indian Ocean controls Asia. This ocean is the key to the Seven Seas."

2.4.3.1 India

India's geography defines its maritime needs. It has a 7,000-km coastline, distant island territories and a 2.8 million-km² economic zone. More than 95 percent of India's exports are shipped through the waters that surround it, and it drills up to 70 percent of its hydrocarbons in offshore blocks.¹²² As India's economy grows, so too does its need for energy. Currently, it is the world's sixth largest consumer of oil and electricity, and the 19th largest of natural gas; in 2009 it was

¹¹⁵ Riedel and Singh, "U.S.-China Relations: Seeking Strategic Convergence in Pakistan," p. 12.

¹¹⁶ Garver, "Sino-Indian security relations," p. 131.

¹¹⁷ Robert S. Ross, "China's Naval Nationalism," *International Security* 34:2 (Fall 2009), pp. 61-65.

¹¹⁸ Wagner and Agrawal, "The State of Indian-Sino Relations."

¹¹⁹ Amit Baruah, "'China bashing' in the Indian media," *BBC News* (16 September 2009).

¹²⁰ Mian Ridge, "India, China set up hotline to ease border dispute," *Christian Science Monitor* (8 April 2010).

¹²¹ *Sri Lanka: Recharting U.S. Strategy After the War*, hearing of the Committee on Foreign Relations, United States Senate, 7 December 2009 (Washington, D.C.: U.S. Government Printing Office).

¹²² Holslag, "The Persistent Military Security Dilemma between China and India," p. 825.

estimated to consume 2,670,000 barrels per day of oil¹²³, and imports about two-thirds of it. In 2000, India required at least one Very Large Crude Carrier (VLCC) delivery daily; by 2020 it is anticipated that this requirement will jump to three to four daily. Nearly 89 percent of India's oil imports arrive by sea, much of it from the Middle East. In addition, New Delhi has to secure over 150 oil platforms and more than 3,000-km of pipeline on the seabed. Hence, India has a strong vested interest in ensuring secure sea-lanes in the Persian Gulf region. While India thus depends on the security of the North Arabian Sea, over 50 percent of its trade passes through the Strait of Malacca, at the opposite end of the Indian Ocean region, greatly enlarging the maritime challenge faced by New Delhi.

Within a couple of years of independence, Indian naval strategists were arguing that the Indian Ocean should become an "Indian Lake."¹²⁴ During the 1971 India-Pakistan War, the US strongly supported Islamabad and when Pakistan's defeat in the eastern sector seemed certain, President Nixon ordered the aircraft carrier USS *Enterprise* into the Bay of Bengal, ostensibly for evacuation purposes but in reality to dissuade "third party" involvement in the crisis and to intimidate India. The deployment was interpreted by India to be a nuclear threat, and left a profound impression on the country's leadership. As a result, Indian dominance of the Indian Ocean remains the goal of many in the country's security establishment.

The 2004 maritime doctrine warned that "all major powers of this century will seek a toehold in the Indian Ocean Region..." and it noted that over the previous decade the region had been the largest regional recipient of new warships.¹²⁵ In 2007, Defence Minister A.K. Antony claimed that the Indian Ocean's littoral extends from South Africa to Australia, illustrating New Delhi's growing ambition.¹²⁶ Indian officials say that their country wants to "dominate" the Indian Ocean region by controlling its choke-points and vital trade routes.¹²⁷

In the face of this shift from continental and land-based strategies, the Indian Navy—long the poor relation of the armed services—saw its budget increase from US\$1.3 billion in 2001 to US\$3.5 billion in 2006. India is planning a fleet of 130 warships, including three carrier battle groups, by 2020. It is also improving significantly its onshore infrastructure. The development of a major naval base at Karwar, on the West coast, is an example of this transformation. It has been planned for decades, but the foundation stone was only laid in 1986. Financial retrenchment led to the project being shelved and work began again only in 1999, and is now proceeding apace but is not scheduled for completion until 2017. However, chronic delays in procurement plans, and a longstanding failure to spend the capital funds allocated, will undoubtedly crimp New Delhi's Indian Ocean ambitions. An assessment of India's 2010-11 defence budget argued that the country's navy "is still many decades away from acquiring genuine blue water capability..."¹²⁸

¹²³ Central Intelligence Agency (CIA), *The World Factbook* (<https://www.cia.gov/library/publications/the-world-factbook/>), accessed 3 May 2010.

¹²⁴ Emrys Chew, *Crouching Tiger, Hidden Dragon: The Indian Ocean and the Maritime Balance of Power in Historical Perspective* (Singapore: S. Rajaratnam School of International Studies, 25 October 2007), p. 7, ref. 17.

¹²⁵ Holslag, "The Persistent Military Security Dilemma between China and India," p. 827.

¹²⁶ Vivek Raghuvanshi, "Indian Navy To Survey Islands of Mauritius," *Defense News* (18 March 2010).

¹²⁷ "India—Regional Focus," *Jane's Defence Weekly* 42:28 (13 July 2005), p. 25.

¹²⁸ Brig. Gurmeet Kanwal, "Low Defence Budget Hampering Modernisation Plans," *India Strategic* (March 2010).

Although senior naval officers play down concern about China's maritime power, they are nonetheless taking precautionary measures. At the start of the new century, the Defence Ministry started to shift its maritime presence from the Arabian Sea to the Bay of Bengal. In 2000, the government approved the establishment of a Joint Forces Command in the Andaman and Nicobar Islands, within easy reach of the Strait of Malacca. In the past decade, more and more exercises have been carried out in the eastern part of the Indian Ocean, and the Navy is planning to put its Eastern Command on a par with its Western counterpart. In November 2007, Defence Ministry officials were quoted as urging that India should maintain control over the Andaman Sea, "as China's principal maritime gateway" to the Indian Ocean.¹²⁹

Finally, New Delhi has engaged in vigorous naval diplomacy with a view to pre-empting China. In 2005, India sent its naval chief to the Seychelles, and followed up by giving the archipelago nation a fast attack craft for its coast guard, in a successful bid to prevent the Seychelles accepting naval assistance from China. Similarly, New Delhi has concluded cooperation agreements with all the island-states in the Indian Ocean, and has initiated joint training programmes and educational exchanges with several African navies. Finally, in 2007 there was a preliminary movement towards a proposed quadrilateral grouping, the 'coalition of democracies', involving India, the US, Japan and Australia, which would participate in joint naval manoeuvres. However, China reacted negatively and New Delhi reverted towards a more traditional Indian foreign policy posture of non-alignment, with the result that by mid-2008 the initiative appeared to have lost momentum.

New Delhi's maritime concerns in the Indian Ocean are not entirely China-centric. One serious threat is that posed by Somali pirates, who have successfully attacked at least three VLCCs, including a 300,000-tonne South Korean vessel. Given India's growing reliance on VLCCs, such activities will concern the Indian Navy. Among other maritime concerns, drug-trafficking has been a serious problem, and a large proportion of the arms that enter India's insurgency-wracked northeastern states arrive by sea, often via Bangladesh.

2.4.3.2 China

China has extremely important national interests vested in the Indian Ocean. It has the third highest oil consumption in the world, at nearly eight million barrels per day. In 2008 China was estimated to import 4.4 million barrels of oil a day, and to export 388,000, and to have exported \$1.429 trillion-worth of goods.¹³⁰ Approximately 90 percent of China's oil imports are shipped through the Indian Ocean, as also around 62 percent of its exports.¹³¹ These shipments are most vulnerable at the eastern end of the Indian Ocean. Zhang Yuncheng, a researcher at a Beijing think-tank, argued that

excessive reliance of China's oil on the Malacca Strait implies that China's energy security is facing a Malacca dilemma. If some accident occurs or if the strait is blocked by foreign powers, China will experience a tremendous energy security problem.¹³²

¹²⁹ Holslag, "The Persistent Military Security Dilemma between China and India," p. 828.

¹³⁰ CIA, "China—Economy," *World Factbook*, accessed 4 May 2010.

¹³¹ Holslag, "The Persistent Military Security Dilemma between China and India," p. 829.

¹³² Holslag, "The Persistent Military Security Dilemma between China and India," pp. 831-32.

The Strait of Malacca constitutes one of the world's most significant choke-points, being less than 3 kilometres wide at its narrowest point. Alternate shipping routes, through the Lombok or Sunda Straits in Indonesia, are also narrow (at their narrowest 18-km and 24-km, respectively). In 2007, some 15 million barrels per day transited the Strait of Malacca; over 50,000 vessels pass through the Strait every year.¹³³

The western end of the Indian Ocean is also of increasing interest to China. It has made major investments in such African countries as Angola, Zambia, Nigeria, Ethiopia and, above all, Sudan. Its oil firms own 40 percent of the Greater Nile Petroleum Operating Company in Sudan (an Indian state-owned company also owns 25 percent). In addition, China's trade with Africa has surged. Its imports from that continent grew from US\$5.5 billion in 2000 to US\$28.8 billion in 2006, and its exports to the region increased from US\$5.1 billion in 2000 to US\$26.7 billion in 2006.¹³⁴ The Jamestown Foundation asserts that China maintains robust contingents of troops in Sudan to protect Chinese energy and infrastructure projects, although sources disagree as to how many.¹³⁵ Emmott put the number of Chinese troops in Sudan at 4,000.¹³⁶

There is some dispute about China's interest in projecting naval power as far afield as the Indian Ocean. A recent article in *The New York Times* asserts that the PLA Navy (PLAN) has developed a new strategy of "far sea defence," and has surprised foreign military officials by the speed with which it is building blue-water capabilities. This strategy would be a sharp break from the traditional, narrower doctrine of preparing for war over Taiwan or defending the Chinese coast. According to the article, Chinese admirals now say that they want warships to escort commercial vessels that are crucial to the country's economy, from as far as the Persian Gulf to the Strait of Malacca, and to help secure Chinese interests in the resource-rich South and East China Seas.¹³⁷

In China's first long-distance projection of naval power in 600 years, in January 2009 Beijing sent warships to the Gulf of Aden to counter Somali pirates. Despite their presence, pirates hijacked a Chinese ship carrying coal off the Seychelles and managed to take the ship to the waters off Somalia. The company owning the ship made a deal with the pirates and allegedly paid the ransom, and got the ship and its crew back in December. During the first four months of the deployment, the Chinese warships did not call at any port, creating supply and morale problems. Reflecting on the problems posed by the deployment, Rear Admiral Yin Zhou floated the idea of bases abroad to support the vessels: "...I feel that would be appropriate if we could have a relatively stable, fixed base for supplies and maintenance."¹³⁸ He argued that any relatively long-term supply bases would be more affordable than re-supplying via ship on the high seas. In January 2010, a Chinese defence white paper said that the navy was "developing capabilities of conducting co-operation in distant waters..."¹³⁹

¹³³ *World Oil Transit Chokepoints* (Washington, D.C.: US Department of Energy, Energy Information Administration, January 2008) (<http://www.docstoc.com/docs/878824/World-Oil-Transit-Chokepoints-Energy-Data-Statistics-and-Ana/>).

¹³⁴ Emmott, *Rivals*, p. 172.

¹³⁵ Levi Tillemann, "Blowback from Zimbabwe: China's Faltering Strategy on Arms Exports," *China Brief* 8:13 (24 June 2008).

¹³⁶ Emmott, *Rivals*, p. 59.

¹³⁷ Edward Wong, "Chinese Naval Power Expands to Waters the U.S. Dominates," *The New York Times* (23 April 2010).

¹³⁸ Lucy Hornby, "Will there be a Chinese naval base in Seychelles?," *Reuters* (30 December 2009).

¹³⁹ Jeremy Page, "Chinese billions in Sri Lanka fund battle against Tamil Tigers," *The Times* (2 May 2009).

A report commissioned by Secretary of Defense Donald H. Rumsfeld and carried out by an American defence contractor, Booz Allen Hamilton, detected the extension of Chinese naval power through ports leased and acquired from Myanmar, Sri Lanka and Pakistan. According to the report, “China is building strategic relationships along the sea lanes from the Middle East to the South China Sea in a way that suggests defensive and offensive positioning to protect China’s energy interests.” This strategy was likened to a string of pearls, each one of which entails the construction of new ports, or the improvement of those that exist, to serve dual trade and military interests, including supply, refuelling and listening stations.¹⁴⁰ Similarly, the US military’s Southern Command produced a classified report in the late 1990s that warned that China was seeking to use commercial port facilities around the world to control strategic “chokepoints.”¹⁴¹ Some Western analysts claim that the Chinese military also operates reconnaissance and electronic intelligence stations on several islands belonging to Myanmar, though Indian and American intelligence officials have said evidence is lacking.¹⁴²

Alarming as proposals such as Rear Admiral Zhou’s might be to Western military staffs and observers, they would obviously be of considerable concern in India, especially in the “hyper-active” media.¹⁴³ Senior naval officers seem to share the alarm, regarding Beijing’s increasing activity in the Indian Ocean as “encirclement.” In a speech he gave in January 2008, India’s naval chief, Admiral Sureesh Mehta, warned that “Each pearl in the string is a link in a chain of the Chinese maritime presence”, and he expressed the concern that the ports would be used by the Chinese to “take control over the world energy jugular.”¹⁴⁴ In March 2009, Admiral Mehta stated that Gwadar port had “serious strategic implications for India.”¹⁴⁵ In a similar vein, a retired Indian intelligence official warned that India could not take Chinese development of these ports at face value: “We cannot assume their intentions are benign.”¹⁴⁶ Reflecting on the potential dual-use of the ports that Beijing is helping to develop, retired Major-General Dipankar Banerjee, of the Institute of Peace and Conflict Studies in New Delhi, argues that “For China, Hambantota is a commercial venture, but it’s also an asset for future use in a very strategic location.”¹⁴⁷

The PLAN is alleged to have tried to obtain a naval base in Trincomalee, Sri Lanka, as long ago as the early 1980s.¹⁴⁸ The port that is perhaps most strongly associated with a Chinese maritime

¹⁴⁰ Jason J. Blazeovic, “Defensive Realism in the Indian Ocean: Oil, Sea Lanes and the Security Dilemma,” *China Security* 5:3 (2009), p. 63.

¹⁴¹ Bill Gertz, “China builds up strategic sea lanes,” *Washington Times* (17 January 2005).

¹⁴² Blazeovic, “Defensive Realism in the Indian Ocean,” p. 64.

¹⁴³ See, for example, Iskander Rehman, *China’s String of Pearls and India’s Enduring Tactical Advantage*, IDSA Comment (New Delhi: Institute for Defence Studies and Analyses, 8 June 2010); Abdus Sattar Ghazali, “India Alarmed on Chinese built Gwadar Port,” *rightnreal.com* (8 March 2009).

¹⁴⁴ Moin Ansari, “India’s Ocean is Chinese: ‘String of pearls’ threaten India,” *rupeenews.com* (1 September 2008).

¹⁴⁵ “India Alarmed As Chinese Built Gwadar Port Of Pakistan Becomes Operational,” *LiveLeak.com* (9 March 2009).

¹⁴⁶ Ansari, “India’s Ocean is Chinese.”

¹⁴⁷ Jeremy Page, “Chinese billions in Sri Lanka fund battle against Tamil Tigers,” *The Times* (2 May 2009).

¹⁴⁸ Holslag, “The Persistent Military Security Dilemma between China and India,” p. 830. Confirmation of this attempt is hard to find. In 1963, the United National Party (UNP), a conservative party then in opposition, took umbrage at a maritime agreement between Sri Lanka and China, which gave each most favoured nation status. Because most of the China trade passed through Trincomalee, there were accusations that the port had been handed over to the Chinese. Dr V. Suryanarayan, “Explaining China’s Growing Influence in Sri Lanka,” *Tamil Eelam Online* (7 May 2010). It is possible that these accusations

strategy for the Indian Ocean is Gwadar, in Pakistan's Balochistan province. As will be seen in the section on Pakistan, Beijing made a major contribution to the port's development, as a result of which Indian naval strategists hint darkly that the quid pro quo for Beijing's support of the Gwadar project might be the use by the Chinese navy of the port, which is strategically located close to the entrance to the Persian Gulf. When China finally agreed to offer financial and technical assistance for the project, it reportedly asked for "sovereign guarantees" to use the port facilities to which Pakistan agreed, despite US unease over it.¹⁴⁹

China's interest in port infrastructure and accessibility in the Indian Ocean is not confined to the soil of its "all-weather friend," Pakistan. China's investments in ports elsewhere—notably in Chittagong, Bangladesh, and Hambantota, Sri Lanka—will be noted in the appropriate sections of this report. However, since there will be no substantive discussion of the Maldives or the Seychelles, brief reference to an apparent Sino-Indian maritime rivalry in those island countries is made here. Like other South Asian states caught between the two regional giants (such as Bangladesh and Nepal), they have tried to leverage their strategic positions to acquire assistance from each.

There have been unconfirmed reports of the Maldives having leased Marao Atoll—one of the largest islands in the state—to China for constructing a naval base. According to one source, China has built a submarine base at Marao.¹⁵⁰ Given the proximity of the Maldives to India, it would be surprising if the Indians did not try to forestall or counter any such initiative. In an apparent reprise of the maritime competition over the Seychelles, India handed over a fast patrol craft to the Maldivian Coast Guard in 2006. The Indian Defence Minister visited the Maldives in August 2009 and initiated a series of measures to enhance defence cooperation. India has promised to transfer two *Dhruv* helicopters, 26 coastal radars and regular *Dornier* patrol sorties over the island-nation as part of a bilateral security plan. India will also set up a 25-bed military hospital in Male and assist in setting up the Maldivian Air Force.¹⁵¹ India is also apparently preparing to open a base at the southern tip of the Maldives chain to the west. The surveillance aircraft, helicopters and, possibly, ships based there will reportedly be supplemented by radar installed across the Maldives and linked to India's coastal command.¹⁵²

Chinese interest in acquiring a naval base in the Seychelles appears to be purely speculative.¹⁵³ Nevertheless, Beijing has shown considerable interest in the country recently. In November 2006,

were the origin of the report of Chinese naval interest in the port. It should also be noted that the UNP—which was generally pro-India, pro-US and cool to China—was in power from 1977 to 1994, when the PLAN allegedly tried to obtain basing rights at Trincomalee. Finally, it is not clear why China would have been interested in 'far sea defence' in the early 1980s, when a blue-water navy was not even a glint in Chinese admirals' eyes.

¹⁴⁹ Tarique Niazi, "Gwadar: China's Naval Outpost on the Indian Ocean," *China Brief* 1.5:4 (14 February 2005).

¹⁵⁰ "India in the Indian Ocean: growing mismatch between ambitions and capabilities," *Pacific Affairs* (22 June 2009).

¹⁵¹ Commander Kamlesh Kumar Agnihotri, "Chinese Quest for a Naval Base in The Indian Ocean—Possible Options for China" (New Delhi: National Maritime Foundation, 12 February 2010), pp. 2-3.

¹⁵² Ramesh Thakur, "China and India: growing together, or set to collide?" *The Ottawa Citizen* (15 June 2010), p. A15.

¹⁵³ Agnihotri, "Chinese Quest for a Naval Base in The Indian Ocean," p. 3.

the President of the Seychelles visited Beijing, and in February 2007 President Hu Jintao paid a return visit. China contributed funds and technical assistance for the construction of Parliament and Supreme Court buildings in the Seychelles. New Delhi seems to take the possibility of a Chinese naval base in the Seychelles reasonably seriously, and maintains cordial economic and defence relationships with the Seychelles. The Indo-Seychelles Joint Commission was set up in October 1990 and discusses common economic matters during biennial meetings. In 2005, India committed itself to provide financial assistance for the Seychelles government's reform program and its debt rescheduling. Indian naval ships have regularly visited the Seychelles for the last two decades. In 2005, the Indian Navy handed over a fast attack craft to the Seychelles Coast Guard to help them secure their maritime interests. India also gifted naval workshop equipment to the Seychelles in September 2008, during a visit by Indian naval ships. India has also provided military experts to upgrade and restructure the Seychelles Peoples Defence Force. Yet despite these efforts, an Indian naval analyst claims that the extent of India's engagement with the Seychelles is less than that of China.¹⁵⁴

However long Beijing has been pursuing a naval presence in the Indian Ocean region, the effort may be less advanced militarily than is widely assumed. For instance, there does not appear to have been a significant increase in port visits to Indian Ocean states.¹⁵⁵ The annual US Department of Defense reports on Chinese military power say nothing about Chinese attempts to develop a port infrastructure in the Indian Ocean. This is equally the case with two recent reports by the US Office of Naval Intelligence (ONI). The first, a study of the Chinese navy in 2007, includes a chapter on the PLAN's "Foreign Relations" which has nothing on a foreign port infrastructure.¹⁵⁶ The second, published in August 2009, stated that over the previous year the PLA(N) had conducted several operations that demonstrated increasing proficiency and confidence in deploying ships to "distant seas." However, the ONI observed that "it is important to note that none of these operations indicate a desire on the part of the PRC to develop a constant global presence. Beijing's ambition appears to remain focused on the East Asian region, with an ability to protect the PRC's maritime interests in distant seas when required."¹⁵⁷ The report noted that any disruption of key chokepoints or disturbance along any of China's sea lines of communication has the potential to affect China's economy. SLOC protection, however, is not just a matter of deploying ships to chokepoints to ensure that they remain open, but requires the capability to sustain a maritime presence in strategic locations in order to respond to potential incidents.¹⁵⁸ However, the ONI did not specify whether a sustained maritime presence in 'distant seas' required ports there.

Similarly, official India seems to be less concerned than are many of the analysts of the Indian security community. In a lecture in New Delhi organized by the National Maritime Foundation and delivered in September 2009, Shiv Shankar Menon stated that "There are no Chinese bases in the Indian Ocean today, despite talk of the 'string of pearls'..." Menon had been Foreign

¹⁵⁴ Agnihotri, "Chinese Quest for a Naval Base in The Indian Ocean," p. 5.

¹⁵⁵ Holslag, "The Persistent Military Security Dilemma between China and India," p. 830.

¹⁵⁶ Office of Naval Intelligence (ONI), *China's Navy 2007* (Washington, D.C.: United States Navy, 2008), pp. 111-19 (<http://www.fas.org/irp/agency/oni/chinanavy2007.pdf>). Accessed 9 June 2010.

¹⁵⁷ ONI, *A Modern Navy with Chinese Characteristics* (Suitland, MD: ONI, August 2009), p. 2

¹⁵⁸ ONI, *A Modern Navy with Chinese Characteristics*, p. 11

Secretary from 2006 to July 2009 (six weeks before he gave the talk), and is currently India's National Security Advisor.¹⁵⁹

It is only natural for admirals to want more and bigger ships, and to advance justifications for them, such as the defence of distant interests. However, it may equally be the case that China's naval modernization plans are as much shaped by nationalism as they are by security. Large blue-water navies are traditional symbols of great power status, and there is considerable public pressure in China for the country to build an aircraft carrier and avoid the stigma of "backwardness."¹⁶⁰ The public have taken an enormous interest in the anti-pirate deployment, and China's Soviet-era carrier, the *Minsk*, is a popular tourist attraction (it is a non-operational vessel maintained as a theme park). The nationalists are dissatisfied that China is the only permanent member of the UN Security Council that lacks the maritime capability to participate in crisis intervention, disaster relief and rescue at sea. The PLAN remained at home during the Asian tsunami in 2004, whereas the Indian Navy's efficient response to that disaster and to the Beirut evacuation in 2006 garnered international praise. The naval nationalists also make the arguments that China's energy imports require it to secure its sea lines of communication and that it needs a global naval capability to protect its citizens.

For its own domestic legitimacy, Beijing may have to accede to this pressure to some extent. However, its maritime policy seems to remain access-denial to China's maritime waters, in particular the waters around Taiwan. To address this requirement, Beijing is focusing on its submarine force, but the reunification of Taiwan does provide a justification for a carrier. The latest DOD assessment of China's military power discusses Beijing's "National Military Strategic Guidelines for the New Period." These guidelines are not a matter of public record, but they are thought to continue a longstanding Chinese emphasis on "active defence," under which China does not initiate wars or fight wars of aggression, but engages in war only to defend national sovereignty and territorial integrity. The naval component of "active defence" is termed "offshore active defence." It emphasizes coastal defence operations within the first island chain (in the East and South China Seas) and a focus on Taiwan contingencies. A new concept, called the "far sea defence," focuses on operations beyond the first island chain and eastward into the Pacific. The DOD assessment makes no reference to a Chinese strategy for the Indian Ocean.¹⁶¹ This focus on the waters of maritime East Asia is reinforced by the Army's resource demands and the vulnerability of China's land borders, which between them will challenge the PLAN's ability to engage in a protracted and large-scale ship construction programme.¹⁶²

Chris Rahman, an Australia-based expert on Chinese maritime power, appears to share the ONI view that China's naval focus falls short of a "constant global presence." He argues that currently China has a limited ability to conduct distant water operations. In his view, blue-water naval capabilities are not China's main focus. Although China has been building larger and more capable warships, it has not been building the replenishment ships needed to sustain distant missions (the anti-piracy operation off the Gulf of Aden has demonstrated the cost and difficulty of maintaining ships at that distance without a land base). Similarly, China has constructed new nuclear submarines but most of the boats of its undersea fleet are conventional diesel-electric

¹⁵⁹ "No Chinese military bases in Indian Ocean, says Menon," *Indian Express* (11 September 2009).

¹⁶⁰ Ross, "China's Naval Nationalism," pp. 60-65.

¹⁶¹ DOD, *Military Power of the People's Republic of China 2009*, pp. 10-11, 18.

¹⁶² Ross, "China's Naval Nationalism," pp. 58, 58-60.

boats, less suited to distant operations. Rahman concludes that Beijing's preoccupation with Taiwan means that China is primarily focused on developing a capability to dominate regional seas and deny freedom of action to the US.¹⁶³

These considerations would seem to validate Holslag's conclusion that the "so-called string of pearls thus far appears to be more a chain of commercial ventures than military stepping-stones."¹⁶⁴ Whether Chinese use of Gwadar would extend to naval basing, or be limited mainly to commercial activity or to its employment as an electronic surveillance listening post in this key region, has obviously yet to be revealed. Clearly, Beijing wants a significant return on this major investment. The commercial aspect for China of the port at Gwadar is discussed in the section on Pakistan.¹⁶⁵ However, the trans-Pakistan link from Gwadar to Xinjiang, via the Indus Highway and the Karakoram Highway, possesses a strong economic logic, which in turn has important internal security ramifications in Beijing's view. The attempt to link Xinjiang with the Indian Ocean via Pakistani highways and Gwadar has its mirror to the east in a road that China is helping Myanmar construct that will link Yunnan province with the Bay of Bengal, and in Beijing's assistance in upgrading ports in Myanmar. China is also interested in a Malaysian pipeline and refinery project that would help it to overcome its "Malacca dilemma."

In January 2008, Holslag interviewed staff from China Harbour Construction Corporation, and was told that no military considerations played a role when the company was negotiating with Islamabad for the Gwadar infrastructure project in 2001. Holslag also noted that Chinese engineers helped in the construction of a number of naval bases in Myanmar but, according to interviews he conducted in the Burmese Defence Ministry in 2007, none of the formal agreements related to these ventures included access rights for the PLAN.¹⁶⁶ Of course, in the case of Gwadar such military considerations could have revealed themselves during the nearly seven years it took to open the new facilities,¹⁶⁷ but the fact that the port was intended to be designed, financed, built, operated and maintained by the private sector suggests otherwise. Gwadar is operated by PSA International, of Singapore, the second largest port operator in the world. Garver concurs with Holslag's view on Myanmar, stating that reports of a Chinese military presence there are "greatly exaggerated."¹⁶⁸

The examples of Gwadar and the navy bases in Myanmar, as well as the civilian nature of much of the assistance provided to Indian Ocean states, suggests that the "string of pearls" theory of Chinese naval encroachment in the region may have been overblown. In spite of the impressive number of port projects in which China has invested, few appear to have notable military resources devoted to them. Further, Beijing's alliances and influence in the region remain relatively weak. For instance, Holslag points out that the military junta in Myanmar has diligently attempted to move closer to the Indian Navy since 200,¹⁶⁹ and it is working towards agreements

¹⁶³ "Chinese navy 'challenges regional order'," *The Sydney Morning Herald* (28 April 2010).

¹⁶⁴ Holslag, "The Persistent Military Security Dilemma between China and India," p. 830.

¹⁶⁵ "China's Goals and Actions" ["Regional Security"] and "Access" ["Economic Ties"].

¹⁶⁶ Holslag, "The Persistent Military Security Dilemma between China and India," p. 830.

¹⁶⁷ The first ship to dock in Gwadar, on 15 March 2008, was a Canadian vessel carrying wheat.

¹⁶⁸ Garver, "Sino-Indian security relations," p. 136.

¹⁶⁹ Holslag, "The Persistent Military Security Dilemma between China and India," p. 830.

which will allow the Indian Navy to use its ports at Sittwe and Dawei.¹⁷⁰ The junta has also built relationships with Japan to offset reliance on China.

Finally, if the “Malacca dilemma” holds true for China’s commercial shipping, it is probably equally valid for the PLAN, which might find it difficult to access the Indian Ocean in a time of conflict, and if it managed to enter the region would be very vulnerable to attack.¹⁷¹ For example, the Indian naval blockade of Karachi in the 1971 war demonstrates that a Chinese naval anchorage at Gwadar would be highly vulnerable to an Indian Navy dominant in the Arabian Sea (India also threatened to blockade Karachi during the 1999 Kargil conflict). With reference to the putative Chinese plans to establish a naval base in Sri Lanka, an official in the Indian Defence Ministry questioned the utility to China of a naval presence in that country, arguing that it “will never survive a strike by our maritime bombers.”¹⁷²

Considerations such as the above led Holslag to conclude that “India does not yet figure prominently in naval strategising in Beijing,” but he warned that alarmist Indian statements depicting the PLAN as a nascent threat risked becoming self-fulfilling prophecy.¹⁷³ In addition, most of the ports undergoing commercial development with Beijing’s help can host both merchant and military vessels (the Pakistani navy is militarizing Gwadar), so current commercial goals can be replaced by naval ones in the future.¹⁷⁴

2.5 Other Bilateral Irritants

Another potential source of conflict is closely related to India’s and China’s long-standing territorial dispute. The Tibetan Plateau is Asia’s principal watershed and the source of ten of its major rivers, including the Yalong Tsangpo (which becomes the Brahmaputra in India), the Sutlej and the Indus. China, India, Bangladesh, Nepal, Pakistan, and other Asian countries are dependent on water rising in the Tibetan Plateau. For some years there have been claims in India that Beijing plans to divert the waters of the Yalong Tsangpo to its own water-scarce areas, a development that could leave India’s northeast parched. Were it to occur, diversion of the Yalong Tsangpo’s waters would significantly reduce the amount of water in the Brahmaputra, affecting India’s northeast and Bangladesh, negatively impacting agriculture and fishing.

The possibility of Chinese water diversion has attracted excited commentary in the Indian press and Parliament. Manmohan Singh is reported to have raised the issue of international rivers flowing out of Tibet during his visit to Beijing in January 2008, but India’s position is weakened by the lack of a water-sharing treaty between the two countries. After several years of denial that a project on the river was under consideration, in early April 2010 China confirmed the building of a dam on the Yalong Tsangpo, indicating that it was one of five planned, and that its purpose was hydroelectric rather than water diversion. Further, to reassure the Indians China offered to

¹⁷⁰ Blazevic, “Defensive Realism in the Indian Ocean,” p. 64.

¹⁷¹ Rehman, “China’s String of Pearls and India’s Enduring Tactical Advantage.” Iskander Rehman is a PhD candidate specializing on Asian Security Issues at Sciences Po in Paris and is preparing a dissertation on the Indian Navy and India’s maritime strategy. At the time of writing, he was a visiting international fellow at IDSA.

¹⁷² Holslag, “The Persistent Military Security Dilemma between China and India,” p. 831.

¹⁷³ Holslag, “The Persistent Military Security Dilemma between China and India,” p. 833.

¹⁷⁴ Rehman, “China’s String of Pearls and India’s Enduring Tactical Advantage.”

share hydrological data for the Brahmaputra with India, something it had not done with other countries. Indian officials were reported not to be unduly concerned.¹⁷⁵

The Indian media have also detected a “changing stand” on Kashmir by Beijing. After New Delhi allowed the Dalai Lama to visit Arunachal Pradesh in November 2009 (see below), the Chinese started to issue visas to Kashmiris on separate sheets, rather than stamps in an Indian passport. The Chinese are also alleged in India to have depicted Kashmir as a separate country in Chinese-made globes.¹⁷⁶ New Delhi objected to what it saw as Beijing questioning India’s rule over Kashmir. India even rebuked China for issuing a joint statement with the US urging better India-Pakistan relations—the implied reference to Kashmir annoyed New Delhi, which regards the conflict over the state as an India-Pakistan issue. It seems that the Chinese actions were a case of tit-for-tat for Indian moves in Arunachal Pradesh, rather than a ‘changing stand’ on Kashmir—the Chinese position, like that of most countries, has been that the state is disputed territory, and it has played a helpful role in recent years in mediating India-Pakistan conflict on the issue.¹⁷⁷

Chinese sources have also been accused of cyber-espionage directed against India. After an eight-month investigation—which is ongoing—Canadian and American researchers at the University of Toronto recently discovered that a cyber-espionage group based in China hacked into India’s computer systems to steal sensitive documents from the Indian Defence Ministry, as well as e-mails from the Dalai Lama’s office. The report, entitled *Shadows in the Clouds*, found that the attack was linked to an underground cyber-espionage organization in the south of China, which might have funnelled information to the Chinese government. The stolen documents that were recovered contained sensitive information from India’s National Security Council Secretariat, as well as classified documents detailing the security situation in Tibet, Bangladesh and Myanmar. Allegedly, among the compromised systems subject to a massive data breach were the *Shakti*, the Indian Army’s artillery combat command and control system, and India’s mobile missile defence system known as *Iron Dome*. The report indicated that Chinese cyber-attackers capitalized on social networks such as Twitter, Google Groups and Yahoo Mail to propel a botnet, designed to infiltrate and infect Indian computers with malware and connect them into Chinese command and control centres.¹⁷⁸

Among other apparently unfriendly Chinese moves trumpeted by the Indian media was an unsuccessful attempt in 2009 to block a US\$2.9 billion loan India was trying to raise at the Asian Development Bank, on the grounds that US\$60 million of the package was earmarked for flood-control projects in Arunachal Pradesh (this represented the first time that Beijing tried to influence the boundary dispute through a multilateral institution).

¹⁷⁵ Kalpana Jain, “Brahmaputra project opens floodgate of issues at 3-day Indo-China water meet,” *Business Standard* (27 April 2010).

¹⁷⁶ Manish Chand, “Why the China threat story sells in India (Comment),” *Thaindian News* [Thailand] (22 September 2009).

¹⁷⁷ Notably during the 1999 Kargil conflict, when it rebuffed Pakistani Prime Minister Nawaz Sharif’s attempt to enlist its support.

¹⁷⁸ Stefanie Hoffman, “China Hackers Launch Cyber Attack On India, Dalai Lama,” *Channel Web* (6 April 2010).

2.6 Security Relations

Garver has observed that the threat perceptions of India and China are asymmetrical, with the former country being “deeply apprehensive” about Chinese power and the latter being relatively unconcerned about India. However, as Indian capabilities improve, Chinese unconcern may be eroding. Garver argues that each country believes itself to be acting defensively, yet its actions are regarded by the other side as being threatening.¹⁷⁹

2.6.1 Nuclear Rivalry

Revealingly, a recent article on India’s nuclear navy was sub-titled “Catching up with China.” Even if it is argued that nuclear weapons have never been central to Indian security thinking, it is natural that India would seek to measure its strategic capability against that of its nearest great power neighbour. Equally, it is not surprising that China would try to retard the development of the Indian nuclear arsenal. In the wake of the Indian nuclear tests in 1998, China (as also Canada) successfully promoted a Security Council resolution (Resolution 1172 of 1998) insisting on Indian nuclear disarmament, and in the years following the tests persistently pressed India to comply with Resolution 1172.

In October 2008, the US and India signed a bilateral accord on civilian nuclear cooperation, a move seen by many American lawmakers as a cornerstone of the new strategic partnership between the countries. The deal had been three years in the making, and had to pass a number of domestic and international hurdles. Among the latter was a safeguards agreement between India and the International Atomic Energy Agency (IAEA) and the grant of a waiver, by the 45-member Nuclear Suppliers Group (NSG), to India allowing it to commence civilian nuclear trading. The waiver was necessary because India had not signed the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and the Comprehensive Test Ban Treaty, and its grant was an unprecedented step on the part of the NSG.

A number of NSG member states were opposed to the accord, among them China. Initially, China appeared non-committal regarding the waiver, but when the NSG began negotiating it in September 2008, the Chinese delegation questioned why members were being asked to rush the deal, and it also argued that the NSG should address the aspirations of other countries too, an implicit reference to Pakistan. At the same time, the *People’s Daily* (an organ of the Chinese Community Party) expressed strong disapproval of the agreement. Indian diplomats said they were far from happy with the response they got from China—India’s National Security Advisor said that he would express the Indian government’s displeasure over the issue.¹⁸⁰ According to Indian observers, the Chinese tried to walk out of the NSG meetings in order to prevent a consensus, but last-minute interventions from senior US and Indian officials convinced the Chinese that the price for such a tactic would be too high,¹⁸¹ and ultimately China abstained during the final vote. There is in fact some dispute as to the extent of China’s opposition to the deal. The Chinese Foreign Minister told an Indian television news channel, “We didn’t do

¹⁷⁹ Garver, “Sino-Indian security relations,” p. 126.

¹⁸⁰ Bappa Majumdar, “China denies blocking India’s nuclear waiver bid,” *Reuters* (8 September 2008).

¹⁸¹ Lisa Curtis, *China’s Military and Security Relationship with Pakistan*, testimony before the U.S.-China Economic and Security Review Commission, 20 May 2009 (Washington, D.C.: The Heritage Foundation, 26 May 2009), p. 4.

anything to block it [the deal]. We played a constructive role. We also adopted a positive and responsible attitude and a safeguards agreement was reached...”¹⁸² The waiver was eased by the inclusion of a reference to a statement by the Indian External Affairs Minister that highlighted India’s stand on disarmament and non-proliferation, including its voluntary and unilateral moratorium on nuclear testing and its policy of no-first-use of nuclear weapons.

However, almost immediately after the NSG vote, Beijing announced a “step-by-step” approach to fulfilling Pakistan’s aspiration for an expanded nuclear programme.¹⁸³ Five months later, in March 2009, the American intelligence community reported to Congress that Chinese “entities,” including state-owned corporations, continued to supply Pakistan with missile-related items during 2008.¹⁸⁴ This suggests that while Beijing may have felt unable to block the NSG vote, it wanted to balance, to some extent, India’s strategic gain by improving the nuclear capability of Pakistan, its traditional counterweight to India.

Many Indian strategists believe that their country is one of the targets of China’s nuclear arsenal. To Beijing’s irritation, Indian Defence Minister George Fernandes justified his country’s nuclear tests in 1998 by referring to China as “India’s potential threat No.1.” In 2002, India’s annual defence report claimed that “every major Indian city is within reach of Chinese missiles... The asymmetry in terms of nuclear force is pronouncedly in favour of China and is likely to get further accentuated as China responds to the US missile defence programme.”¹⁸⁵ Other Indian jeremiads warn of assumed Chinese missile deployments in bases in Tibet.

Not surprisingly, in light of alarmism of this sort, New Delhi has taken steps to improve India’s nuclear capability vis-à-vis China. In April 2007, India successfully tested an *Agni-III* intermediate-range ballistic missile. This weapon is the first Indian missile that can reach China’s entire territory, and is uniquely designed to reach that country. Indian efforts to implement a missile defence programme are also of concern to Beijing, as eroding China’s nuclear superiority. However, those efforts have not gone to plan—a missile launch in March 2010 failed to reach the required altitude and veered off-course—and China has its own programme, as it showed in 2007 with its dramatic destruction of a disused satellite in space.

The notion of “catching up” implies that India’s nuclear capability lags that of China, and this seems to be the case, although it has been claimed that Beijing deliberately chose not to imitate the superpowers, but rather to maintain a “modest” arsenal.¹⁸⁶ A recent estimate of China’s nuclear weapons, by the Federation of American Scientists and the Natural Resources Defense Council puts the number at 240,¹⁸⁷ which would be perhaps three to four times the size of India’s arsenal. None of China’s nuclear warheads are thought to be mated with their delivery vehicles. Instead, it is believed that they are kept in storage facilities controlled by the Central

¹⁸² Bappa Majumdar, “China denies blocking India’s nuclear waiver bid,” *Reuters* (8 September 2008).

¹⁸³ Holslag, “The Persistent Military Security Dilemma between China and India,” p. 813.

¹⁸⁴ Shirley A. Kan, “China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues,” Report for Congress (Washington, DC: Congressional Research Service, 23 December 2009), pp. 7-9.

¹⁸⁵ Holslag, “The Persistent Military Security Dilemma between China and India,” p. 835.

¹⁸⁶ C. Raja Mohan, *India’s Nuclear Navy: Catching up with China* (ISAS Insights, Singapore: Institute of South Asian Studies, 20 July 2009), p. 2.

¹⁸⁷ Robert S. Norris and Hans M. Kristensen, “Nuclear Notebook: Worldwide deployments of nuclear weapons, 2009,” *Bulletin of the Atomic Scientists* (November/December 2009), p. 87.

Military Commission.¹⁸⁸ China appears to be well ahead of India in the deployment of a credible sea-based deterrent.¹⁸⁹ However, China's sole SSBN has never gone on patrol. As a result, the crews of the new *Jin*-class SSBNs currently under construction will need to start almost from scratch to develop the operational and tactical skills and procedures that are essential if a sea-based deterrent is to be militarily effective.¹⁹⁰

2.6.2 Military Balance

In August 2009 Admiral Sureesh Mehta, India's naval chief, warned that India was no match for China militarily. He noted that China had 68 submarines to India's 16, 56 Air Force squadrons to India's 12, 4 million troops to India's 1.5 million, and 14,000 artillery pieces to India's 4,000.¹⁹¹ Given the propensity of senior officers to talk up military threats to help loosen government purse-strings, warnings of this sort need to be treated with caution (for example, Admiral Mehta did not mention India's lead in aircraft carriers), the disparity in numbers is certainly striking.

One reason behind India's comprehensive defeat in 1962 was China's possession of a large number of troops equipped to fight at high altitude, and India's relative lack of such troops. That is no longer the case. In 1984, India successfully seized the Siachen Glacier from Pakistan. Over the intervening quarter-century the Siachen Glacier has constituted the highest battleground on earth (over 6,000 metres). The extreme weather and the difficulties of mountain warfare have been a severe test of the Indian Army's combat and logistical skills, and between them India and Pakistan have suffered over 2,000 fatalities. Although the 1962 war still rankles in India, the latter has, in a small way, reversed the military verdict in that Indian forces bested Chinese troops in clashes on the Sikkim-Tibet border in 1967 and 1969.¹⁹²

The Siachen conflict points to an important distinction between India and China, namely that the former has had considerably more experience of active operations since 1962. China's most recent campaign was the border war with Vietnam in 1979, which was more intense than any of the fighting involving India. In contrast, India's participation in the Kargil conflict occurred only eleven years ago, suggesting that many of the personnel involved are still in the ranks. The Indian Armed Forces have also had a much more recent history of battling insurgency.

2.7 Trade

Economic imperatives play a significant role in the foreign and security policies of India and China, both of which share a requirement to have full access to markets and energy resources. Earlier it was noted that officials on both sides regard trade as the unguent for the territorial, military and other aggravations that are a concomitant of two huge, growing and ambitious neighbours rubbing up against each other. During his visit to China in January 2008, Manmohan

¹⁸⁸ Norris and Kristensen, "Nuclear Notebook," p. 88.

¹⁸⁹ Mohan, *India's Nuclear Navy*, pp. 1-2, 6-7.

¹⁹⁰ Hans M. Kristensen, Robert S. Norris and Matthew G. McKinzie, *Chinese Nuclear Forces and U.S. Nuclear War Planning* (Washington, DC: Federation of American Scientists & Natural Resources Defense Council, November 2006), p. 3.

¹⁹¹ A.M. Jamsheed Basha, "China Trying to Destabilize India," *News Blaze* (14 August 2009).

¹⁹² Garver, "Sino-Indian security relations," p. 133.

Singh—an economist by profession—said of the bilateral relationship, that it should be based on “strong, diversified and mutually beneficial economic ties.”¹⁹³

It is the curious reality that Indian Ocean states rarely have another Indian Ocean state as their primary trading partners.¹⁹⁴ ¹⁹⁵ India conforms to this pattern. Until very recently, the United Arab Emirates has been India’s largest trading partner, but it is likely that China has now assumed that role. Bilateral trade was just US\$260 million in 1990, but grew to US\$52 billion in 2008. Trade fell back to US\$44 billion in 2009, owing to the global economic downturn, but in the first five months of 2010, bilateral trade reached US\$25.09 billion, representing a 52.5 percent year-on-year increase and giving hope that the target of US\$60 billion for overall trade in 2010 would be reached.¹⁹⁶ In contrast to the huge and growing share of India’s trade taken up by China, about three years ago India’s South Asian neighbours made up a paltry 2.4 percent of its trade,¹⁹⁷ an additional reason for the country to try to escape the confines of its region.

India suffers a huge imbalance in trade with China, its deficit ballooning from US\$11.2 billion dollars in 2008 to US\$16 billion in 2009; however, the gap has narrowed in the first five months of 2011. A disproportionate amount of India’s exports to China are essentially raw commodities—ores, slag, ash and cotton—with little value addition. India’s imports from China, on the other hand, are higher value-added manufacturing items. Some of the discrepancy is a result of China’s greater manufacturing efficiency, but Indian businessmen also blame non-tariff barriers for the trade gap.¹⁹⁸

The trade relationship is not immune to the security concerns of the two countries. For instance, Indian businesspeople say border tensions have infused commercial deals with official interference, damping the willingness of Chinese and Indian companies to invest in each other’s countries. The former president of an Indian luxury hotel chain says that “Officials start taking more time, scrutinizing things more carefully, and all that means more delays and ultimately more denials. That’s not good for business.”¹⁹⁹ India has blacklisted Chinese mobile phone equipment makers from contracts potentially worth billions of dollars, alleging that their products could be used for spying and cyber-warfare by the PLA. Since mid-February 2010 New Delhi is believed to have rejected at least 109 equipment contracts between Indian companies and Chinese vendors.

¹⁹³ Brian K. Hedrick, *India’s Strategic Defense Transformation: Expanding Global Relationships* (Carlisle, Pa: US Army War College, Strategic Studies Institute, November 2009), p. 34 [emphasis added].

¹⁹⁴ This point is made in Geoffrey Till, “Security Concerns in the Indian Ocean: Making Waves?” *RUSI Journal* 142:3 (June 1997), p. 16. Data from 2008 (CIA, *The World Factbook*, accessed 7 May 2010) broadly confirm this 1997 observation.

¹⁹⁵ While it is difficult to define what exactly is an Indian Ocean state, among some two dozen countries that might reasonably be so classified, five—three in East Africa—have another regional state as their primary trading partner. The significant exception (from the perspective of this study) is Sri Lanka, whose principal trading partner is, not surprisingly, India. Myanmar’s principal partner is Thailand, which has a minor Indian Ocean presence but mainly fronts the South China Sea.

¹⁹⁶ “India China Trade Surges,” *Live Trading News* (24 April 2010) [<http://www.livetradingnews.com/india-china-trade-surges-12466.htm>]; India-China trade volume hits \$5.46 billion in May, *CommodityOnline* (14 June 2010) [[http://www.commodityonline.com/news/India-China-trade-volume-hits-\\$5-46-billion-in-May-29083-3-1.html](http://www.commodityonline.com/news/India-China-trade-volume-hits-$5-46-billion-in-May-29083-3-1.html)].

¹⁹⁷ Emmott, *Rivals*, p. 173.

¹⁹⁸ Dhiraj Nayar, “NTBs obstruct correction in trade imbalance with China,” *The Financial Express* (18 January 2010).

¹⁹⁹ Wong, “China and India Dispute Enclave on Edge of Tibet.”

One analyst claims that since 2005 the Indian Home Ministry has warned repeatedly that foreign telecom equipment vendors, especially Chinese ones, may install spyware and malware that could monitor voice and data traffic and bring down networks. These fears were recently reinforced by the University of Toronto study cited earlier. Chinese analysts warned that the move breached World Trade Organization rules and risked triggering a trade war between the two emerging market giants.²⁰⁰

In addition to trading with each other, India and China are beginning to invest in each other's economy and infrastructure. A number of Indian technology and services-oriented companies now have a strong presence in China, among them pharmaceutical firms such as Ranbaxy and Dr. Reddy's Laboratories, and Indian IT companies like Infosys, TCS, Wipro, NIIT and 3i Infotech. Nonetheless, Indian companies have not grown as fast as expected in China. Chinese companies similarly have a growing presence in India. For example, Huawei Technologies has a \$100 million research and development facility in Bangalore. India's efforts to modernize its decrepit infrastructure present a major opportunity to foreign companies and 2,900 Chinese contract workers were employed in India by 2007. In the first half of 2009 alone, Chinese engineering companies had secured US\$4 billion worth of contracts.²⁰¹ By 2007 bilateral visits had increased ten-fold, to more than half a million,²⁰² bringing not just economic benefits but also people-to-people ones.

2.8 International Cooperation

In her interviews with policy-makers in both countries, Rollie Lal found that they shared several similar interests and goals vis-à-vis the international community, including territorial sovereignty, environmental standards and access to energy.²⁰³

Agriculture has become the lynchpin of the agenda for both developing and developed countries in the Doha Round, and India has played a key role in a struggle between developed and developing countries. Negotiations finally collapsed in July 2008 over issues of agricultural trade and a special safeguard mechanism between the United States, India, and China. Whether or not India deserved the blame assigned it by the US and some European Union (EU) members for the failure of the talks, it clearly made its influence felt in this key international forum. It had a similar impact in Copenhagen, where some observers blamed it, along with China and other emerging nations, for thwarting attempts at establishing legally binding targets for carbon emissions, in order to protect those countries' economic growth. And finally, India is increasingly making its concerns felt in international fora, such as the Doha Development Round of the World Trade Organization and the UN climate change summit in Copenhagen in 2009.

²⁰⁰ Rhys Blakely, "India blocks deals with Chinese telecoms companies over cyber-spy fears," *Times Online* (10 May 2010).

²⁰¹ Gautam Banerjee, "India China Trade Talks: Cooperation Despite Occasional Rhetoric," *Suite101.com* (9 November 2009).

²⁰² Holslag, "The Persistent Military Security Dilemma between China and India," pp. 811-12.

²⁰³ Lal, *Understanding China and India*, p. 131.

3 Pakistan

3.1 Sino-Pakistani Relations

Pakistan and China describe their relations in the most hyperbolic terms: “higher than the Himalayas, deeper than the Indian Ocean and sweeter than honey” (President Hu Jintao).²⁰⁴ Reference is frequently made to the two countries’ “all-weather friendship.”²⁰⁵ More prosaically, a few years ago a Chinese foreign policy expert told an American official that, for China, “Pakistan is like Israel to you.”²⁰⁶ In a recent op-ed, Pakistani President Asif Ali Zardari asserted that “No relationship between two sovereign states is as unique and durable as that between Pakistan and China.”²⁰⁷ Pakistan has hosted senior Chinese leaders with a consistency that few other countries can match, and every newly-installed leader of Pakistan has made his or her first foreign visit to Beijing. Behind the bombast, China and Pakistan have in fact shared a generally close relationship since the formation of the People’s Republic of China (PRC) in 1949. Surveys of Pakistani public opinion between 2000 and 2008 showed that the US’s unfavourable ratings consistently exceeded 50 percent. In striking contrast, China has consistently received high marks from Pakistanis (84 percent favourable in a survey conducted in 2009).²⁰⁸

Yet for all the high-flown rhetoric, the Pakistan-China relationship was more based on mutual antagonisms (India) than on ideological or other affinity.

Pakistan was the first Muslim country to recognize China in 1950, and it was the third non-Communist country to vote in favour of the recognition of the government of the PRC as the only legitimate representative of China to the United Nations in 1971. The China-Pakistan partnership did not develop real momentum until after the 1962 Sino-Indian War, when New Delhi turned for help to the US, hitherto Pakistan’s ally in the Southeast Asia Treaty Organization and the Central Treaty Organization, which Washington conceived of as barriers against Soviet and Chinese Communist power. As a result, Pakistan became a steadfast ally to China during the latter country’s period of international isolation in the 1960s and early 1970s.

The first fruits of the new alignment were quickly plucked. The first was a 1963 trade agreement and the second was the 1963 Sino-Pakistan Frontier Agreement, whereby Pakistan ceded over 5,180 square kilometres of land in Northern Kashmir (the Shaksam Valley) and Ladakh (Aksai Chin) to China; the Aksai Chin area is strategically important for China as connecting Tibet and Xinjiang. Needless to say, India did not accept this accord and still claims the Shaksam Valley and Aksai Chin as being part of its state of Jammu and Kashmir. These two bilateral agreements were followed in 1964 by Pakistan International Airlines becoming the first non-Communist airline to fly into China.

²⁰⁴ Mohan Malik, “The China-Pakistan Nexus,” in Wilson John (ed.), *Pakistan. The Struggle Within* (London: Pearson Longman, 2008), p. 157.

²⁰⁵ “Pakistan and China: A Fraying Friendship?” *Time* (14 February 2009).

²⁰⁶ “India Plays Pakistan Card on China,” *The Times of India* (30 May 2000).

²⁰⁷ Lisa Curtis, *China’s Military and Security Relationship with Pakistan*, testimony before the U.S.-China Economic and Security Review Commission, 20 May 2009 (Washington, D.C.: The Heritage Foundation, 26 May 2009), p. 1.

²⁰⁸ Riedel and Singh, *U.S.-China Relations: Seeking Strategic Convergence in Pakistan*, p. 1.

In 1966 construction started on the Karakoram (“Friendship”) Highway, a 1,300-km paved road linking Kashgar in Xinjiang with Abbottabad in Pakistan’s North-West Frontier Province. The highway took twenty years to build and cost the lives of 810 Pakistani and 82 Chinese workers. While its explicit purpose was to foster trade and people-to-people contact, implicitly it was designed to enhance both countries’ political and logistical control over their frontier and their capability to deal with external and internal security threats.²⁰⁹ When the highway was completed, China’s then Deputy Premier, Li Xiannian, publicly stated that it “allows us to give military aid to Pakistan.”²¹⁰ For its part, India termed the road “a militarily sinister movement directed against India.”²¹¹

Despite being the Pakistani ambassador to the US, Husain Haqqani recently commented that “Pakistan thinks that both China and the United States are crucial for it. If push comes to shove, it would probably choose China...”²¹² This reflects a widespread sense in Pakistan that China is the more reliable ally of the two.

However, bilateral relations do seem to have cooled somewhat in the past couple of years. As will be seen, when President Zardari appealed to China for critically needed financial assistance, he was shocked to receive only token help. Whatever the motives behind China’s muted response, Beijing seems to be cool towards President Zardari, and “It doesn’t take much to prompt Chinese officials to express their longing for Musharraf and military rule.”²¹³

3.2 Security

Pakistan has been depicted as the world’s most dangerous place,²¹⁴ a nuclear-armed country in perennial confrontation with its nuclear-armed neighbour and prey to escalating Islamist extremism. A database of violence in Pakistan recently reported that terrorist, insurgent and sectarian attacks increased some eight-fold between 2005 and 2008.²¹⁵ Throughout the lengthy relationship between Pakistan and China, security has been the key element in their partnership. This is the case both at the regional and at the domestic level. Strategically, China has acted as the protector of Pakistan, without ever having to fight in the defence of the latter. It has played a key role in Pakistan’s assumption of nuclear weapons status. The repercussions of the widespread civil violence in Pakistan are not confined to that country. China is also significantly affected by it, both in its activities in Pakistan and in its own internal security, most notably in Xinjiang.

²⁰⁹ Zaid Haider, “Sino-Pakistan Relations and Xinjiang’s Uighurs,” *Asian Survey* XLV:4 (July/August 2005).

²¹⁰ Haider, “Sino-Pakistan Relations and Xinjiang’s Uighurs.”

²¹¹ Haider, “Sino-Pakistan Relations and Xinjiang’s Uighurs.”

²¹² Jamal Afridi, *China-Pakistan Relations* (New York: Council on Foreign Relations, 20 August 2009).

²¹³ Andrew Small, “Afghanistan-Pakistan: Bringing China (back) in,” GMF blog (Washington, DC: German Marshall Fund of the United States, 23 October 2009).

²¹⁴ *The Economist*, quoted in “Pakistan is ‘world’s most dangerous place’,” *Express India* (5 January 2008).

²¹⁵ Pak Institute for Peace Studies, *Pakistan Security Report 2008*, “abstract” (Islamabad: Pak Institute for Peace Studies, 19 January 2009), p. 3 (http://san-pips.com/index.php?action=ra&id=psr_list_1).

3.2.1 Regional Security

3.2.1.1 Background

For both Pakistan and China, their strategic partnership has the advantage of presenting India with a potential two-front theatre in the event of India becoming involved in a war with either of them. Indeed, this scenario transpired in the 1962 Sino-Indian war. When the war broke out, India delayed pulling its forces away from the Pakistani border until the US and Britain offered assurances that Pakistan would not take advantage of the situation.²¹⁶ In the 1965 India-Pakistan war, China had the opportunity to reciprocate. Chinese Premier Zhou Enlai is reported to have assured Islamabad that “China was prepared to put pressure on India in the Himalayas ‘for as long as necessary’.”²¹⁷ Despite this promise, Beijing gave its ally little more than sympathy.²¹⁸ In 1971, Islamabad expected China to provide military support. So much so, in fact, that some Pakistani officers in East Pakistan mistook approaching Indian officers for Chinese troops, and were captured after going forward to greet them.²¹⁹ The Chinese wanted to help Pakistan under the cover of a Security Council agreement, but the Soviet Union blocked the strongly worded resolution Beijing sought, so China did not intervene in the war. However, after the guns were silent Beijing used its newly-acquired diplomatic weight²²⁰ in Pakistan’s behalf in August 1972 when it vetoed Bangladesh’s application for recognition as an independent country, on the grounds that it was a rebellious province of Pakistan. A former Pakistani ambassador to China claims that the latter country “played a special role” in securing the release of the 90,000 prisoners of war held by India.²²¹

During the 1980s, China feared that the Soviet occupation of Afghanistan would allow the USSR to place nuclear weapons close to Xinjiang, and thus Beijing collaborated with Islamabad in promoting the Afghan insurgency. The Chinese Foreign Minister also gave Pakistan a security guarantee that if—as both countries thought possible—the Soviets invaded Pakistan then China would come to its defence.²²² However, Beijing has become more reticent in the support it offers Islamabad. In a speech to the Pakistani senate in 1996, President Jiang Zemin called for Pakistan and India to find a peaceful resolution to the Kashmir conflict. When Pakistan sought China’s help during the 1999 Kargil conflict, it was rebuffed, and China insisted on a pullout of forces to the pre-conflict positions along the Line of Control in Kashmir and on the peaceful settlement of border issues. Thus, in practical military terms, the two countries have actually done comparatively little to help each other. However, as will be seen, when it comes to defence relations, it is a different matter.

²¹⁶ Stephen Philip Cohen, *The Idea of Pakistan* (Washington, D.C.: Brookings Institution Press, 2004), p. 64.

²¹⁷ Riedel and Singh, *U.S.-China Relations: Seeking Strategic Convergence in Pakistan*, p. 3.

²¹⁸ Cohen, *The Idea of Pakistan*, p. 73.

²¹⁹ Iftekar Ahmed Chowdhury, “Bangladesh-China: An Emerging Equation in Asian Diplomatic Calculations,” *ISAS Working Paper* No.105 (Singapore: National University of Singapore, Institute of South Asian Studies, 31 March 2010), p. 4.

²²⁰ China only acquired its permanent seat on the Security Council on 25 October 1971, seven weeks before the defeat of the Pakistani forces in Bangladesh.

²²¹ Bhatta, *China’s Peaceful Rise and South Asia*, p. 59.

²²² Riedel and Singh, *U.S.-China Relations: Seeking Strategic Convergence in Pakistan*, pp. 3-4.

3.2.1.2 Pakistan's Goals and Actions

While some of the expectations and benefits of the bilateral partnership are common to Pakistan and China, others are more unique to the individual countries. Some of these differences are obvious in the economic sphere. From the perspective foreign and security policy, Pakistan could be presumed to be more the suppliant, given the disparity in 'comprehensive national power' between it and China, than the donor in this relationship. Huang Jing, a China expert at the National University of Singapore, bluntly asserted that "Pakistan needs China more than China needs Pakistan."²²³ This view was echoed by Shabbir Cheema, a long-time UN official and now director of the Asia-Pacific Governance and Democracy Initiative: "Pakistan today needs China more than China needs Pakistan—that is why there is more enthusiasm in Pakistan about its relations with China than vice-versa."²²⁴

For Pakistan, the partnership with China has been predicated on the putative threat from India. In the Pakistani view, India poses an existential threat to it because it allegedly denies the very existence of a separate Muslim nation in the subcontinent. This view of a critical threat seemed to be confirmed by India's role in the loss of East Pakistan/Bangladesh in 1971.²²⁵ As Husain Haqqani put it recently, "For Pakistan, China is a high-value guarantor of security against India."²²⁶ Since Pakistan cannot compete militarily with India, it has (as B.R. Ambedkar, the chief architect of the Indian constitution, pointed out in the 1940s) to "borrow" power from other sources. Initially, Britain filled the role, followed by the US and finally by China.²²⁷ Given Pakistan's predilection for conflict²²⁸, it needs all the help it can obtain.

Pakistan's leaders beat a path to Beijing because they counted on Chinese protection. But after 2003, Islamabad and New Delhi sought to initiate a dialogue, with a view to resolving their long-standing differences over Kashmir and a range of other issues (terrorism, trade, the Siachen Glacier military standoff, water rights, and so on). While lasting agreement remains elusive, a number of confidence-building measures have been implemented, and the deep sense of military crisis that prevailed between 1999 and 2002 has ebbed. This development parallels the warming of Sino-Indian relations begun in 1988. The reduced need for military protection also owes a great deal to Pakistan's acquisition of nuclear weapons, a development in which China played a major role (see below). Thus, Pakistan has had less need to invoke its strategic partnership with China, and it is noteworthy that the support that Islamabad has recently sought from Beijing has been financial.

²²³ Afridi, *China-Pakistan Relations*.

²²⁴ Vivian Salama, "Pakistan and China: A Fraying Friendship?" *Time* (19 February 2009).

²²⁵ Cohen, *The Idea of Pakistan*, p. 121.

²²⁶ Afridi, *China-Pakistan Relations*.

²²⁷ Cohen, *The Idea of Pakistan*, p. 121.

²²⁸ Since the development of its relationship with China, Pakistan has been involved in two wars with India (1965 and 1971), the 1999 Kargil mini-war, various dangerous confrontations that led to mobilization (of which 2001-02 was the most recent), as well as in insurgency in Afghanistan (over three decades) and the provision of a base for international terrorism.

3.2.1.3 China's Goals and Actions

Pakistan's current debility—symbolized in its unenviable standing in the failed states index—seems to validate the conclusion that China has far more to offer Pakistan than vice-versa. But actually, Pakistan can offer a great deal to China, even—counter-intuitively—in the field of arms sales. By its nature and its geographical location, Pakistan has great strategic and commercial significance for Beijing. It can help contain India and constrict its focus to the subcontinent; as Haqqani observed, “For China, Pakistan is a low-cost secondary deterrent to India.”²²⁹ As noted earlier, the value of this deterrent was demonstrated during the 1962 war, when Pakistan tied down Indian troops that might otherwise have faced China. In addition, Pakistan offers a potentially very important energy and commercial conduit (namely, Gwadar and the Karakoram Highway), it has a central role with regard to Beijing's internal security concerns, and it is thought to provide China with access to Central Asia, the Middle East and the Muslim world.

However, over the past two decades China's relations with India have warmed, and bilateral trade has boomed, developments that possibly reduce Pakistan's strategic usefulness to Beijing. This conclusion assumes that China's assistance to Pakistan's port infrastructure has as much to do with China's energy needs and “Malacca dilemma” as it has to do with containing India. In the words of a China expert at the University of Michigan, “Everyone in the region has learned to [develop] a relatively non-ideological set of priorities.”²³⁰ One result of these divergent trends is that China's support for Pakistan is “modest” rather than “lavish.”²³¹

Beijing might welcome Pakistan's contribution to preoccupying India with South Asia—as far as that is possible—but any India-Pakistan confrontation could have the untoward (from China's perspective) effect of drawing the US deeper into the region.²³² During the 1999 Kargil crisis, Pakistani Prime Minister Nawaz Sharif went to the US to try to get American help in the face of a mounting Indian counter-attack. The 2001-02 India-Pakistan crisis had the same potential to draw in the US. By January 2002, India had mobilized around 500,000 troops and Pakistan responded similarly, deploying around 120,000 troops to the Kashmir region. This was the largest buildup on the subcontinent since the 1971 war. Of particular concern to Washington—and a reason why it seeks to avert another such crisis—was the fact that many of the Pakistani troops were redeployed from the Afghan border, where they had been trying to contain Taliban and al-Qaida fighters.

In addition, there was an alarming rhetoric of nuclear exchange between the two sides during the Kargil conflict, and any future confrontation between India and Pakistan that threatens resort to nuclear weapons would hardly be in the best interest of China, especially given its propinquity to both. After the Mumbai bombings in November 2008 greatly raised the temperature between India and Pakistan, China sent its Vice Foreign Minister to both New Delhi and Islamabad to help to cool down the situation.

²²⁹ Afridi, *China-Pakistan Relations*.

²³⁰ Afridi, *China-Pakistan Relations*.

²³¹ Emmott, *Rivals*, p. 249.

²³² Washington's involvement on the periphery of the region—in Afghanistan and in Pakistan's tribal areas—is more acceptable, since it spares China an unwelcome counter-terrorism burden.

Islamabad is developing a deepwater naval and commercial port at Gwadar, located on the Balochistan coast and just 180 nautical miles from the Strait of Hormuz. The port, which was inaugurated in December 2008 and is now fully operational, is also a key factor in Pakistan's relations with China. China provided US\$198 million of the US\$248 million spent on the first phase of the Gwadar project, which was completed in 2005, and 450 Chinese engineers and workers were employed in the scheme.²³³ Chinese Vice-Premier Wu Bangguo joined Musharraf in laying the foundation of the port in March 2002. In March 2006, the Pakistani minister responsible for investment stated that the two countries had discussed US\$12 billion in investment projects of interest to China, including an oil refinery at Gwadar.²³⁴ The federal government plans on building a US\$1.67 billion road network that would not only link Balochistan with the rest of the country, but would also make Gwadar the hub of regional trade with China.²³⁵ It is reported that a fiber-optic line and a petroleum pipeline will run from Gwadar to the Karakoram highway that connects to China.²³⁶

It has been reported that China is also contributing to the construction of a port at Pasni²³⁷, a harbour in Balochistan that is between Gwadar and Karachi. It is possible that in this case the Chinese assistance actually refers to a coastal road network that is intended to connect Gwadar in the west with Karachi in the east, *via* Pasni and Ormara, and then to join the Indus Highway. This route (the N55) starts at Karachi and terminates in Peshawar, but Abbottabad at the Pakistani terminus of the Karakoram Highway (the N35) can be accessed from Peshawar, thus linking Gwadar with China by a somewhat indirect route.

3.3 Defence Relations

An adjunct of Beijing's implicit security guarantee to Islamabad has been China's transfer of weapons to its partner. Between 1978 and 2008, China sold roughly US\$7 billion in military equipment to Pakistan,²³⁸ as well as assisting in building a number of arms factories in the country. After the US imposed sanctions on Pakistan in 1990 (including the freezing of a 1989 deal for 28 F-16 fighters, for which Pakistan had already paid), China became Islamabad's leading arms supplier. In recent years, China has supplied combat aircraft, trainers, tanks, small arms and ammunition. For instance, in July 2009 China delivered the first of four state-of-the-art frigates commissioned by Pakistan, and in November 2009, Beijing agreed to sell J-10 advanced jet fighters to Islamabad in a deal worth US\$1.4 billion.²³⁹ In addition, the two countries have collaborated in training, exercises, intelligence-sharing and counter-terrorism.

Crucial as China's role has been in the modernization of Pakistan's conventional forces, Beijing's provision of strategic weaponry and know-how has been even more significant, not only for the

²³³ ICG, "Pakistan: The Worsening Conflict in Balochistan," *Asia Report* No. 119 (Islamabad/Brussels: ICG, 14 September 2006), p. 14, fn. 112.

²³⁴ John C.K. Daly, "The Baloch Insurgency and its Threat to Pakistan's Energy Sector," *Terrorism Monitor* 3:11 (21 March 2006).

²³⁵ ICG, "Pakistan: The Worsening Conflict in Balochistan," pp. 14-16.

²³⁶ Tariq Mahmud Ashraf, "Sino-Pakistani Defense Relations and the War on Terrorism," *Terrorism Monitor* 6:8 (17 April 2008).

²³⁷ Riedel and Singh, *U.S.-China Relation: Seeking Strategic Convergence in Pakistan*, p. 5.

²³⁸ *Ibid.*, p. 4.

²³⁹ *Ibid.*

military balance in South Asia but also for global security. Pakistan has effectively been a nuclear weapons state for two decades, and throughout that time appears to have operated from a belief that its nuclear capabilities gave it the immunity required to prosecute a range of military operations short of all-out war. The Kashmir insurgency has been virtually coterminous with Pakistan's acquisition of the nuclear umbrella.²⁴⁰ Islamabad has tried to leverage the Kashmir insurgency from nearly its outset, not only by the routine use of small arms and mortars as well as artillery fire but also by occasionally overrunning Indian border posts. Pakistani troops initiated the Kargil incursion only nine months after the 1998 nuclear tests made Pakistan overtly a nuclear weapons state. If there has been a connection between Islamabad's acquisition of a nuclear capability and Pakistani adventurism in Kashmir, then China may well have contributed to it, whether or not inadvertently and indirectly.

According to Abdul Qadeer Khan, the "father" of Pakistan's nuclear weapons programme, in 1982 a Pakistani aircraft transported enough weapons-grade uranium for two atomic bombs from Urumqi in Xinjiang to Islamabad. The Chinese also provided blueprints for the simple CHIC-4 weapons design using highly enriched uranium (HEU), first tested by China in 1966. An official of the Nuclear Information Project at the Federation of American Scientists said that, apart from the Chinese transfer to Pakistan, "we are not aware of cases where a nuclear weapon state has transferred HEU to a non-nuclear country for military use." Likewise, a former senior State Department non-proliferation official said that he was aware of "nothing like it" in the history of nuclear weapons proliferation.²⁴¹ Khan stated that Chinese scientists also helped their Pakistani counterparts solve other nuclear weapons challenges.²⁴² Thomas Reed, a former nuclear weapons designer at Lawrence Livermore Laboratory and a senior official in the Ford, Carter and Reagan administrations, has claimed that Pakistan's first nuclear weapon test was carried out for it by China in 1990.²⁴³ The Chinese apparently tested a Pakistani derivative of CHIC-4 on 26 May 1990.²⁴⁴

Chinese assistance to the Pakistani nuclear weapons programme has reportedly continued since the 1980s. In 1992, Pakistani and Chinese news sources reported that China had begun to build a nuclear power plant at Chashma, Punjab, and was suspected in 1994 of helping Pakistan to build an unsafeguarded, plutonium-producing reactor at Khushab (Punjab). In 1996, the *Washington Times* revealed intelligence reports that the state-owned China National Nuclear Corporation had transferred 5,000 ring magnets, which can be used in gas centrifuges to enrich uranium, to a facility in Pakistan that was not under IAEA safeguards. More recently, in February 2004 the Director of the US Defense Intelligence Agency told the Senate Intelligence Committee that Chinese entities "remain involved with nuclear and missile programs in Pakistan and Iran."²⁴⁵

²⁴⁰ The insurgency effectively began at the outset of 1990, by which time Pakistan probably had a rudimentary nuclear capability.

²⁴¹ R. Jeffrey Smith and Joby Warrick, "A nuclear power's act of proliferation," *The Washington Post* (13 November 2009). Some news reports suggest that Chinese security agencies knew about Pakistan's transfer of nuclear technology to Iran, North Korea and Libya. Afridi, *China-Pakistan Relations*.

²⁴² Smith and Warrick, "A nuclear power's act of proliferation."

²⁴³ Ramesh Thakur, "China and India: growing together, or set to collide?" *The Ottawa Citizen* (15 June 2010), p. A15.

²⁴⁴ Thomas C. Reed, "The Chinese nuclear tests, 1964-1996," *Physics Today* (September 2008), p. 47.

²⁴⁵ Kan, "China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues," p. 5.

Following the conclusion of the US-India deal on civil nuclear cooperation, Beijing quickly declared that it would sell nuclear reactors to Pakistan, a move in violation of the guidelines of the NSG (of which China became a member in 2004) that forbid nuclear transfers to countries who have not signed on to the Nuclear Non-Proliferation Treaty or who do not adhere to comprehensive international safeguards on their nuclear programme. Chinese authorities have recently confirmed that China National Nuclear Corporation has signed an agreement with Pakistan for two new nuclear reactors at the Chashma site—Chashma III and IV (China earlier helped Islamabad to build Chashma I and II).²⁴⁶

In addition to providing Pakistan the means to build nuclear weapons, China has collaborated with Islamabad on their delivery. In September 1999, the US intelligence community confirmed for the first time that “Pakistan has M-11 SRBMs from China,” and that they might have a nuclear role.²⁴⁷ The transfer of missile technology, components and even complete M-11 missiles probably exceeds Missile Control Technology Regime guidelines. Under international pressure, China pledged in November 2000 not to transfer missiles, yet in the early months of 2001, a Chinese company reportedly delivered 12 shipments of missile components for Pakistan’s short-range ballistic missile (SRBM) and medium-range ballistic missile (MRBM) programmes. As was noted earlier, the American intelligence community told Congress that Chinese “entities” continued to supply Pakistan with missile-related items during 2008.²⁴⁸ China has also reportedly helped Pakistan to achieve an indigenous missile capability. In 2004, the Director of Central Intelligence told Congress that in the second half of 2003, Chinese “entities” helped Pakistan to advance towards serial production of solid-fuelled SRBMs.

In addition, China may have supplied Pakistan with other nuclear delivery vehicles than missiles (possibly indirectly). Pakistan has a number of Chinese A-5 (Fantan) aircraft on its inventory, some of which may have been modified to carry a nuclear payload.²⁴⁹

Perhaps surprisingly, military assistance between China and Pakistan is not a one-way street, even on the nuclear plane. During the 1970s, China was having difficulties in its uranium-enrichment programme, so in 1976 A.Q. Khan went to China to help resolve the problem. Chinese experts regularly visited Khan’s centrifuge research centre, and Pakistani technicians helped set up a centrifuge plant in Hanzhong. According to Khan, Pakistan sent 135 C-130 plane-loads of machines, inverters, valves, flow meters and pressure gauges to China.²⁵⁰

As for conventional weapons, the two countries have worked on a number of co-production projects, including multi-role combat and light attack aircraft. Pakistan has greater access to European defence companies than does China, which was put under an embargo by the European Union after Tiananmen. As recently as 2008, Pakistan was negotiating with French companies to procure air-to-air missiles and radars. With China and Pakistan collaborating in the construction of the JF-17/FC1 fighter, the French sales, if realized²⁵¹, would give the Chinese access to

²⁴⁶ Harsh V Pant, “China, Pakistan Boost Nuclear Ties,” *ISN Security Watch* [Zurich] (6 May 2010).

²⁴⁷ Kan, “China and Proliferation of Weapons of Mass Destruction and Missile,” p. 8.

²⁴⁸ *Ibid.*, pp. 7-9.

²⁴⁹ Paul K. Kerr and Mary Beth Nikitin, “Pakistan’s Nuclear Weapons: Proliferation and Security Issues,” CRS Report for Congress (Washington, D.C.: Congressional Research Service, 23 February 2010), p. 7.

²⁵⁰ Smith and Warrick, “A nuclear power’s act of proliferation.”

²⁵¹ The deal seems to be inching forward, but apparently still had not been finalized as of mid-February 2010. Michael A. Taverna, “French JF-17 Deal Could Anger India,” *Aviation Week* (18 February 2010).

weapons technology that was previously included under the EU embargo. Since Taiwan's air force uses the same missiles, China would be better placed, thanks to Pakistan, in any confrontation with Taiwan.²⁵²

3.4 Internal Security

Domestic insecurity in both Pakistan and China (Xinjiang) has important repercussions for bilateral relations, but it is the situation in Pakistan that is by far the more problematic.

3.4.1 Pakistan

Obviously, Pakistan's dismal standing in the failed states index has a great deal to do with the internal security situation in the country. According to the Pakistan Institute for Peace Studies, which maintains a detailed database of violence in the country, there were 2,586 terrorist attacks in Pakistan in 2009, leading to 3,021 fatalities. If all forms of civil violence—including terrorist attacks, military-militant clashes, inter-tribal violence, and US/NATO cross-border attacks—are included, the death toll for 2009 rises to 12,632, a great increase over the 907 recorded in 2006. One of the major factors contributing to a higher number of casualties in terrorist attacks in 2009 was the frequent and indiscriminate use of suicide bombings by the terrorists. While most of the suicide attacks in 2008 attempted to target security forces and law enforcement personnel, in 2009 the terrorists increasingly opted to strike soft targets, such as universities and markets.²⁵³

There are about 10,000 Chinese workers in Pakistan²⁵⁴, and they are often located in remote and troubled parts of the country. Thus, this propensity to civil violence in the country poses a considerable risk to them. A number have been killed. In May 2004, Balochi militants killed three Chinese engineers and wounded another nine, and in November 2005, rockets hit the camp site of a Chinese construction company in the Gwadar district, damaging several vehicles. In February 2006, gunmen killed three Chinese workers in Hub, an industrial town in Balochistan. In October 2006, Abdullah Mehsud, the then-leader of the Pakistani Taliban, was believed to have been behind the kidnapping of two Chinese engineers who were working on the construction of the Gomal Zam Dam in North-West Frontier Province. One of the hostages was killed and the other injured during a rescue attempt by the security forces. On 23 June 2007 militant students holed up in the Red Mosque in Islamabad kidnapped seven Chinese workers from a nearby massage parlour (they accused them of prostitution). However, when the government apprehended the militants' leader and moved to choke off their supply of food, water and power, three Chinese workers in Peshawar were killed in an apparent act of revenge. Two days later, the security forces launched a full-scale assault on the militants in the mosque. Apparently, the abduction of the seven Chinese workers provoked Beijing to make clear to President Musharraf that, although it could accept losses in Balochistan and the other tribal areas of Pakistan, it was not prepared to see its citizens abducted and tortured in the heart of Islamabad. The rebuke—which must have been

²⁵² Riedel and Singh, *U.S.-China Relation: Seeking Strategic Convergence in Pakistan*, p. 5.

²⁵³ *Pakistan Security Report 2009*, pp.4-5.

²⁵⁴ "China vows to continue [sic] support Pakistan" (Islamabad: Embassy of the People's Republic of China, 28 October 2009).

reinforced by the Peshawar killings—appears to have stung the Pakistani government into action.²⁵⁵

The risk to Chinese workers, companies and investments posed by Pakistan's internal security problems undoubtedly affects Chinese investment in the country. As will be seen, in recent years there has been a significant decline in the number of Chinese private companies operating in Pakistan (a similar phenomenon has occurred in Afghanistan, where China's investment in the Aynak copper field has been negatively affected by insurgent activity—see below).

Pakistani militants not only endanger Chinese nationals in Pakistan, they also threaten the umbilical cord between the two countries. Last year, the Taliban attempted to establish a presence in the Kohistan and Battagram districts of Hazara division and the Kala Dakha area of Mansehra division. These areas hold immense geostrategic significance since the Karakoram Highway passes through them. If the militants consolidate themselves in these areas they would be in a position to block Pakistan's only land link with China. The road's strategic significance is obvious to the militants. During the 1990s—when it was much less important to the bilateral relationship—the Karakoram Highway was blocked several times by the Tehrik-e-Nifaz-e-Shariat-e-Mohammadi, the dominant extremist group in the Swat Valley and an ally of the Afghan and Pakistani Taliban, to enforce their demand for *sharia* in Malakand.²⁵⁶ Interestingly, Beijing was reported to have given political and military support to Islamabad in its campaign in Swat,²⁵⁷ doubtless to protect the Karakoram Highway.

3.4.2 China

China's own internal security situation is also affected by developments in Pakistan. In this regard, Beijing's primary concern is the spread of Islamic ideology into resource-rich Xinjiang, which has a large and restive Muslim Uighur population. Thousands of Uighurs reportedly travel to and from Pakistan for business and religious purposes, particularly to study in Pakistan's *madrassas*. During the anti-Soviet campaign in Afghanistan, significant numbers of Uighurs ended up in training camps and religious schools in Pakistan, and some of those that returned to China later took up arms against the Beijing government. China believes that more than 1,000 Uighurs were trained by bin Laden's forces in Afghanistan, with approximately 110 returning to China, about 300 allegedly captured or killed by US forces in Operation Enduring Freedom, and about 600 escaping to northern Pakistan.²⁵⁸

Some Uighurs formed the East Turkestan Islamic Movement (ETIM)²⁵⁹ and called for an independent Xinjiang. A China expert at the Royal Institute of International Affairs in London

²⁵⁵ "Pakistani soldiers storm mosque," *BBC News* (10 July 2007); Tarique Niazi, "China, Pakistan, and Terrorism," *Foreign Policy in Focus* (16 July 2007); "Storming of Red Mosque likely to lead to further violence," *WorldNomads.com* (12 July 2007) (<http://journals.worldnomads.com/safetyhub/post/7071.aspx>).

²⁵⁶ Sadia Sulaiman, Syed Adnan and Ali Shah Bukhari, "Fears of a Taliban spread," *Asia Times Online* (21 May 2009).

²⁵⁷ Small, "Afghanistan-Pakistan: Bringing China (back) in."

²⁵⁸ Elizabeth Van Wie Davis, *Uyghur Muslim Ethnic Separatism in Xinjiang, China* (Honolulu HI: Asia-Pacific Center for Security Studies, January 2008), p. 8.

²⁵⁹ Since 2008, ETIM has been known as the Turkestan Islamic Party (TIP); for continuity, the ETIM nomenclature will be retained throughout this report.

observed that the security threat posed by groups like ETIM “is one of the top priorities for the Chinese government.”²⁶⁰ Both American and Chinese officials claim that ETIM has ties to al-Qaida, and Beijing suspects that the Uighur group is receiving guidance from operatives living in Pakistan. In two separate meetings in the early months of 2009, senior Chinese officials warned President Zardari that ETIM had established its “military headquarters” in Pakistani territory.²⁶¹

As it demonstrated in the Red Mosque affair, Islamabad is very sensitive to Beijing’s concerns about militancy on Pakistani soil, and it has clamped down on the Uighurs based in its tribal areas. Ismail Kadir, reported to be the third highest leader of ETIM, was returned to China in March 2002 following his capture by Pakistani authorities reportedly in either Kashmir or in Rawalpindi, a city that is home to a sizable community of Uighurs. Ismail Samed, allegedly another founder of ETIM, was executed in Urumqi after being deported from Pakistan.²⁶² In October 2004, Pakistani troops killed Hasan Mahsum, the ETIM leader, who had taken refuge in South Waziristan, and in early 2007 Islamabad ordered a deadly military attack on Uighur and Uzbek militants based in that tribal agency; only a handful survived.²⁶³ Islamabad has agreed to send any Uighurs captured in Pakistan, and was reported to have extradited as many as nine Uighurs to China in April 2009 after accusing them of terrorist activities.²⁶⁴ After the rioting in Urumqi in July 2009, Pakistan’s leaders were quick to assure Beijing that any support for Uighur opposition emerging from the tribal areas would be immediately halted. Pakistan can also assist China with this issue by serving as a gateway to the Muslim world.

In mid-June 2010, China made it clear that it is banking heavily on Pakistan’s support to fight the Uighur separatists in the border region of Xinjiang. The two countries have devised an anti-terrorism program under which Pakistani security forces will push back Uighur fighters trying to cross the border to seek sanctuary in extremist camps in Pakistan. China and Pakistan held anti-terrorism exercises in Xinjiang in 2004 and in 2006, and preparations are underway to launch another bilateral military exercise, with a view to intimidating the Uighur militants.²⁶⁵

The Chinese also have concerns about an extensive drug traffic entering China along the Karakoram Highway. In response, they have lodged strong protests with Islamabad, curtailed border trade and even closed the highway for brief periods.²⁶⁶

3.5 Global Security

South Asia in general, and Pakistan in particular, pose a range of serious challenges to global security, such that the bilateral relationship between Pakistan and China, of itself, is probably not the most pressing. However, the two countries’ affinity has had, and portends, a number of developments that have global as well as regional significance. China’s role in Pakistan’s acquisition of nuclear weapons and missiles, and the propensity of both partners to proliferate, is

²⁶⁰ Omar Waraich, “China Leans on Pakistan to Deal With Militants,” *Time* (10 April 2009).

²⁶¹ Waraich, “China Leans on Pakistan to Deal With Militants.”

²⁶² Davis, *Uyghur Muslim Ethnic Separatism in Xinjiang*, p. 8.

²⁶³ Niazi, “China, Pakistan, and Terrorism.”

²⁶⁴ Curtis, *China’s Military and Security Relationship with Pakistan*, p. 4.

²⁶⁵ Saibal Dasgupta, “China seeks Pak help to deal with separatists on border,” *Times of India* (17 June 2010).

²⁶⁶ Haider, “Sino-Pakistan Relations and Xinjiang’s Uighurs.”

one that has been discussed above. So, too, has Pakistan's contribution (notably through giving China access to Gwadar port) to possible great power rivalry in the Indian Ocean.

China's relations with Pakistan do not contribute much to the resolution of some major global security issues. Most notably, although Pakistan is the epicenter of international terrorism, China has done little to help or encourage its partner to counter this global scourge—Beijing's concern in this regard (the Uighurs) is of domestic not global significance. In fact, Beijing has used its prerogative as a permanent member of the Security Council to prevent international condemnation of Pakistani support for terrorist incursions into Indian-held Kashmir,²⁶⁷ although its reversal with regard to the ban on the JuD suggests a changed stance on this issue.

Nonetheless, in recent years China has acted as a restraining influence on Pakistan, notably during the Kargil conflict, which, had it gone on longer, might have had serious international repercussions. China shares with other major powers, the EU and NATO concern over the potential for state failure in Pakistan, and its economic investment in that country probably alleviates—though, by its scale, only marginally—the tendency to decline. China is part of the 11-member “Friends of Democratic Pakistan,” a grouping that was established in September 2008 and is pledged to support Pakistan in consolidating its democratic institutions, the rule of law, good governance, socio-economic advancement, economic reform, and progress in meeting the challenge of terrorism.²⁶⁸

3.6 Economic Ties

Despite China and Pakistan enjoying an all-weather friendship for nearly half-a-century now, the two countries did not launch an organized and comprehensive effort at close economic relations until 2001, which points to the primacy of security concerns in the bilateral relationship until very recently.²⁶⁹

3.6.1 Trade

Annual trade between Pakistan and China has increased from about US\$1.1 billion in 2000 to US\$6.9 billion in 2009, helped by a series of free-trade agreements, including a comprehensive one in 2008. In that year China exported goods worth US\$5.5 billion to Pakistan, and received US\$1.3 billion worth of imports, giving it a surplus of about US\$4.2 billion.²⁷⁰ In the process, China has overtaken the European Union as Pakistan's second-ranked trading partner (indeed, it may well now be Pakistan's largest²⁷¹). The goal on both sides is to reach US\$15 billion by 2014,

²⁶⁷ Riedel and Singh, *U.S.-China Relations*, p. 5.

²⁶⁸ Curtis, *China's Military and Security Relationship with Pakistan*, pp. 4-5.

²⁶⁹ Bhatta, *China's Peaceful Rise and South Asia*, p. 32.

²⁷⁰ Fazl-e-Haider, “Pakistan's trade bear-hug with China,” *Asia Times Online* (21 April 2010); *China Pakistan Bilateral Trade Statistics from 1993-2008* (China Ministry of Commerce and China Customs, 21 May 2009) (<http://pk2.mofcom.gov.cn/aarticle/bilateralcooperation/labourlawhost/200905/20090506266956.html>).

²⁷¹ Comparing the data in Haider, “Pakistan's trade bear-hug with China,” with data from the U.S. Census Bureau: *Trade in Goods (Imports, Exports and Trade Balance) with Pakistan, 2009* (Washington, DC: Foreign Trade Division, U.S. Census Bureau, 13 April 2010) (<http://www.census.gov/foreign-trade/balance/c5350.html#2009>).

a figure that seems optimistic in light of the security situation in Pakistan and the decline in the number of Chinese firms there. Indeed, the total trade between the two countries stalled in 2009.

The rapid increase in bilateral trade, and the surplus in China's favour, can overstate Pakistan's direct economic importance to China. Pakistan is not even close to ranking among China's top ten trade partners. The total of US\$6.9 billion for 2009 is far below that of China's trade with India (its tenth-ranked partner), at US\$43.4 billion.²⁷²

3.6.2 Investment

Chinese investment in Pakistan has burgeoned beyond the defence sector, and now encompasses many sectors of the economy, including port development, roads, railways, mobile telephony, communication technology, hydro and thermal power, electronics and nuclear energy.²⁷³

As the foregoing suggests, China is investing heavily in Pakistan's infrastructure, a development with strategic as well as economic implications. China is investing at both ends of the Karakoram-Indus Highway. It is investing roughly US\$88 billion in Xinjiang, while its investment in the ports and roads along the Pakistani coast has been noted. In 2007, it was reported that there were 8,500 Chinese working in Pakistan, of whom 3,500 were engineers and technicians. At that time, Chinese investment in the country was stated to be US\$4 billion—"an all-time high"—and Chinese companies made up 12 percent (60 of 500) of all the foreign firms operating in Pakistan.²⁷⁴ Currently there are about 60 Chinese companies, involved in 122 projects, in Pakistan. This represents a considerable decline from the roughly 145 private Chinese businesses in the country in 2003, a drop that owes a great deal to the internal security situation.

3.6.3 Access

China only became a net oil importer in 1993, and since then issues of access to the Middle East have become increasingly important to Beijing—China currently imports 50 percent of its crude oil from that region,²⁷⁵ and by 2020 is forecast to account for 13 percent of world energy consumption. Pakistan's location allows for commercial and energy access to cities in western China. A long-planned Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline would use Gwadar as its terminus on the Indian Ocean, whence liquefied natural gas can be shipped to China. China also envisages Gwadar as a base for pumping gas via a long pipeline to China.²⁷⁶

While the Karakoram Highway is today considered vital for both commercial and strategic purposes, the construction of Gwadar port in Balochistan is likely to increase its importance in the future. On 30 June 2006, a memorandum of understanding was signed between the Pakistani Highway Administration and China's State-owned Assets Supervision and Administration Commission (SASAC) to rebuild and upgrade the Karakoram Highway, which had fallen into disrepair in places. According to SASAC, the width of the highway will be expanded from 10

²⁷² The US-China Business Council, *US-China Trade Statistics and China's World Trade Statistics* (<http://www.uschina.org/statistics/tradetable.html>).

²⁷³ Haider, "Pakistan's trade bear-hug with China."

²⁷⁴ Niazi, "China, Pakistan, and Terrorism."

²⁷⁵ Riedel and Singh, *U.S.-China Relations: Seeking Strategic Convergence in Pakistan*, p. 7.

²⁷⁶ Pepe Escobar, "Balochistan is the ultimate prize," *Asia Times Online* (9 May 2009).

metres to 30 metres, and its transport capacity will be increased three times. Particular attention will be paid to enable it to accommodate heavy-laden vehicles and extreme weather conditions. There are also plans to link the Chinese railway system with that of Pakistan, by building a track from Kashgar to Abbottabad.²⁷⁷ China and Pakistan are also planning to link the Karakoram Highway to Gwadar through the Chinese-aided Gwadar-Dalbandin railway, which extends up to Rawalpindi.²⁷⁸

3.6.4 Financial Assistance

At the end of 2008, Pakistan was on the brink of default, but wanted to avoid taking a US\$7.5 billion loan from the International Monetary Fund. But when President Zardari went to Beijing expecting support, he was shocked to receive only token help from China. For Beijing, the risk of Pakistani default was simply too high, although it did provide a soft loan of US\$500 million. An economist with a Karachi bank commented that “The cooperation we saw during the Musharraf era just isn’t there anymore.”²⁷⁹ The 2008 experience was in stark contrast with that in 1996, when Pakistan’s Finance Minister went to Beijing and was offered enough financing to ensure the solvency of the State Bank of Pakistan.²⁸⁰

²⁷⁷ Bhatti, *China’s Peaceful Rise and South Asia*, p. 34.

²⁷⁸ Haider, “China pact a mixed blessing for Pakistan.”

²⁷⁹ Vivian Salama, “Pakistan and China: A Fraying Friendship?” *Time* (19 February 2009).

²⁸⁰ Riedel and Singh, *U.S.-China Relations: Seeking Strategic Convergence in Pakistan*, p. 5.

4 Afghanistan

4.1 Background

China has the smallest border with Afghanistan of all the latter country's six neighbours. At 76-km their common border represents barely more than one percent of Afghanistan's total land boundary. Furthermore, the Sino-Afghan border is on average 4,500 to 5,000 metres above sea level and pretty inaccessible. The only border crossing, at the Wakhjir Pass, is closed for at least five months of the year and is open irregularly for the remainder.²⁸¹ Marco Polo is supposed to have been one traveler along this route.

China has traditionally had strong ties with Afghanistan. The first recorded contact between the two countries was as early as the 7th century AD, when a Chinese monk visited Bamiyan. Since then significant political, religious and cultural links have developed, primarily between Afghanistan and the Muslim areas of western China. The two countries have had diplomatic ties since 1955, making Afghanistan one of the earlier countries to recognize the Communist regime as opposed to the nationalist one on Taiwan.²⁸²

China strongly opposed the Soviet invasion of Afghanistan, both boycotting the Moscow Olympics and arming the mujahideen. However, a significant number of Uighurs (a Turkic ethnic group from China's Xinjiang province) entered Afghanistan to fight with the mujahideen, creating the same blow-back potential experienced by Pakistan. Possibly related to this development, separatist violence in Xinjiang began to escalate in 1998 and in 1999. In response, China sought to improve relations with the Taliban, using Pakistan as a go-between since Beijing did not formally recognize the Taliban regime. The first interactions between Chinese and Taliban officials occurred in early-1999. Direct flights were instituted between Kabul and Urumqi, the capital of Xinjiang, and Beijing provided military assistance to the Taliban. In return, the latter transferred at least two unexploded US *Tomahawk* missiles, used in the strikes against al-Qaida camps in 1998, to China and made it clear that they would not allow Afghan territory to be a springboard for attacks on China. In the following two years, Beijing made a considerable investment in the restoration of Afghanistan's infrastructure, notably to its power grid, its telephone network and a number of dams. By 2001, China had become the biggest investor in Afghanistan, and the Chinese were dealing with the Taliban right up to 9/11.²⁸³

4.2 China's Interests in Afghanistan

Obviously, as a neighbor of Afghanistan, China has a variety of interests in that country, but the short and largely inaccessible border ensures that those interests are far less pressing than those of some of Afghanistan's other neighbours, especially Pakistan and Iran. In the circumstances, China's involvement in Afghanistan is likely to be mainly economic and political, and largely driven by domestic considerations.

²⁸¹ Christina Yeung, "China," in Kellett et al, "The Involvement of Key States in Afghanistan," p. 82.

²⁸² "Factbox—Relations between China and Afghanistan," *Reuters* (22 March 2010).

²⁸³ Harvinder Sahota, "China's Taliban Connection," *Bharat Rakshak Monitor* 4:3 (November-December 2001).

4.2.1 Commercial Relations

That is not to say that China's role need be insignificant, especially given that it has large amounts of liquid capital ready to invest. The US Geological Survey estimates that Afghanistan has more than 1.5 billion barrels of oil and 15 trillion cubic feet of natural gas²⁸⁴, and unexplored reserves of oil and natural gas in the northern parts of the country may be a magnet for Chinese investment. More recently, on 14 June 2010, the Pentagon announced that Afghanistan is sitting on mineral resources worth US\$1 trillion, and could potentially become one of the world's most important mining centres, particularly for lithium (the Pentagon study suggested that Afghanistan could become the "Saudi Arabia of lithium"). This assessment was based on old data, mostly gathered during the Soviet period.²⁸⁵

As ever, China's leaders worry that any drop in economic growth might lead to popular unrest, and thus Beijing is in a global bid to gain access to the natural resources needed to fuel growth. In 2006, a state-owned Chinese company invested US\$3.5 billion in the Aynak copper field, in the mountains south of Kabul. This is the largest direct investment in Afghanistan's history and is one that would give China access to one of the world's largest unexploited copper deposits. Part of the deal involves building a railway across Afghanistan from the Uzbekistan border to the Pakistan border; from the Uzbek border the route would apparently go via Dushanbe to Kashgar in western China. China has also shown an interest in an iron mine at Hajigak, northwest of Kabul; an auction on this site should occur in the late summer of 2010.

Not only does Afghanistan likely control some of those resources, it also potentially provides access to other regional sources, notably in the Central Asian republics and from the port of Gwadar. For instance, plans to transport copper from Aynak to Gwadar are considered quite feasible.²⁸⁶ According to the US Energy Information Administration, "Afghanistan's strategic location could make the country an important pipeline transit route."²⁸⁷ Afghanistan can potentially play a role—in a round-about way—in transporting energy from Central Asia to China.²⁸⁸ A long-planned TAPI pipeline would use Gwadar as its terminus on the Indian Ocean, whence liquefied natural gas can be shipped to China. China also envisages Gwadar as a base for pumping gas via a long pipeline to China.²⁸⁹ There are immense obstacles to the TAPI route, which was first mooted in 1995, but other routes by which China can access Central Asian energy also pose great difficulties, and China's energy demands are growing increasingly exigent (by 2020 the country is forecast to account for 13 percent of world energy consumption).

²⁸⁴ Jonathan S. Landay, "China's thirst for copper could hold key to Afghanistan's future," *McClatchy Newspapers* (8 March 2009).

²⁸⁵ Jeremy Page, "Afghan minerals could be worth \$1 trillion," *The Ottawa Citizen* (15 June 2010), p. A9.

²⁸⁶ Christian Bleuer, "China's Entry into Central Asia's Southern Tier," *Bulletin Centre for Arab and Islamic Studies* (Australian National University) 15:1 (2008), p. 5.

²⁸⁷ Tariq Mahmud Ashraf, "Afghanistan in Chinese Strategy Toward South and Central Asia," *China Brief* 8:10 (13 May 2009).

²⁸⁸ According to the US Department of Energy, Central Asia's proven natural gas reserves are estimated at 232 trillion cubic feet, comparable to Saudi Arabia. The region's proven oil reserves are estimated to be between 17-49 billion barrels, comparable to Qatar on the low end and Libya on the high end. Jim Nichol, "Central Asia: Regional Developments and Implications for U.S. Interests," CRS Report for Congress (Washington, D.C.: Congressional Research Service, 6 August 2008), p. 33.

²⁸⁹ Escobar, "Balochistan is the ultimate prize."

China has developed significant portions of Afghanistan's infrastructure. Chinese companies ZTE and Huawei have partnered with the Afghan Ministry of Communications in developing digital telephone switches throughout the country, "providing roughly 200,000 subscriber lines;" this project duplicates China's support for the development of Afghan telecommunications during the Taliban era. In addition, China has worked to restore the water supply to Parwan province by developing a large irrigation project, has reconstructed public hospitals in Kabul and Kandahar, and has been hired by the EU for a number of construction projects in the country, including road restoration.²⁹⁰ As of 2008, Chinese companies were involved in 33 infrastructure projects in Afghanistan, worth US\$480 million (not including Aynak).

In 2007, China was Afghanistan's fifth largest trading partner, behind Pakistan, the EU, the US and India, and accounting for four percent of the total. However, the amounts involved were extremely small: China exported €150 million to Afghanistan (fifth ranked) and imported only €2 million (ranked 15th).²⁹¹ Small as this bilateral trade was, it declined 10 percent in 2008, in part due to the security situation.

In that Beijing's concerns regarding Afghanistan are less pressing than those of some of that country's other neighbours, China's aid is relatively modest in absolute and, especially, relative terms. In January 2010, China's Foreign Minister said that his country had provided US\$132 million in reconstruction assistance to Afghanistan since 2002. In 2009, Beijing converted US\$75 million in concessionary loans into grant assistance, effectively writing off the debt.²⁹² At that time, China was pledged to provide a further US\$60 million, to be delivered to the Afghan government in four installments by 2013.²⁹³

4.2.2 Security Concerns

For commercial as well as security reasons, long-term Afghan stability is an important objective for Beijing. The Aynak project will not start to yield dividends for a number of years, and its productive life is projected at 15-20 years. The mine is located in a Taliban stronghold, and relies on American and Afghan troops for its security. A portent of the risks of the project occurred in early March 2009, when a roadside bomb wounded three policemen protecting a construction crew working on an access road to Aynak. The road was begun in 2006, but progress has been slow (at one point the Chinese workers stopped work for three months because of the security situation). If control of the mine area falls to insurgents, they may still be willing to deal with China (which, as noted, had commercial dealings with the Taliban prior to 9/11) but it is nonetheless likely that Beijing would prefer to do business with a relatively reliable, stable and

²⁹⁰ Nicklas Norling, "The Emerging China-Afghanistan Relationship," *CACI Analyst* (Baltimore: Johns Hopkins University, Central Asia-Caucasus Institute, 14 May 2008).

²⁹¹ The European Commission, "Afghanistan: EU Bilateral Trade and Trade with the World," DG Trade (10 September 2008), p. 4 (http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_114134.pdf).

²⁹² India, with much smaller pockets, gave \$750 million to Kabul over a comparable period; the Red Cross spends approximately \$70 million a year in Afghanistan.

²⁹³ Christian Le Mière, "Kabul's New Patron? The Growing Afghan-Chinese Relationship," *Foreign Affairs* (13 April 2010).

Western-backed Afghan government than with the Taliban or its even less predictable allies.²⁹⁴ Slow progress on the Aynak mine does, of course, reduce China's financial exposure.

Similar considerations would be likely to affect potential future Chinese investment in Afghanistan's strategic resources. For instance, the deposits of lithium have been found in Ghazni province, where the Taliban has a very strong presence, and many of the other mineral deposits are also in Taliban strongholds.

China's deployment of troops in defence of its energy and mineral investments in Africa, mentioned earlier, is given added significance by the fact that Beijing has not done the same thing in its neighbour, Afghanistan. On the face of it, China has as much reason to deploy troops to protect its strategic and commercial interests in Afghanistan as it has in Sudan. Yet it has not done so, on the grounds that, except for UN-authorized peacekeeping missions, it will not send a single soldier abroad, reasoning that apparently does not apply to Sudan. Beijing is also averse to placing its troops under NATO command.

However, Beijing has made some extremely modest contributions to Afghan security. In the fall of 2009, China launched a mine-clearing training course for officers from the Afghan National Security Forces (ANSF) and the Iraqi Security Forces at the PLA's University of Science and Technology in Nanjing. In March 2010, *Xinhua* reported that the Chinese Defence Minister assured his Afghan counterpart that the "Chinese military will continue assistance to the Afghan National Army to improve their capacity of safeguarding national sovereignty, territorial integrity and domestic stability." There have also been reports that a senior PLA official may have discussed with President Karzai the possibility of training and equipping the ANSF once coalition forces depart Afghanistan.²⁹⁵

In addition to its commercial interest in Afghanistan, and therefore in the security situation there, China has a range of strategic concerns with regard to that country. To a considerable degree, they are strongly influenced by China's relationship with Pakistan, which is of far greater importance to Beijing.

From its domestic perspective, China worries about the role Afghanistan might play in stoking violence in resource-rich Xinjiang, whose Uighur population numbers about eight million, 45 percent of the total, and has long chafed under Chinese rule. Uighur support for the Afghan mujahideen appeared to have stoked separatist violence in China in 1998-99. Western intelligence officials claimed that most arms and explosives used in terrorist attacks in China originated in Afghanistan.²⁹⁶ Beijing contends that ETIM is now based on Pakistani soil, but China might well worry that restoration of Taliban rule in Afghanistan could restore the pre-9/11 situation and bring the dissidents closer to China (although even in their heyday, the Taliban did not reach the Wakhan Corridor). If this is the case, then concern over a potential Afghan sanctuary is still likely

²⁹⁴ Companies from Canada, the US and the UK also bid on the Aynak deposit, suggesting a certain degree of international confidence in the risk environment.

²⁹⁵ Tim Sullivan, *Who's Going to Win in Afghanistan? China* (Washington, D.C.: American Enterprise Institute, Center for Defense Studies, 14 May 2010).

²⁹⁶ Yeung, "China," p. 81.

to actuate China's policy towards Afghanistan. Indeed, the potential threat from groups like ETIM is regarded as one of the "top priorities" of the Chinese government.²⁹⁷

Beijing appears to exaggerate the terrorist threat in Xinjiang. One analyst has described violence by Uighur rebels as "desultory" and "amateurish and unfocused" in the face of the "fearsome efficiency" of the Chinese security services.²⁹⁸ However, the potential for ethnic violence in the province is very real. Several days of rioting that broke out in Urumqi in early July 2009 constituted the worst ethnic violence in China since the foundation of the People's Republic in 1949, with at least 184 dead. President Hu Jintao left the G8 meetings in Italy prematurely to respond to the crisis, an unprecedented action that attested to the seriousness with which China regards this issue. The chairman of the Xinjiang Autonomous Region claimed that the violence "was instigated and directed from abroad." He accused the World Uighur Congress of instigating the unrest via the Internet, spreading rumors and inciting anger that led to the rioting. While the World Uighur Congress is based in Munich (and its leader lives in the US), the Chinese authorities undoubtedly fear Uighur dissidents living closer to Xinjiang, in South and Central Asia.²⁹⁹ A top Chinese official in Kashgar recently stated that the authorities had uncovered seven "terror cells" in the city in the first four months of 2009. He told reporters that extremists from neighbouring countries were able to "remote control" locals via the Internet.³⁰⁰

The *jihadi* threat to China may be more than domestic. There have been signs that *ihadists* outside China may try to exploit the Urumqi violence. Al-Qaida in the Islamic Maghreb (AQIM) has threatened that it will target Chinese workers in North Africa in response to the deaths of Uighurs, and two websites affiliated with al-Qaida have made similar threats. In October 2009, Abu Yahya al-Libi, a senior al-Qaida figure based in Pakistan, urged a holy war in Xinjiang.³⁰¹ *Jihadists* have apparently been seeking information on the Internet regarding China's interests in the Muslim world, and protesters in Indonesia have called for a *ihad* against China.³⁰² Thus, China's vulnerability to the broader transnational terrorist threat, which it has studiously ignored until now (as noted in the Pakistan section), may be on the increase. The Chinese government certainly appears to feel more exposed. It has denied Turkish accusations of genocide and has appealed for Muslim understanding, saying that it does not oppress the Uighurs. In the circumstances, China might not want to be seen to support an Afghan military operation that has been denounced by Islamist extremists as an international anti-Muslim crusade.³⁰³

There are Islamist extremists in Afghanistan who have ties to al-Qaida and who may seize on the AQIM appeal to target Chinese workers and interests in the country. In fact, in mid-2009 it was

²⁹⁷ Omar Waraich, "China Leans on Pakistan to Deal With Militants," *Time* (10 April 2009).

²⁹⁸ Jason Burke, "The reality of China's jihadist threat," *The Guardian* (6 August 2008).

²⁹⁹ "Fresh protests follow Uyghur crackdown," *CNN.com* (7 July 2009).

³⁰⁰ Lucy Hornby, "China says seven "terror cells" found in Kashgar," *Reuters* (3 June 2009). Kashgar is about 250-km from the China-Afghanistan border.

³⁰¹ Small, *Afghanistan-Pakistan: Bringing China (back) in*, GMF blog, 23 October 2009.

³⁰² Malcolm Moore, "China pleads for understanding as al-Qaeda vows revenge over Uighur deaths," *The Times* (14 July 2009).

³⁰³ Richard Weitz, "The Limits of Partnership. China, NATO and the Afghan War," *China Security* 6:1 (2010), p. 27.

reported that eleven Chinese aid and commercial workers had been killed in Afghanistan since 2004, scaring off some Chinese companies, according to the Commerce Ministry.³⁰⁴

Like Iran, though on a much smaller scale, China has a narcotics problem associated with Afghanistan. In 2004, Chinese officials conceded that up to 20 percent of heroin in China could be of Afghan origin. In 2008, narcotics use in China climbed by 9.2 percent, and Xinjiang has reportedly overtaken Yunnan and the Golden Triangle as the main point of entry into China for narcotics.³⁰⁵

From a broader geopolitical perspective, China is extremely uncomfortable with the NATO (and especially US) military presence in Afghanistan, which some Chinese analysts regard as part of a Washington strategy to perpetuate US domination in the Asia-Pacific region. China perceives itself as the leader of the developing world, and is also desirous of improving its relationship with the Muslim world. Thus, it is quite ready to criticize US policy in Afghanistan and to highlight American problems there.³⁰⁶

However, the American military presence, combined with the economic difficulties the US is experiencing, are seen as a useful distraction, diverting Washington's attention away from China and the Asia-Pacific region and essentially tying one hand behind its back.³⁰⁷ The US presence in Afghanistan also has the advantage of pinning down the extremists and focused away from China. It also spares China an unwelcome counter-terrorism burden. In addition, Beijing also continues to view the US as China's most important relationship, and is unwilling to jeopardize that relationship with too challenging a stance on Afghanistan, which President Obama has clearly identified as a top priority of his administration.

As the Taliban threaten NATO's supply line through Pakistan, allied officials are examining other possible routes. One such might be the Wakhan Corridor, despite the severe practical difficulties of that route.³⁰⁸ The Wakhan Corridor was once an important conduit for trade, but since the early 20th century China has closed the border to most commercial traffic. Last year, China did improve the transportation and security infrastructure of the corridor region, with local media relating that the Ministry of Defence had been constructing a road along the border to increase the mobility of the frontier forces as well as their supplies.³⁰⁹

NATO has tried to make the idea of a supply route *via* China more palatable by suggesting that such a route would be used for the transport of non-lethal supplies. In March 2009, a US official remarked that NATO was considering asking Beijing to help in the provision of an alternate supply route to Afghanistan through western China. The Chinese ambassador responded by

³⁰⁴ Michael M. Phillips and Shai Oster, "U.S. and China Work Together to Rebuild Afghanistan," *The Wall Street Journal* (20 June 2009), p. A8.

³⁰⁵ Weitz, "The Limits of Partnership," p. 24.

³⁰⁶ Abraham M. Denmark, *The Impact of China's Economic and Security Interests in Continental Asia on the United States*, testimony before the U.S.-China Economic and Security Review Commission, 20 May 2009, p. 3.

³⁰⁷ Denmark, *The Impact of China's Economic and Security Interests in Continental Asia on the United States*, p. 2.

³⁰⁸ *Afghanistan: The Difficulties of the Wakhan Corridor* (Austin: Stratfor Global Intelligence, 10 March 2009).

³⁰⁹ Weitz, "The Limits of Partnership," p. 29.

insisting that Beijing would need more extensive consultations with NATO before offering concrete support.³¹⁰ In June 2009, the Afghan Foreign Minister called for China to open up their common border as an alternative supply route for forces battling the Islamist insurgents. However, although a Chinese Foreign Ministry spokesman said his country would adopt “an earnest and positive attitude” and was “willing to earnestly study his suggestions,” a Chinese newspaper regarded as a government mouthpiece quoted Chinese experts as saying that the appeal was likely to fall on deaf ears, as compromising China’s sovereignty.³¹¹ One reason for Chinese reluctance could be the fear that improved communications in the region might facilitate the transit of extremists from Afghanistan into China.

A joke is going the rounds that China’s investment in Aynak ought to be worth six PLA divisions to the Afghan government. But as noted, Beijing’s attitude towards Afghan security is a mixed one, wanting stability but not at the cost of a long-term Western presence. Indeed, in July 2005, the Shanghai Cooperation Organization asked the United States to set a deadline for the withdrawal of its troops from Central Asia (at the time, the US had bases in Uzbekistan and Kyrgyzstan), on the grounds that “the active military phase in Afghanistan is over.”³¹² It was widely believed that the SCO’s decision came at the instigation of China and Russia (Chinese President Hu Jintao argues that Central Asian states could handle their own internal and regional affairs). Ahead of the 2007 SCO summit in Bishkek, the *People’s Daily* published an article calling for the US military to withdraw from its base in Kyrgyzstan,³¹³ and at the meeting the organization once more asked the US to withdraw from the region. However, despite the 2005 assertion about the end of the “active military phase” in Afghanistan, the SCO has not extended its call for US withdrawal from Uzbekistan (completed) and Kyrgyzstan to Afghanistan, recognizing that, for now, NATO is needed to ensure stability in the last-named state.

Like Pakistan, China wants to be in an influential position in Afghanistan when NATO eventually withdraws its troops. Thus, while it accepts the NATO contribution to stability, and American protection of its Aynak investment, China—again like Pakistan (and Iran)—is accused of providing military support to the insurgents. For more than a year, US officials have complained to their Chinese counterparts about the shipment of Chinese-made or Chinese-co-produced weapons to insurgents in Iraq and Afghanistan, largely via Iran, apparently to no effect. Pentagon sources indicated that in some cases China was shipping weapons directly to the Taliban.³¹⁴ This tactic, intended to bleed the superpower in proxy conflicts, dates back to the Korean and Vietnam wars. Chinese weapons ending up in insurgent hands have included small arms, armour-piercing ammunition, rocket-propelled grenades, mines, .50-caliber anti-material/sniper rifles and HN-5 shoulder-launched anti-aircraft missiles. China seems to ignore Western complaints, banking on a reluctance in Washington, at least, to turn this problem into a major issue.³¹⁵

³¹⁰ Weitz, “The Limits of Partnership,” p.29.

³¹¹ “Afghanistan calls for China’s help against militants,” *Agence France-Presse*, 11 June 2009.

³¹² Andre de Nesnera, “Regional Group Calls on US to Pull Out of Bases in Central Asia,” *Voice of America* (20 July 2005).

³¹³ Shirley A. Khan, “U.S.-China Counterterrorism Cooperation: Issues for U.S. Policy,” CRS Report for Congress (Washington, DC: Congressional Research Service, 29 October 2008), p. 23.

³¹⁴ Richard D. Fisher, Jr, “Chinese Arms Cost American Lives,” *Far Eastern Economic Review* (July/August 2008), p. 51.

³¹⁵ Fisher, “Chinese Arms Cost American Lives,” p. 51.

Given the relatively low priority of Afghanistan in China's foreign relations, Beijing's long-standing conservatism in foreign policy, and its competing concerns (fear of a precipitate NATO withdrawal warring against a desire to position itself for that day), China seems unlikely to accede to Western urging that it should play a greater role in the stabilization of Afghanistan.

5 Nepal

5.1 Background

If great power rivalry between India and China were indeed the key security issue in South Asia, it would find a custom-made arena in Nepal, which shares a 1,690-km border with India and a 1,236-km border with the Tibetan Autonomous Region of China and is neighbour to no other country than those two. Indeed, a recent history of the country observed that “Outside influences have always been important in Nepal, even when its policy was avowedly one of self-isolation.”³¹⁶ A local saying has it that Nepal is a mouse trapped between elephants.

5.2 Influence

5.2.1 India

In 2002 it was reported that the Indian embassy in Kathmandu had a staff of 300 men and women, and was the largest diplomatic mission in Nepal. Moreover, the Indians themselves admitted that Kathmandu was India's largest mission abroad.^{317 318} This fact alone attests to New Delhi's interest in its neighbour. India also benefits greatly from the fact that it is bordered by the lowland part of Nepal.

Naturally, there are strong ties between the countries. Nepal borders four Indian states, with a combined population in 2001 of 330 million, one-third of India's total. As the International Crisis Group put it, there are “myriad cross-border connections and cultural overlaps” between Nepal and India.³¹⁹ Hindus form four-fifths of Nepal's population and, until 2006, Nepal was the only official Hindu state in the world. Consequently, religion has played a major role in bilateral relations between Nepal and India. For example, the Pashupatinath Temple in Kathmandu is the largest Shiva temple in the world, and is visited by Hindu pilgrims from all over the world. By tradition, its priests come from India, and in 2009, when the Maoist-led government tried to appoint Nepalese priests, there were protests in India as well as in Nepal. After leading politicians, actors, businessmen and other celebrities in India expressed their dissatisfaction, the Indian priests were reinstated. Hindu nationalist parties in India, notably the BJP, opposed the attempt by the Maoists to overthrow a Hindu monarchy. The BJP were in power in India from 1998 to 2004, overlapping much of the Maoist insurgency in Nepal. In contrast, the Congress Party-led governing coalition in India relies on the support of left-wing parties, and thus was

³¹⁶ John Whelpton, *A History of Nepal* (Cambridge: Cambridge University Press, 2005), p. 235.

³¹⁷ Dhruva Adhikary, “Nepal's spies come in from the cold,” *Asia Times Online* (12 June 2002).

³¹⁸ While it is possible that the embassy has decreased in size since 2002 (somewhat improbable given the importance of developments in Nepal over the past decade) the size of the embassy staff reported here seems to contradict the ICG's observation, noted earlier, that the embassy is “thinly staffed.” As the 2002 report suggested, this discrepancy might be explained by a large presence of agents of the Indian intelligence agency, the Research and Analysis Wing.

³¹⁹ ICG, “Nepal's Future: In Whose Hands?” *Asia Report* No.173 (Kathmandu/Brussels: ICG, 13 August 2009), p.22.

readier to accept the Maoists' emergence into the political realm and the resulting downfall of the monarchy.

However, in assessing the competing influences of China and India in Nepal, the role of religious affinity should not be exaggerated. When India sent a peacekeeping force to Sri Lanka in 1987, it lost over 1,000 soldiers killed at the hands of the mostly Hindu Tamil rebels, who then proceeded to assassinate Rajiv Gandhi who, as Prime Minister of India had sent the peacekeepers to Sri Lanka.

Religious ties between Nepal and India have been complemented by the enormous influence exerted by the Hindi-language cinema (Bollywood), particularly in the 1970s and 1980s.

Indian and Nepalese citizens may travel to each others' countries without a passport or visa, and Nepalese citizens may work in India without legal restriction (more than one million do so, sending back remittances³²⁰). A Treaty of Peace and Friendship, which both countries signed in 1950, defined their political and economic relationship. Under the Treaty, people living in both countries could freely travel across the border for employment, and could reside in either place. It also granted preferential trade arrangements and, until 1969, allowed India to maintain security posts in Nepal's northern border with China, as well as a military mission in Kathmandu. But increasingly, many Nepalese were uncomfortable with the Treaty, believing it gave India major political and economic influence. The Maoists have regularly raised the issue and said they want the Treaty scrapped. They also want a review of other agreements, especially those relating to river water and irrigation—issues which are very sensitive on both sides of the border.

Most of Nepal's trade is with India, and its currency is pegged to the Indian rupee. In 2008, 54.8 percent of Nepal's exports went to India, and relatively few (probably less than 5 percent) to China; 55.2 percent of its imports came from India, and less than one-quarter that proportion (13.4 percent) from China.³²¹ India is the largest foreign investor in Nepal. New Delhi began providing Nepal with development aid in 1952, but in 1962 the assistance was suspended at Kathmandu's request, not only because of resentment at India's 'big brother' approach but also because some of the aid schemes appeared to benefit India more than Nepal.

There have been recurrent tensions between the two countries over tariff arrangements and Nepal's transit rights across Indian territory for imports and exports involving third countries. The extent of Indian domination was illustrated in 1989, when New Delhi imposed a semi-blockade of Nepal, closing all but two border crossing points for fifteen months. The move was ostensibly to crack down on smuggling, but it was widely interpreted as punishment for Kathmandu's decision in 1988 to buy a small quantity of arms from China. The virtual closure of the border ultimately led to the demise of the party-less political system in Nepal and the restoration of the multiparty system. Another trade spat erupted in 2000, with India pressing Nepal to adopt a more restrictive definition of manufacturing, to curtail the influx of goods into India under a free trade treaty signed in 1996. India also cancelled flights to Kathmandu during the first five months of 2000 in response to the hijacking to Afghanistan of an Indian aircraft en route to Kathmandu. Tourism is the largest industry in Nepal, and the largest source of foreign exchange and revenue. Thus, this

³²⁰ Jim Yardley, "China Intensifies Tug of War With India on Nepal," *The New York Times* (18 February 2010).

³²¹ CIA, *The World Factbook*.

measure heavily damaged bilateral relations (another indicator of the strong people-to-people contacts between the two).³²² These activities, and India's economic profile, have ensured that many Nepalese resent Indian domination.

India has also played a key role in Nepalese politics, particularly since the closing stages of the Maoist insurgency. New Delhi was instrumental in the peace process that began with a twelve-point agreement in November 2005 and ended in parliamentary elections in April 2008 and the rejection, by the new parliament, of the monarchy. When the peace process stalled, India revived it, pressing for elections which New Delhi thought would deliver a serious defeat to the Maoists. The strong showing by the Maoists in the parliamentary elections in April 2008 took India by surprise, and Indian diplomats were reportedly dismayed by the result. Initially, India adjusted to the Maoists' victory, but as the latter began to make overtures to China, Indians lamented that the "special relationship" between India and Nepal was "in its terminal phase" (in the words of a former Indian ambassador to Kathmandu). In response, through its political allies in Nepal and the Nepalese Army, New Delhi began to back a campaign against the government led by the United Communist Party of Nepal (Maoist) (UCPN(M)), the political wing of the Maoist rebellion. UCPN(M) Prime Minister Prachanda failed in his attempt to fire the army chief, who had resisted the government on a number of issues, including the integration into the army of rebel fighters. Thereupon, Prachanda resigned.

5.2.2 China

China's influence in Nepal has been far less than that of India, partly as a result of geography. The northern part of Nepal, abutting Tibet, contains the highest elevations in the world. As a result, communications between China and Nepal have been extremely limited—one road, frequently interrupted by landslides—making access far harder for China than for India. In fact, it has been cheaper for the Chinese to send goods (such as trolleybuses) to Nepal by sea via Calcutta than by using the overland route through Tibet. Tibet is also far less populous and developed than northern India—Tibet, which also borders Kashmir, Bhutan and Myanmar, had a population of 2.62 million in 2000—increasing the southern pull felt in Nepal. Another factor that, at least until recently, limited Chinese influence in Nepal was the lengthy process of Beijing asserting its authority over Tibet.

The impediments to economic links between China and Nepal are clearly indicated not only by the trolleybus odyssey but also by the trade data cited earlier, which showed that in 2008 probably less than five percent of Nepal's exports went to China and only 13.4 percent of its imports came from China.³²³ However, bilateral trade has quadrupled since 2003.³²⁴ In May 2010, Nepal's trade with China was reported to stand at \$500 million, with Nepal suffering a trade deficit of around US\$444 million.³²⁵ Thus, it would appear that bilateral trade is about one-fifth that between Nepal and India.

China began providing aid to Nepal in 1956, with a view to acquiring influence in the country. However, Beijing was careful not to provoke India—not always successfully, as 1962

³²² "The trouble with ghee," *The Economist* (17 June 2000), p. 44.

³²³ CIA, *The World Factbook*.

³²⁴ Yardley, "China Intensifies Tug of War With India on Nepal."

³²⁵ "Nepal, China ink zero tariff deal," *The Hindu* (15 May 2010).

demonstrated—and thus its aid was less than India's.³²⁶ Such restraint may be eroding: Beijing recently boosted its aid to Nepal by 50 percent.³²⁷ Whether this development is associated with Kathmandu's crackdown on anti-China protests and increased border security, or a sign of increased Sino-Indian competition, is unclear, although the former would seem the more likely.

In recent years, Beijing has shown an increased interest in infrastructure projects that would connect Tibet and Nepal, including (as noted) the extension of the Golmud-Lhasa railway line to Kathmandu. In 1994, China and Nepal agreed to start transport service along the 873-km road between Lhasa and Kathmandu. It took more than a decade for this proposal to materialize, but in 2005 the two sides signed an agreement to start a two-way bus service.³²⁸ No sooner had the service started, than it was suspended in 2006 over visa issues. The two sides agreed to restart the service on 1 May 2010, with simplified visa procedures. As the number of Chinese tourists visiting Nepal has steadily risen, Chinese airlines have opened routes into the country, although air services are open only six months a year.

In the early decades after 1949, China, absorbed with Tibet, played a relatively modest role in Nepal. Indeed, Kathmandu felt strong enough vis-à-vis Beijing that in about 1959 it rejected Chinese claims to control Mount Everest. However, motivated largely by its concerns over Tibet as well as the stability of Nepal, in the past dozen or so years Beijing has had growing political and military interactions with Kathmandu. When the Maoist rebellion broke out in 1996, Beijing expressed support for the Nepalese government and condemned the rebels' use of Mao's name but, "as had generally been the case since the 1960s, did not want to play a major role."³²⁹ Like India, China fears the spillover onto its own territory of instability in Nepal. Thus, it has become more involved in its neighbour's affairs in recent years. In 2005, the PLA agreed to train the Nepalese Army to counter the Maoists but, relatively speaking, the PLA's interactions with the Nepalese have not been as extensive as they have been with other countries in the region.³³⁰ For a long time, Beijing abjured relations with the UPCN(M) and was well-disposed towards the monarchy, but its attitude towards the UCPN(M) has warmed, even while it has kept close contact with other parties.³³¹

Indian observers detected an "unprecedented" 38 Chinese delegations visiting Nepal in 2008-09³³², and Nepalese officials have gone to Beijing in their turn. For instance, in February 2010, Home Minister Bhim Rawal went to Beijing, where it was reported that the two countries had agreed to cooperate on border security; Nepal restated its commitment to prevent any 'anti-China' events on its soil. China was expected to provide money, training and logistical support to help Nepal expand police checkpoints in isolated regions of its northern border.³³³

³²⁶ John Whelpton, *A History of Nepal* (Cambridge: Cambridge University Press, 2005), p. 133.

³²⁷ Christopher Walker and Sarah Cook, "The Dark Side of China Aid," *The New York Times* (25 March 2010).

³²⁸ Srikanth Kondapalli, "The Chinese Military Eyes South Asia," in Andrew Scobell and Larry M. Wortzell (eds.), *Shaping China's security Environment: The Role of the People's Liberation Army* (Carlisle, PA: Strategic Studies Institute, US Army War College, October 2006), p. 241.

³²⁹ Whelpton, *A History of Nepal*, p. 224.

³³⁰ Kondapalli, "The Chinese Military Eyes South Asia," p. 240.

³³¹ ICG, "Nepal's Future: In Whose Hands?" p. 20.

³³² *Ibid.*, p. 19.

³³³ Yardley, "China Intensifies Tug of War With India on Nepal."

5.3 Security

The primary concern for both India and China, with regard to Nepal, is security, especially at the borders. This is somewhat ironic, given the absence of territorial disputes involving Nepal. This is an unusual state of affairs along much of the Himalayan border region, and contrasts with the frontier disputes associated with India-China, India-Pakistan and China-Bhutan. Nonetheless, Nepal's control over cross-border traffic is a major concern to its two giant neighbours.

5.3.1 India

Since 1951, India has tended to view Nepal primarily in terms of border security, with New Delhi showing concern not only for Nepal's northern border with China, but also its southern, Indian, frontier. With regard to the former, for almost two decades in the 1950s and 1960s India was allowed by Kathmandu to maintain monitors along the border with Tibet.

But the Indian government's principal concern since the mid-1990s has been the Marxist insurgency that has wracked Nepal. This focus is prompted by a widespread and growing Maoist insurgency in India itself. Government data recently indicated that 223 districts in 20 states³³⁴ are "Maoist affected," a significant increase from 55 districts in nine states six years ago. According to the government, 90 of the affected districts are experiencing "consistent violence," and Prime Minister Manmohan Singh has described the situation as "India's greatest internal security challenge."³³⁵ The gravity of the threat was underlined by an attack in Chhattisgarh (the Maoist heartland) in early April 2010, in which 74 paramilitary soldiers were killed by a large force of militants; almost no one escaped.

New Delhi believes that Nepal's Maoists have had links with leftist extremists in India. In late 2003, an Indian police report stated that 128 injured Nepalese Maoists were being treated in hospitals in Uttar Pradesh state, which borders Nepal.³³⁶ Bihar, the other major Indian state bordering Nepal, has been similarly affected. In June 2004, state police arrested 11 Nepalese citizens in Patna, the state capital; six of them appear to have been members of the Nepalese Maoists' central committee and, according to a senior Bihar police official, were in Patna to meet their Indian counterparts.³³⁷ Security experts believe that the Maoist victory in Nepal will come as a big morale booster to Maoist rebels fighting in India.³³⁸ By the same token, New Delhi has been of the view that a defeat for the Maoists in Nepal would set a useful domestic precedent for India.³³⁹

Left-wing militants are not New Delhi's only security concern with regard to Nepal. In mid-2000, the Indian press published a leaked report, said to have been prepared by Indian intelligence agencies, which alleged that Nepal was a base for Pakistan-backed operations against India.³⁴⁰ The hijacking of Indian Airlines Flight 814 on 24 December 1999 undoubtedly contributed to this

³³⁴ India has 28 states and 7 union territories; it has a total of 636 districts.

³³⁵ Soutik Biswas, "India's Maoists: A doomed revolution?" *BBC News* (15 March 2010).

³³⁶ "Nepalese Maoists 'entering India'," *BBC News* (12 December 2003).

³³⁷ "India Arrests 11 Suspected Maoist Rebels," *Associated Press* (3 June 2004).

³³⁸ Sanjoy Majumder, "India worries over Nepal's future," *BBC News* (14 April 2008).

³³⁹ ICG, "Nepal's Future: In Whose Hands?" p. 23.

³⁴⁰ "The trouble with ghee," p. 44.

assessment. The plane was *en route* from Kathmandu to New Delhi when it was hijacked to (ultimately) Kandahar by five men, who were allegedly Pakistanis associated with the Pakistan-based terrorist group Harakat ul-Mujahideen (the State Department accepts HuM involvement). More recently, an Indian blog outlined claims of an extensive network of militants using Nepal to attack India. According to the account, Indian intelligence, in collaboration with its Nepalese counterparts, had mounted a major covert operation in Nepal to capture alleged militants who were planning, under putative Pakistan Inter-Service Intelligence (ISI) aegis, to launch attacks in India. According to the story, up to August 2008 more than 400 individuals had been rendered to India, in the absence of a bilateral extradition treaty. The story claimed that Nepal had emerged as a major terrorist transit point in the late 1980s. It quoted Lieutenant-General V.K. Singh, the former deputy chief of the Research and Analysis Wing, India's external intelligence agency, as saying that a variety of factors had prompted the ISI to set up base in Nepal. He noted that the long, porous border touching Bihar, Uttar Pradesh, West Bengal and Sikkim made Nepal ideal for militants to enter India.³⁴¹ India is not alone in this viewpoint. In its 2004 report on international terrorism, the US State Department stated that "limited Government finances, weak border controls, and poor security infrastructure could make Nepal a convenient logistic and transit point for outside militants and international terrorists."³⁴²

As a result of this concern about spill-over violence from the insurgency in Nepal, from 2001 until the royal coup in February 2005, India stepped up its longstanding military assistance to Nepal, supplying the Nepalese army with the bulk of its weaponry and ammunition.³⁴³ In 2004, New Delhi offered to donate more helicopters and vehicles designed to withstand mines. India has also insisted on providing the Nepalese army with the INSAS rifle, manufactured by the Indian State Ordnance Factory Board. Some 23,000 of these rifles, plus ammunition, were supplied by India, at a 70 percent discount, starting in around 2003; supplies stopped when the King seized power.³⁴⁴

In addition, India agreed to provide counter-insurgency training to Nepalese troops and to deploy Indian border guards to prevent the movement of rebels across Nepal's southern border. A senior Nepali official commented, "We were very surprised by the Indian generosity. The Indian leadership took a very hardline position against the Maoists."³⁴⁵ As noted, India suspended its military assistance after the King's assumption of executive power, but quickly resumed non-lethal military assistance. In December 2009, there were reports that it might restart supplies of lethal equipment. India denied this, but offered to step up non-lethal military assistance, including help in constructing a military airport in Surkhet district.³⁴⁶ Besides the counterinsurgency training, each year India accepts 110-120 Nepalese army officers at Indian defence establishments, such as the military academy at Dehra Dun.

³⁴¹ "RAW and IB Operate Against Pakistani Agents in Nepal," *Alaiwah!* (4 August 2008) (<http://alaiwah.wordpress.com/2010/01/07/raw-ib-operate-against-pakistani-agents-in-nepal/>).

³⁴² *Country Reports on Terrorism 2004* (Washington, D.C.: Office of the Coordinator for Counterterrorism, 27 April 2005, Chapter 5B) (<http://www.state.gov/s/ct/rls/crt/45392.htm>).

³⁴³ ICG, "Nepal: Peace and Justice," p. 12, ref. 81.

³⁴⁴ "Indo-Nepal war of words over INSAS rifles," *India News Online* (22 August 2005).

³⁴⁵ Y.P. Rajesh, "Nepal PM Vows to Fight Rebels, India to Give Arms," *Reuters* (10 September 2004).

³⁴⁶ ICG, "Nepal: Peace and Justice," p. 22, ref. 158.

5.3.2 China

For Beijing, Tibet is a major issue in its dealings with Nepal, and it is anxious to stifle any Tibetan protests or other ‘anti-Chinese’ activities on Nepalese soil. It is not clear how many Tibetans now live in Nepal, since many of the original refugees who arrived in Nepal and Bhutan in the 1950s later resettled in India. The Dalai Lama’s Central Tibetan Relief Committee states that there are 8,000 Tibetan refugees in Nepal, in ten main settlements.³⁴⁷ ³⁴⁸ Other sources range from 9,300 to 16,313 to 35,000.³⁴⁹ The UNHCR put the number at 20,000 in 2009.³⁵⁰ In a population of nearly 29 million, even the highest of these estimates is a minuscule proportion. However, many Nepalese are Himalayan people ethnically similar to Tibetans, who would presumably be sympathetic to the refugees.

Until 2008, roughly 2,500 to 3,000 Tibetans annually slipped across the border.³⁵¹ Most of those who make the difficult journey support the Dalai Lama and oppose China, and Beijing has been anxious to curtail the traffic. Chinese concern was exacerbated in March 2008 when, five months before the Beijing Olympics, Tibetan protests broke out in Lhasa and in China, and spread to Kathmandu, where some 12,000 Tibetans live. The protests in Nepal attracted global attention, leading the Chinese to realize that Nepal was going to be an important site where they could potentially be embarrassed on Tibetan issues.³⁵²

Although China was supportive of the Chinese monarchy prior to its overthrow in May 2008, and opposed to the Maoists, the advent into government of the latter in mid-2008 has been used by Beijing as an opportunity to tighten border controls. The two countries have agreed to cooperate on the issue, and in fall 2009 the Nepalese Interior Minister announced that his country would, for the first time, station armed police officers in isolated parts of the border with Tibet. By 2009, the number of Tibetans entering Nepal had fallen to about 600.³⁵³ In addition, in 2008 the Nepalese authorities arrested large numbers of Tibetan exiles, and violently suppressed Tibetan demonstrations.

More generally, from the perspective of security, the planned extension of the Golmud-Lhasa railway—the first line to connect China with Tibet—to Kathmandu could enhance the logistics of the Chinese PLA in the region, a development that would undoubtedly concern New Delhi. With

³⁴⁷ *Tibetan Refugee Settlements in Nepal* (Dharamsala: Central Tibetan Relief Committee, 2009) (<http://www.tibetgov.net/set-nep.html>).

³⁴⁸ It is highly likely that, after 50 years, many Tibetans live outside these refugee settlements. Only one of those settlements listed by the Relief Committee—Jawalakhel—is close to Kathmandu; it has a population of 1,082. One of the accounts of Tibetan protests in Nepal in 2009 claims that there are 12,000 Tibetans in the Nepalese capital.

³⁴⁹ **9,300**: *Tibetans, Bhotia of Nepal*, People-in-Country Profile, The Joshua Project (Colorado Springs: U.S. Center for World Mission, 15 April 2010) (<http://www.joshuaproject.net/people-profile.php>); **16,313**: *Tibetan [sic] in Diaspora* (New York: Everest Tour & Travel, 2009) (<http://www.everest-travels.com/tibetans.php>); **35,000**: Philip P. Pan, “China Backs Nepal Over Maoist Rebels,” *The Washington Post* (14 July 2002), p. A20.

³⁵⁰ United Nations High Commissioner for Refugees (UNHCR), *New Threats, New Challenges. UNHCR Global Report 2009* (Geneva: UNHCR, 2010), p. 223.

³⁵¹ Yardley, “China Intensifies Tug of War With India on Nepal.”

³⁵² *Ibid.*

³⁵³ *Ibid.*

its own worries about internal security, along with unrest in Tibet and Xinjiang, Beijing has also been concerned by instability in Nepal, and in particular by the Maoist insurgency there, which, after a decade of violence beginning in 1996, ultimately propelled the Maoists into government in Kathmandu. Despite the history of Communism in China, throughout the armed conflict in Nepal Beijing supported the monarchy against the Maoists (for one thing, it was insulted by the rebels' adoption of Mao's name). In July 2002, the Chinese and Nepalese leaders met, and Chinese state media quoted President Jiang Zemin as stating that "China supports the efforts of King Gyanendra and the Nepali government in cracking down on armed anti-government forces."³⁵⁴ However, as had generally been the case since the 1960s, China did not want to play a major role in Nepal, in contrast to India.³⁵⁵ After the King dismissed the government and assumed full executive powers in February 2005, India suspended its military assistance to Nepal, but China continued to provide such help. Nevertheless, China adapted more successfully than India to the Maoists' entry into government, and in December 2009 Beijing promised increased military assistance, mostly in the form of non-lethal hardware and training.³⁵⁶

5.4 Sino-Indian Competition

The executive director of a think-tank in Kathmandu recently commented that "India has always been concerned about what access China might have in Nepal. India has always considered South Asia to be its backyard, like a Monroe Doctrine."³⁵⁷ The International Crisis Group contends that India does not view Nepal as a fully foreign or a fully sovereign country.³⁵⁸

New Delhi's proprietary interest in South Asia is particularly evident in the countries along its Himalayan border. New Delhi does not appear to treat Nepal as a fully sovereign country, an attitude that was taken a step further with Sikkim when India absorbed that country—hitherto a protectorate with a fair degree of autonomy—a move that alarmed Nepalese. As the previous section showed, until recently China has been relatively reticent, compared with India, in developing its relations with Nepal, and it does seem to have tried not to irritate New Delhi.

That is not to say that there has been no competition over Nepal between the two Asian giants. There has, and Kathmandu has often been able to leverage their rivalry to secure increased assistance. Between 1955 and 1971 King Mahendra was able to balance adroitly between India and China, but India's defeat of Pakistan in 1971 confirmed its domination in South Asia, and reduced Nepal's room for manoeuvre.³⁵⁹

An early manifestation of Sino-Indian competition in the country occurred in 1961, when King Mahendra signed an agreement with the Chinese for the construction of a road from Kathmandu to the Nepal-Tibet border. Regarding this as a security threat, New Delhi backed insurgents based in India who raided Nepal in opposition to the King, and followed this up with an unofficial economic blockade in September 1962. When the Sino-Indian border war broke out a month later, India needed King Mahendra's cooperation, and as a result persuaded the insurgents to call

³⁵⁴ Philip P. Pan, "China Backs Nepal Over Maoist Rebels," *The Washington Post* (14 July 2002), p. A20.

³⁵⁵ Whelpton, *A History of Nepal*, p. 224.

³⁵⁶ ICG, "Nepal: Peace and Justice," p. 22, ref. 158.

³⁵⁷ Yardley, "China Intensifies Tug of War With India on Nepal."

³⁵⁸ ICG, "Nepal's Future: In Whose Hands?" p. 22.

³⁵⁹ Whelpton, *A History of Nepal*.

off their armed campaign. As noted, the lengthy Indian semi-blockade of Nepal in 1989-90 was in part actuated by Kathmandu's decision to buy Chinese arms.

In the current climate of political instability in Nepal, India worries about the Maoist tilt towards China, concerns that were epitomized by the report of 38 Chinese delegations visiting Nepal in the space of a year. Beijing reportedly offered not only non-lethal military aid but also professional training to senior commanders of the Maoist People's Liberation Army—a move that would be quite at variance with New Delhi's support of the Nepalese Army and Indian opposition to the integration of Maoist fighters into the Army.³⁶⁰ The Indian media also asserted that China pushed Prachanda into trying to fire the army chief. However, the International Crisis Group could find no evidence to support Indian media speculation that China incited the Maoists to fire the army chief.³⁶¹

In around May 2009, a former Indian Foreign Minister warned that China had become “more active in Nepal than we are,” despite India pouring ten billion rupees (about US\$225 million) into the country.³⁶² When Indian officials and analysts were asked about the Maoist-led government, Chinese influence was often the first issue cited by them.³⁶³

Just before the Maoists withdrew from government, Prachanda intended to visit China as his first foreign visit. The inflammatory Indian media reported that Prachanda planned to sign a bilateral agreement with China that would mimic the 1950 Treaty of Friendship between Nepal and India. The Maoists' pursuit of better relations with China clearly crossed India's red lines.³⁶⁴ Some analysts in Kathmandu even suggested that India might have provoked the confrontation between the Maoists and the army in order to abort Prachanda's proposed trip to Beijing.³⁶⁵

Despite Beijing's apparently increased interest in Nepal and the hysteria in the Indian media, the International Crisis Group concluded that, for now, China's “mantra” of non-interference in Nepal's internal affairs “looks close to the truth.”³⁶⁶ The International Crisis Group observed that China—a permanent member of the Security Council—was almost silent at the United Nations on the subject of Nepal, whereas India—though not a member of the Security Council—was “tirelessly strident” in its advocacy of Nepal's “sovereign” views.³⁶⁷

Contrasting the Chinese and Indian approaches on Nepal, the International Crisis Group thought that Beijing reaped “decent rewards for very little outlay...Spendthrift New Delhi, in contrast, often loses the support of the very parties, politicians and local communities that it so generously showers with financial inducements.”³⁶⁸ Not only has Kathmandu made it much harder for Tibetans to cross the northern border, it has also clamped down on ‘anti-China’ activities inside the country. In contrast, India's primary internal security concern, the Maoist insurgency, is

³⁶⁰ ICG, *Nepal's Future: In Whose Hands?*, p. 21.

³⁶¹ *Ibid.*, p. 19.

³⁶² *Ibid.*, p. 20.

³⁶³ *Ibid.*, p. 19.

³⁶⁴ *Ibid.*

³⁶⁵ *Ibid.*, p. 20.

³⁶⁶ *Ibid.*, p. 21.

³⁶⁷ *Ibid.*, p. 21, ref. 120.

³⁶⁸ *Ibid.*, p. 20.

steadily worsening. While it is difficult to ascertain whether recent events have constricted the support India's rebels receive from their Nepalese counterparts, it seems unlikely.

However, despite the apparently differing returns on China's and India's involvement in Nepal, and China's increasing profile in the country, India is likely to remain the dominant neighbour. Since the Himalayan states will not be left to their own devices, they can at least hope to profit from great power competition. In this, Nepal will be assisted by China's growing interest in the country.

6 Bhutan

6.1 Background

Bhutan is a much smaller country than Nepal. Its population, at almost 700,000, is around 2.4 percent the size of Nepal's, and its land area, at 38,394 square kilometres, is one-quarter that of Nepal. Like Nepal, it has only two neighbours, India and China, which makes it a natural buffer zone. The border with India is 605-km long, while that with China is 470-km long. Although the border with China is just 38 percent the length of the Nepal-China border, it is of much greater strategic significance, with the result that—unlike Nepal's—it is highly contested, with India keeping a nervous watch on territorial issues in Bhutan.

As the only Vajrayana Buddhist nation in the world, Bhutan has relied on a policy of cultural isolation to preserve its traditions. It has largely stayed out of international organizations, maintains few bilateral ties and restricts tourism. However, the attempt to maintain its isolation has not altogether prevented violence. In the late 1980s, cultural measures undertaken by the government provoked violent unrest among the country's Nepalese community, 80,000 of whom fled to Nepal.

In 2008, Bhutan became a constitutional monarchy with an elected government. In 1972, the then-King introduced the concept of “Gross National Happiness,” as a substitute measure of national wellbeing for GDP. According to Adrian G. White's 2007 national happiness survey, Bhutan ranked 8th out of 178 countries,³⁶⁹ despite having one of the world's smallest and least developed economies.

6.2 Influence

6.2.1 India

Of all India's neighbours, relations with Bhutan are probably the closest. Bhutan became a protectorate of British India after signing a treaty in 1910 which allowed the British to ‘guide’ Bhutan's foreign relations and defence. When India became independent in 1947, Bhutan was one of the first countries to recognize it. In 1949 the two signed a friendship pact which, while pledging non-interference in each other's affairs, nonetheless allowed India, as British India before it, to “guide” Bhutan's foreign policy. China's annexation of Tibet in 1950, and its border disputes with both India and Bhutan drew the two latter still closer to each other. Bhutan began to assert itself in foreign affairs, joining the UN in 1971, recognizing Bangladesh in 1972 and upgrading its diplomatic representation in New Delhi to the ambassadorial level to reflect a more independent standing. However, a detailed demarcation of the India-Bhutan border was not completed until the period between 1973 and 1984. The 1949 friendship treaty was updated in 2007, and Article II was symbolically dropped, giving Bhutan broader sovereignty over its foreign policy and arms imports.

³⁶⁹ Joyce Roque, “Changing Bhutan Eyes China with Caution,” *China Briefing* (8 September 2008).

India has always exercised a heavy influence on Bhutan, in large measure because of its dominant position in its neighbour's economy. Citizens of the two countries can cross their joint border visa-free, the Indian rupee can be used in Bhutan, and India is by far Bhutan's largest trading partner, accounting for around three-quarters of its total trade.³⁷⁰ India provides more than half of Bhutan's development assistance, amounting to US\$616 million. India has promised that by 2020 it will import a minimum of 5,000 megawatts of electricity (already Bhutan's chief export).³⁷¹

6.2.2 China

China has been heavily involved in Tibetan affairs since the 1720s, and it was through this involvement that Bhutan and China first had direct relations. However, there was never a tributary relationship with Beijing. China claimed a vague suzerainty over Bhutan in the period just before the Chinese revolution of 1911, but the new Republic of China let the claim lapse and it was never again raised publicly.³⁷² After an influx of Tibetan refugees in 1959, Bhutan closed its northern border, and there have been no official trade or business relations with China since. Bhutan does not have diplomatic relations with China but, to palliate the offence this might cause Beijing, also excludes from official contact the other permanent five members of the Security Council (besides India, only Bangladesh has an embassy in Thimphu).

However, in the 1970s Bhutan did support the "one China" policy, it voted for the People's Republic to claim the Chinese seat at the UN, and it invited the Chinese ambassador to India to attend the King's coronation in 1974. In 1983, the two foreign ministers held talks in New York on establishing bilateral relations, and a year later began direct talks over the border dispute. The two countries have held border talks in most years since 1984 (the 19th round took place in January 2010). Initially, at least, this had a positive impact on bilateral relations which, by about 1990 were characterized by both sides as "very good."³⁷³ However, the process has dragged out, with consequent acrimony—if the Sino-Indian border talks, which began in 1981, have been described as the lengthiest boundary talks in modern history, the Sino-Bhutanese ones run them a close second. The trade picture is little more promising. The Chinese government claimed that official trade between China and Bhutan had increased by 3,000 percent from 2006 to 2007, but this suggests that the improvement was from an incredibly low base since China's share of Bhutan's total trade in 2008 was a minuscule 3 percent.³⁷⁴

³⁷⁰ This is an extrapolation of the CIA data in, "Bhutan—Economy, Imports and Exports," *The World Factbook*, accessed 17 June 2010. Other figures differ. Jeremy Page puts Bhutan's exports to India at 90 percent and its imports at 98 percent. Jeremy Page, "Isolated Buddhist kingdom of Bhutan to get its first railway link," *The Times* (30 December 2009).

³⁷¹ Roque, "Changing Bhutan Eyes China with Caution."

³⁷² Andrea Matles Savada (ed.), *Bhutan: A Country Study* (Washington, D.C.: Government Printing Office for the Library of Congress, 1991).

³⁷³ Savada, *Bhutan: A Country Study*.

³⁷⁴ This is an extrapolation of the CIA, *The World Factbook*, accessed 17 June 2010.

6.3 Security

6.3.1 India

As noted, under the 1949 Treaty of Friendship, Bhutan allowed India to “guide” its foreign and defence policy, a stipulation that was only modified in 2007, allowing Bhutan greater autonomy in both. Soon after the treaty was signed, China’s occupation of Tibet brought India and Bhutan closer together, and in November 1959 Prime Minister Nehru told the Indian parliament that “any aggression against Bhutan . . . would be regarded as an aggression against India.”³⁷⁵ Almost exactly three years later, India was humiliated in the Sino-Indian War of 1962. The Bhutanese authorities allowed the defeated Indian troops to retreat through southeastern Bhutan, but this defeat shook their confidence in India’s capacity to protect Bhutan against any aggression by China. These fears resurfaced during the 1971 Indo-Pakistan War when there were doubts about India’s ability to protect Bhutan against China (which sided with Pakistan) while fighting a two-front war.³⁷⁶ As a result, Bhutan formally maintained a policy of neutrality while quietly expanding its relations with India.

Until the 1970s, India represented Bhutan’s concerns in talks with China over the broader Sino-Indian conflicts. While Bhutan has taken over responsibility for the conduct of negotiations on the border, New Delhi retains a lively interest in the proceedings. This is because if Beijing acquires the region most coveted by China, in the tri-border area (India-China-Bhutan) in Bhutan’s northwest, it would bring its forward posts several kilometres closer to the strategic Siliguri corridor. That is a significant distance when it is considered that the distance from Yadong—the Chinese/Tibetan town situated in the mouth of the Chumbi Valley close to the tri-border area—is only 30-km from the Nathu-La Pass in (Indian) Sikkim. It is also just over 100-km from Siliguri.³⁷⁷ As in the case of Nepal, where China is interested in infrastructure projects that will connect Tibet and Nepal, Beijing plans to extend the Golmud-Lhasa railway to Yadong, and began construction of a highway from Yadong to the Nathu-La Pass in 2006. India sealed the Nathu-La Pass after the 1962 war, but the two sides reopened the crossing in 2006 in order to increase trade.

Dr Srikanth Kondapalli, a research fellow at the Institute for Defence Studies and Analyses in New Delhi, argues that the Chinese goal is to acquire territory in Bhutan that would enlarge the Chumbi corridor, giving the Indians a problem militarily. The Indians were so concerned that at the end of 2007 and in early 2008 they began to transfer an entire brigade and an additional battalion (about 6,000 troops) of the 27th Mountain Division from the Kashmir sector to Kalimpong in the threatened area (especially the Dolam Plateau) in the tri-border region. That they felt able to do so reflects the reduced threat perception with regard to Kashmir—particularly in that these units had been based in the Kalimpong area until seven years previously when they had redeployed to Kashmir. These troop movements are an interesting reflection of New Delhi’s priorities and concerns, and also demonstrate how China and Pakistan can distract Indian forces in one region by increasing the pressure in another.

³⁷⁵ Savada, *Bhutan: A Country Study*.

³⁷⁶ *Ibid.*

³⁷⁷ John W. Garver, *Protracted Contest. Sino-India Rivalry in the Twentieth Century* (Seattle: University of Washington Press, 2001), p. 96.

Bhutan relies largely on India for both training and equipment. In the 1960s Bhutan accepted an Indian offer to train and equip the Royal Bhutanese Army. Interestingly, the Indian Military Training Team in Bhutan is located in the disputed Haa district close to the tri-border area. Bhutanese officers also train at Indian military institutions. In 2004-5 an agreement was reportedly reached for the supply of Indian-manufactured defence items, including cold-weather clothing, and an assessment of the Royal Bhutanese Army states that “It appears that most weapons are supplied by India on unknown terms.”³⁷⁸

Bhutan has presented India with a similar problem of internal security to that posed by Nepal in the sanctuary it has given to Maoist rebels active in India. In Bhutan’s case the rebels were not leftist but nationalist insurgents of the United Liberation Front of Assam and of a Bodo (ethnic) group. When New Delhi tired of the militants staging from Bhutan, it put pressure on the Bhutanese authorities, and in December 2003 the Royal Bhutanese Army launched an attack on the rebel bases,³⁷⁹ apparently with the support of the Indian army.³⁸⁰ The operation was successfully completed in January 2004. It has been speculated that the swiftness with which the rebels were neutralized may have indicated a greater Indian role in the operation than was admitted.³⁸¹

6.3.2 China

China has been agitating with regard to the China-Bhutan border for half-a-century. In 1961 Beijing published a map that showed alterations, in China’s favour, of the traditional Sino-Bhutanese and other Himalayan borders. As noted, border talks have been going on almost annually for a quarter-century. At issue is an area of 269 square kilometres in northwest Bhutan, adjacent to the tri-border region.

In 1998, China and Bhutan signed a bilateral agreement for maintaining peace on the border, in which China affirmed its respect for Bhutan’s sovereignty and territorial integrity. However, Beijing soon breached the spirit of the Five Principles of Peaceful Co-existence which were supposed to underlie bilateral relations by building roads on the border, in violation of the 1998 agreement. In addition, in 2002 it presented claims of evidence regarding ownership of disputed tracts of land; an interim agreement was reached. In 2004, China started road construction in the border area once more, halted it after protests were lodged, and resumed the building activities in August 2009.

In 1999, the Chinese came up with a comprehensive package, which involved China dropping its claim to a larger area (495 square kilometres) elsewhere in Bhutan, in return for control of the sector in the tri-border region (notably the Dolam Plateau) plus increased bilateral trade and closer diplomatic relations. China has made this package the basis of negotiations, and has said that it will accept only “minor adjustments” to it. Given that the land China is willing to give up is already in Bhutanese hands, this seems like a rather unattractive deal—the maps the two sides

³⁷⁸ “Bhutan,” in Eleanor Keymer, *Jane’s World Armies* (Coulson: HIS (Global) Limited, December 2009), p. 5.

³⁷⁹ This seems to have been the Bhutanese Army’s first military offensive since 1865. “Bhutan,” *Jane’s World Armies*, p. 75.

³⁸⁰ Mohan Balaji, “In Bhutan, China and India collide,” *Asia Times Online* (12 January 2008).

³⁸¹ “Bhutan,” *Jane’s World Armies*, pp. 75-76.

prepared in 2005 were so far apart that they could not be formally exchanged – but the Indians are afraid that Bhutan will succumb to it. In June 2008, Dr Kondapalli concluded that “Going by what has transpired it looks like Bhutan will give away some land in the Chumbi valley...”, a development that he feared “could thwart India’s military posturing” in the region.³⁸² However, this dire forecast has yet to eventuate.

Chinese intrusion into Bhutanese territory seems to be a long-standing phenomenon. In November 2007, Chinese forces were reported to have dismantled several unmanned posts near the Chumbi Valley; it seems that these posts may have been Indian.³⁸³ In late-2007, Indian Army authorities brushed aside reports of Chinese troop activities in the border region, saying that Chinese forces had been coming close to the Dolam Plateau for over two decades as the boundary in the area was still to be defined.³⁸⁴ In a report to the Parliament in Thimphu on 4 December 2009, the Bhutanese Secretary of International Boundaries stated that in 2008 Chinese troops intruded “deep” into Bhutanese territory, and that they penetrated as far as a Bhutanese Army post 17 times in 2009.³⁸⁵

As noted in the case both of the Sino-Indian border dispute and of China’s relations with Nepal, Beijing’s concerns with regard to Tibetan revolt strongly influences its policy towards its immediate neighbours. The Tibetan protests in Kathmandu in March 2008 brought a strong Chinese reaction, which the Nepalese government was swift to accommodate. Beijing does not seem to be actuated by similar concerns in its relations (small as they are) with the Bhutanese government. Estimates of the number of Tibetans in Bhutan vary. Some 6,000 fled there in 1959,³⁸⁶ but the Dalai Lama’s Central Tibetan Relief Committee states that in 1981 about half the original Tibetan refugees in Bhutan chose to resettle in India. According to the committee, this left 1,450 Tibetans in the seven main settlements in Bhutan; as in Nepal, this may exclude those Tibetans in the country who do not live in these settlements.³⁸⁷ Other sources range from 1,883 to 4,200.³⁸⁸ In an overall population of 700,000 the highest of these numbers is no more than 0.6 percent of the total, hardly enough to be an internal security concern for Beijing. In this regard, the protesters in Kathmandu had tried to demonstrate in front of the Chinese embassy. Since there is no such mission in Bhutan, China’s profile is much reduced.

³⁸² “Vulnerable Chicken’s neck: India’s Vincible Siliguri Corridor,” *Rupee News* (6 June 2008).

³⁸³ Medha Bisht, *Sino-Bhutan Boundary Negotiations: Complexities of the ‘Package Deal’*, IDSA Comment (New Delhi: Institute for Defence Studies and Analyses, 19 January 2010); Mohan Balaji, “In Bhutan, China and India collide,” *Asia Times Online* (12 January 2008).

³⁸⁴ “27 Mountain Division/Striking Lion Division,” *GlobalSecurity.org* (<http://www.globalsecurity.org/military/world/india/27-div.htm>) [accessed 18 June 2010].

³⁸⁵ Dr. S.Chandrasekharan, *Bhutan’s Northern Border: China’s Bullying and Teasing Tactics: Update No.82* (Noida, Uttar Pradesh: South Asia Analysis Group, Note No.564, 14 January 2010).

³⁸⁶ Savada, *Bhutan: A Country Study*.

³⁸⁷ *Tibetan Refugee Settlements in Bhutan* (Dharamsala: Central Tibetan Relief Committee, 2009) (<http://www.tibetgov.net/set-bhu.html>).

³⁸⁸ **1,883**: *Tibetan* [sic] *in Diaspora* (New York: Everest Tour & Travel, 2009) (<http://www.everest-travels.com/tibetans.php>); **4,200**: *Tibetans of Bhutan*, People-in-Country Profile, The Joshua Project (Colorado Springs: U.S. Center for World Mission, 15 April 2010) (<http://www.joshuaproject.net/people-profile.php?rog3=BT&rop3=110033>).

6.4 Sino-Indian Competition

China's incursions, and India's troop movements in response, promote the feeling among many Bhutanese that their country is becoming a buffer state. There is a view in the country that the more Bhutan aligns with India, the more it faces trouble from China.³⁸⁹ Equally, it is clear that Chinese activities in the disputed border area have more to do with India than they do with Bhutan.

India's 1949 concern to "guide" Bhutan's foreign and defence policies, and Nehru's 1959 offer to counter "any aggression against Bhutan," are indicators of a longstanding view in New Delhi that Bhutan is an arena of Sino-Indian competition. New Delhi was so upset after border talks in July 2005 that it sent its Director General of Military Operations to Bhutan to meet the King. Although Indian army chief, General Deepak Kapoor, reacted calmly to reports of Chinese forays into Bhutan in 2007, saying that they were a matter between the two countries, the redeployment of 6,000 troops from Kashmir to Kalimpong belied his words.

While India may have abdicated the 'guidance' role to a considerable extent, it is still trying to bind Bhutan by strong diplomatic, military, economic and infrastructural links. At the end of 2009, the two countries agreed that India would build a rail link between them (Bhutan's first railway), and state-run Indian power companies are planning to develop four hydro projects in Bhutan that it is expected will enhance India's strategic influence in the country.³⁹⁰ The two economies are closely aligned through strong trade and monetary links and dependence on India's financial assistance, and most development projects, such as road construction, rely on Indian migrant labour. Bhutan may have increased its independent role in recent years—in the crucial border negotiations, for instance—but India remains enormously influential in the country.

It is hard for Beijing to match India's influence, given China's lack of commercial and diplomatic relations with Bhutan. Where it can, Beijing tries to separate Bhutan from India. For instance, both India and Bhutan protested an unusually large incursion into Bhutan by Tibetan herdsman in 1979; Beijing ignored the protest from New Delhi but responded to that from Thimphu.³⁹¹ By placing increased bilateral trade and closer diplomatic relations in its package for resolution of the border dispute, Beijing is clearly trying to increase its influence in Bhutan. But its eyes are set on India.

³⁸⁹ Mohan Balaji, "In Bhutan, China and India collide," *Asia Times Online* (12 January 2008).

³⁹⁰ Utpal Bhaskar, "India plans four hydro projects in Bhutan," *livemint.com* (22 March 2010).

³⁹¹ Savada, *Bhutan: A Country Study*.

7 Bangladesh

7.1 Background

Like Nepal, Bangladesh is a natural arena of Sino-Indian competition. Bangladesh's border with India is 4,093-km long, and it is surrounded on three sides by its larger neighbour. Bangladesh's only other land border, with Burma, is a paltry 193-km. Unlike Nepal, Bangladesh is not contiguous to China. On the face of it, these geographic realities would both cause Bangladesh more concern than India, and limit Sino-Indian friction over Bangladesh. As will be seen, this is not the case.

The fact that, as will be seen, China and Bangladesh now regard their relationship as an "all-weather friendship" is a remarkable reversal of the situation four decades ago. In the battle for independence, China appeared to have sided with Pakistan and against the Bengali rebels in East Pakistan. Although Beijing regarded with suspicion the support given to the Bangladeshi resistance by India and the Soviet Union, it did not in fact provide the Pakistanis the assistance they expected. However, China did block Bangladesh's aspiration to be a member of the United Nations for several years, and the two countries did not establish diplomatic relations until 1976.

India, in contrast, was instrumental in Bangladesh throwing off Pakistani tutelage. Equally, the links of ethnicity are far stronger between India and Bangladesh than they are between Bangladesh and China. The population of Bangladesh is almost entirely Bengali (about 155 million), while some 8.1 percent of India's population speaks Bengali, suggesting that about 95 million Indians are Bengalis.³⁹² There are, of course, important differences between the Bengali populations of India, where they are mainly concentrated in the state of West Bengal, and of Bangladesh. The principal among these, and the factor governing the division of Bengal at the time of partition, is religion. India's Bengalis are mainly Hindus, while the Bengalis in Bangladesh are overwhelmingly Muslim. Nonetheless, ethnic and cultural similarities with China should work in India's favour.

However, after 1976, there were no major obstacles to the development of close ties between Bangladesh and China and, indeed, it has been suggested that Bangladesh inherited Pakistan's connections to China.³⁹³ In the late 1970s, China gave Bangladesh strong support with regard to the Farakka Barrage, a dam just 10-km from Bangladesh's borders which Dhaka argues diverts the waters of the Ganges away from Bangladesh, increasing salinity and contaminating fisheries. By the mid-1980s China had become Bangladesh's strongest international friend, cementing the relationship with numerous trade and cultural agreements and construction projects.

³⁹² CIA, "Bangladesh" and "India," *The World Factbook* (<https://www.cia.gov/library/publications/the-world-factbook/>), accessed 8 June 2010.

³⁹³ Chowdhury, "Bangladesh-China," p. 5.

7.2 Relationship with China

Since the mid-1970s, relations between Bangladesh and China have steadily warmed, although pursued with different intensity by Bangladesh's main parties. The result is that Bangladesh, like Pakistan, is now defined by China as an "all-weather friend,"³⁹⁴ and bilateral relations are now robust and very comprehensive.

Party politics in Bangladesh play an important role in the direction—India or China—in which the country tilts. The Awami League (AL), left-wing and relatively secular, is regarded as being pro-Indian, whereas the right-wing Bangladesh Nationalist Party (BNP), which is closely associated with Islamic parties, exploits anti-Indian sentiment, and as a corollary, is more favourable to China. When the BNP was in power between 1991 and 1995, its relations with India were not very productive, whereas the AL used its period in office (1996-2001) to effect a marked improvement in Dhaka's relations with New Delhi, epitomized by the Chittagong Hill Tract Peace Treaty and the Ganges Water Sharing Treaty. The BNP's return to power in 2001 witnessed another turn towards Beijing, as Bangladesh sought to capitalize on the rise of China.³⁹⁵

Since economics are a key driver of Bangladesh's relations with China, no party can afford to be hostile to it. Within two months of taking office in 1996, Prime Minister Sheikh Hasina Wajed visited Beijing, and although she was much slower to repeat the trip at the outset of her current administration (it was 14 months before she returned to China), she was not much quicker to visit India, waiting 12 months before doing so. The success of Sheikh Hasina's March 2010 visit to Beijing suggests that, like its BNP predecessor, the AL government will exploit Bangladesh's geopolitical position to court China and India (more enthusiastically than the BNP), as well as Russia and any other power that might be of help.

Even the BNP has not been uniformly in China's camp. The BNP government incurred Beijing's wrath in 2005 when it permitted Taiwan to set up a trade office in Dhaka, in the expectation that the move would generate substantial financial benefits; the BNP quickly rescinded this decision. Similarly, an article in a Dhaka newspaper in 2006 observed that Bangladesh and China had not established a strategic partnership, but rather had kept their relationship "unarticulated, flexible and ambiguous." This allowed Dhaka "to reap the benefits of a strategic partnership with a nuclear power without involving itself in any formal defence arrangement."³⁹⁶

A few months after her latest term in office began, Sheikh Hasina's government shelved the plans of the previous BNP administration to enlist Chinese help in building a nuclear power plant, and instead turned to Russia. Yet it also enlisted Beijing's mediation with Myanmar, another ally of China, in its territorial seas dispute with Myanmar in the Bay of Bengal. In November 2008, Bangladesh and Myanmar deployed their navies after Yangon decided to issue licenses to oil companies—one of them the China National Petroleum Corporation—to undertake survey

³⁹⁴ Chowdhury, *Bangladesh-China*, p. 2.

³⁹⁵ M. Shahidul Islam, "Bangladesh-China-Northeast India: Opportunities and Anxieties," *ISAS Insights* No.36 (Singapore: National University of Singapore, Institute of South Asian Studies, 8 September 2008), pp. 5-6.

³⁹⁶ Vijay Sakhuja, "China-Bangladesh Relations and Potential for Regional tensions," *China Brief* 9:15 (23 July 2009).

activity in disputed waters. Bangladesh and Myanmar agreed to resolve the dispute through negotiation, which suggests that China did intervene successfully.

7.2.1 Security Aspects

As noted, Bangladesh has developed a quasi-strategic partnership with China without the need for a formal defence arrangement. Indian military experts have convinced themselves that Bangladesh and China have developed a sophisticated strategy to sever the northeastern states from the rest of India.³⁹⁷ In late 2008, an Indian analyst wrote that “China wants to get Tawang to come closer to the Siliguri corridor. A co-ordinated thrust from China and Bangladesh can cut India off from the North-Eastern region.”³⁹⁸ The author of this alarmist assessment was described as a recently retired senior government official with decades of national and international experience and an expert on international relations and Indian strategic interests. Indian analysts also worry that Dhaka might grant military basing rights to China, enabling Beijing to monitor Indian military movements in the northeastern states and the Andaman and Nicobar Islands, as well as India’s missile testing centre in nearby Orissa.

Just as India is concerned by the PLAN’s alleged interest in Gwadar, so New Delhi worries that the PLAN has military designs on Chittagong. As was noted earlier, this is a fear shared in the West. The Booz Allen Hamilton report that detected a ‘string of pearls’ strategy on China’s part assessed that Beijing was “seeking much more extensive naval and commercial access” in Bangladesh.³⁹⁹ The director of South Asia studies at a government-supported think-tank in Shanghai remarked, somewhat elliptically, that “Developing the port is a very important part of China’s cooperation with Bangladesh, and China is aware of its strategic significance.”⁴⁰⁰

The strong commercial element to Chinese involvement in the development of the Bangladeshi ports, the vulnerability of Chinese warships staging from them, and the alarmist tendencies of Indian military analysts suggest that fears of PLAN access to Chittagong may be exaggerated. Indeed, in an apparent attempt to disabuse perceptions of Chittagong as a Chinese ‘pearl’, Sheikh Hasina seemed to invite India to benefit from the development of the port⁴⁰¹ (India’s northeastern states are landlocked, and would benefit from access to the port).

In fact, Bangladesh has fared rather poorly in terms of Chinese naval diplomacy. Up to 2006, the commander of the PLAN had visited the country twice (in November 1983 and December 1989), and Chinese ships had visited Bangladeshi ports on two further occasions between 1985 and 2006 (November 1985 and October 1993).⁴⁰² Of course, ship visits and future foreign basing plans are quite different things, but the Chinese navy’s apparent lack of interest in Bangladesh to date is noteworthy (India and Pakistan have had more ship visits—three and four respectively—and while the PLAN commander had not visited India up to 2006, he had visited Pakistan four times).

³⁹⁷ Sakhuja, “China-Bangladesh Relations.”

³⁹⁸ Bhaskar Roy, “Why Assam bleeds,” *Sifynews*, 10 November 2008.

³⁹⁹ Bill Gertz, “China builds up strategic sea lanes,” *Washington Times* (17 January 2005.)

⁴⁰⁰ Ananth Krishnan, “China offers to develop Chittagong port,” *The Hindu* (15 March 2010).

⁴⁰¹ Chowdhury, *Bangladesh-China*, p. 9.

⁴⁰² ONI, *China’s Navy 2007*, pp. 112-14, accessed 9 June 2010. To put the PLAN effort in perspective, by the end of March three US naval vessels had already visited Chittagong in 2010.

Bangladesh's arms procurement from China has become a key dimension of bilateral ties. Indeed, it has been suggested that arms transfers from China have made the armed forces—a powerful element in Bangladeshi decision-making—a key lobby for closer links with China.⁴⁰³ Very soon after Bangladesh and China established diplomatic relation, Dhaka began to buy weapons from Beijing, which began to supply fighter aircraft in 1977. This relationship continues. In 2002, the BNP government signed a Defence Cooperation Agreement with Beijing, which seems to have increased the flow of arms.⁴⁰⁴ In 2007 China submitted a report to the UN Arms Transfer Register that appeared to show that it had made significant arms sales to Bangladesh. Bangladesh's armed forces are heavily dependent on Chinese military hardware. The Army is equipped with Chinese tanks, the Navy with Chinese frigates and missile boats and the Air Force with Chinese fighter aircraft.⁴⁰⁵

7.2.2 Economic Aspects

Economics play a key role in the bilateral relationship. As of January 2010, 186 Chinese investment proposals, worth US\$320 million, had been registered with the Bangladesh Board of Investment.⁴⁰⁶ Given the closeness of the bilateral relationship, this does not seem a particularly significant amount, but recently Beijing forgave all loans it made to Bangladesh before 2008, and some of the plans currently in the works for China to help to develop Bangladesh's infrastructure will potentially have a major economic impact.

China is currently engaged in expanding Chittagong, Bangladesh's largest port, with a view to tripling its capacity.⁴⁰⁷ When completed in three phases, the deep-sea port will have the capacity to handle 100 million tonnes of bulk cargo and three million twenty-foot equivalent unit (TEU) containers annually. At present, Chittagong port handles 30.5 million tonnes of bulk cargo and 1.1 million TEUs annually. China is reportedly also willing to assist Bangladesh in the construction of a deep sea port at Sonadia Island, just off Cox's Bazar in the south of the country and very close to Myanmar.

Beijing has apparently also agreed to provide financial assistance to the infrastructure needed to link Chittagong with Yunnan province.⁴⁰⁸ Before Sheikh Hasina's visit to China in mid-March, it was reported that she intended to discuss implementation of a 1,800-km road and rail network between Chittagong and Kunming (a key transportation hub in southwest China), via Myanmar, for the purposes of increased trade. It was apparently Beijing that proposed the route, but Dhaka is interested because, in the words of the Bangladeshi Foreign Minister, road and rail access between China and Chittagong would make both Chittagong and Mongla ports viable commercially. She claimed that the opening of road and rail ties would, in theory, connect

⁴⁰³ Chowdhury, *Bangladesh-China*, p. 6.

⁴⁰⁴ Chowdhury, *Bangladesh-China*, p. 6.

⁴⁰⁵ Malladi Rama Rao, *Dynamics of China-Bangladesh relations* (New Delhi (?): Policy Research Group, 24 January 2010).

⁴⁰⁶ Chowdhury, *Bangladesh-China*, pp. 9-10.

⁴⁰⁷ Mukul Devichand, "Is Chittagong one of China's 'string of pearls'?" *BBC News* (17 May 2010).

⁴⁰⁸ "China agrees to help finance deep-sea port in Bangladesh," *DredgingToday.com* (23 March 2010).

Bangladesh to almost all of the lucrative markets in Southeast Asia, including Singapore, Thailand, the Philippines and Indonesia.⁴⁰⁹

While China is evidently a valuable economic partner for Bangladesh, the benefits of the trading relationship largely accrue to China, which is Bangladesh's largest trading partner (at least in terms of official trade). In 2009, bilateral trade stood at US\$4.58 billion, with a huge imbalance in China's favour: Bangladesh's exports were worth a meager US\$141 million and its imports US\$4.442 billion, leaving it with a deficit of US\$4.3 billion.⁴¹⁰ The Bangladeshis recognize that much of the fault for this huge imbalance lies in their own country's lack of diversified goods to offer China – currently raw jute and finished leather are Bangladesh's main exports to China. To offset this trade imbalance, China has offered tariff-free access to 84 Bangladeshi commodities, but in reality there has been no demand for these items in the Chinese market.

7.3 Relationship with India

India's relationship with Bangladesh is more uneven than that of China. This is not surprising, given their lengthy shared border and the consequent cross-border issues that can promote tension. For example, the two countries share more than fifty rivers, and India's construction of a number of dams upstream—notably the Farakka Barrage—has been a continuing bone of contention. Water-sharing disputes, periodic border clashes, territorial sea contention, Indian complaints that nationalist rebels from the northeast find shelter in Bangladesh, transit rights and other sources of friction leave many Bangladeshis with the view that India is a bully. These concerns are reinforced by ethnic clashes between Bangladeshi refugees in India's northeastern states and the host population. Each of these issues has had, or potentially will have, a significant impact on Bangladesh. For example, the maritime dispute may both affect Bangladesh's access to the sea and restrict its ability to exploit the conceivably vast gas and oil deposits in the Bay of Bengal.

Possibly New Delhi does not do enough to palliate the negative opinion these developments create in its neighbour. Bilateral ties have improved since the advent of the AL government, and during Sheikh Hasina's visit to India in January 2010, New Delhi did offer a US\$1 billion credit to improve Bangladesh's infrastructure. Yet, while there was a great deal of interest in Bangladesh in the visit, India was seen as reacting to it with indifference and even apathy.⁴¹¹ This approach has surprised at least one Western observer who has wondered why New Delhi has not made a greater effort to treat its neighbour with more respect, rather than with condescension, given India's stake in the Bay of Bengal and China's good relations with both Bangladesh and Myanmar.⁴¹²

⁴⁰⁹“Prime Minister to Press for Ctg-Kunming Road Link,” *Financial Express* (15 March 2010); Li Yingpao and Guo Anfei, “Bangladesh mulls road connection to Kunming,” *China Daily* (25 March 2010).

⁴¹⁰ Chowdhury, *Bangladesh-China*, p.7; “Trade deficit with China,” *The New Nation* [Dhaka] (3 June 2010).

⁴¹¹ Asif Saleh, “A new start for India and Bangladesh?” *The Guardian* (19 January 2010).

⁴¹² Philip Bowring, “India's Opening With Bangladesh,” *The New York Times* (12 January 2010).

On the other hand, as is often the case in “big brother” international relations, Bangladesh, as the weaker party, may be rather prone to take offence.⁴¹³ Bangladesh has made an issue of its trade deficit with India but has largely forborne to complain about China’s substantially larger surplus.⁴¹⁴ Equally, China is the source of many of the rivers that have been a cause of friction between India and Bangladesh, but Bangladesh seems to have been less vocal than India regarding Beijing’s plans to dam the Yalong Tsangpo/Brahmaputra.⁴¹⁵

These disagreements will not be discussed in any detail, since they are mainly a backdrop to the security aspects of the triangular relationship between Bangladesh and China and India. However, they do explain why there is a perception that Bangladesh needs to play the “China card” in its relations with India.⁴¹⁶

Unlike some other states in South Asia, such as Nepal, Bhutan and Sri Lanka, Bangladesh seems to receive little military assistance (training, equipment, and so on) from India, which is perhaps surprising given the role of the Indian armed forces in the achievement of independence. There have been periodic clashes between Bangladeshi and Indian paramilitary border forces, the most serious of which occurred in August 2006.

7.4 China-Related Indian Security Concerns in Bangladesh

Where Bangladesh is concerned, probably India’s principal issue with China relates to security. China is sufficiently close on both the north and east of Bangladesh to alarm Indian analysts. As has been noted, India’s security community tends to suspicion and alarmism, and Indian concerns regarding the Siliguri Corridor, with its potential to cut off access to India’s seven northeastern states, have also been outlined earlier. India harbours similar fears with regard to Bangladesh’s eastern border. The Bangladeshis also recognize the vulnerability of India’s northeastern states. In 2005, Bangladeshi Foreign Minister Morshed Khan warned that if India surrounds Bangladesh, Bangladesh also surrounds India.⁴¹⁷

Indian concerns regarding Bangladesh’s northern border, adjacent to the Siliguri Corridor, have been noted (in both the Indian and the Bhutan sections). Although the southeastern border, between Bangladesh and Myanmar, is very short, it also evokes concern among Indian security specialists. In a recent article, an associate fellow at the Institute for Defence Studies and Analysis in New Delhi observed that Bangladesh is clearly trying to leverage its geostrategic position between Asia’s two rising powers. He links Chittagong with Gwadar, Hambantota (in Sri Lanka),

⁴¹³ For examples of disputes that proved less contentious than originally advertized, see I.P. Khosla, “Indo-Bangladesh Relations. A Template for Cooperation,” in Jaideep Saikia (ed.), *Bangladesh. Treading the Taliban Trail* (New Delhi: Vision Books, 2006), pp. 220-21. Of course, the author is a retired Indian diplomat, which may lead him to downplay Bangladeshi concerns.

⁴¹⁴ India sells US\$3.37-billion worth of goods annually to Bangladesh and imports a mere US\$358 million (just over two percent of Bangladesh’s total exports). There is also a substantial unrecorded trade between the two countries, which is doubtless fuelled by the long and porous border.

⁴¹⁵ Jiten Yumnam, “Transboundary water conflicts and Tipaimukh Dam,” *intercultural resources* (28 July 2009) (<http://icrindia.org/?p=412>), accessed 10 June 2010.

⁴¹⁶ Asif Saleh, “A new start for India and Bangladesh?” *The Guardian* (19 January 2010); M. Serajul Islam, “Bangladesh: In search of strategic relationship,” *The Daily Star* [Dhaka] (19 September 2009).

⁴¹⁷ Vijay Sakhuja, “China-Bangladesh Relations and Potential for Regional tensions,” *China Brief* 9:15 (23 July 2009).

and Hanggyi (in Myanmar) as part of Beijing's alleged "string of pearls" strategy designed both to encircle India and to gain access to the Indian Ocean. In his view, the road link and port facilities which Bangladesh is offering to China would not only reduce Chinese dependence on the Strait of Malacca, but would also, by establishing a Chinese presence in Chittagong, endanger long-term Indian security interests, given the potential for India and China to clash.⁴¹⁸ Another Indian analyst argues that China considers its presence in the Indian Ocean as a strategic lever against India.⁴¹⁹ Ever alert to Chinese intrusion in the Indian Ocean, Brigadier Arun Sahgal claims that Chinese investment in Chittagong is just the latest of a number of "calibrated inroads" that Beijing has made into the Bay of Bengal.⁴²⁰ He sees an "expanding footprint" on the part of China that "undermines India's salience in the South Asian region."

7.5 Bridge or Balance? Between India and China

As Nepal and other countries have found, competition for their support among great powers can be leveraged to advantage, not just in the security field, but also economically and diplomatically. Thus, Bangladesh has used its relationship with China to advantage not only to improve its commercial prospects but also for diplomatic support, as in the territorial sea dispute. A country caught between two larger and more powerful neighbours can either use one to balance against the other or attempt to bridge between them.

As is indicated by the comment by Foreign Minister Morshed Khan—that if India surrounds Bangladesh, Bangladesh also surrounds India—there is one school of thought in Bangladesh that China is useful to the country as balancing against India. This viewpoint tends to be mainly associated with the BNP, of which Morshed Khan was a member.

There is also a school of thought in Bangladesh that views the country as a bridge between the Asian giants. This perspective is generally held by the AL, which tends to favour parallel relationships between Bangladesh and India and China. This approach was demonstrated by Prime Minister Sheikh Hasina's back-to-back visits to India and China in the space of two months at the outset of 2010. In May 2010, the Foreign Minister in the Awami League government told a BBC reporter that Bangladesh would never let any part of its territory be used for any kind of attacks.⁴²¹ Nevertheless, the Awami League does see China as a kind of "reinsurance."⁴²²

A recent assessment of Bangladesh's increasing importance in regional diplomatic calculations concludes that the friendship between Bangladesh and China is not designed as a traditional balance of power counterpoise to India, unlike the ties between Pakistan and China. It asserts that the bridging role is the more salient of the two.⁴²³

⁴¹⁸ Anand Kumar, "Chinese Puzzle in India-Bangladesh Relations," *IDSA comment* (New Delhi: Institute for Defence Studies and Analysis, 19 April 2010).

⁴¹⁹ D.S. Rajan, *China's Policy Towards Myanmar*, C3S Paper No.406 (Chennai: Chennai Centre for China Studies, 15 November 2009).

⁴²⁰ Ananth Krishnan, "China offers to develop Chittagong port," *The Hindu*, 15 March 2010.

⁴²¹ Mukul Devichand, "Is Chittagong one of China's 'string of pearls'?" *BBC News* (17 May 2010).

⁴²² Chowdhury, *Bangladesh-China*, p. 5.

⁴²³ *Ibid.*, p. 1.

One output of the bridging role may well be a proposed quadrilateral grouping, comprising Bangladesh, China, India and Myanmar (BCIM). The BCIM forum originated in 1999 as a Track-II initiative designed to influence policymakers, business people and government representatives in boosting regional cooperation. A joint statement arising from Sheikh Hasina's visit to China in March 2010 seems to have started the process of taking the BCIM grouping to a governmental level, when it stated that the two sides had agreed actively to participate in and promote the BCIM regional economic cooperation process.⁴²⁴ The BCIM initiative would place India and China in the same regional forum, an unusual situation.⁴²⁵ The joint statement also committed the two sides to "carry out sustainable cooperation on hydrological data sharing and flood control of river Yalong Tsangpo /Brahmaputra, in view of its necessity to the disaster reduction in Bangladesh."⁴²⁶ This initiative, too, has wider than bilateral implications since it would likely also involve India. Thus, Bangladesh is slowly but surely positioning itself to play an active regional and international role.⁴²⁷

However, in one area China and India may work together against Bangladesh's interests. Bangladesh is one of the countries that are most vulnerable to rising sea levels and melting glaciers, with some twenty million people reportedly at risk. Sheikh Hasina led a large delegation to Copenhagen, where she appealed to the wealthiest countries to cut their carbon emissions and, in the face of Chinese opposition, pushed for a reduction of the temperature target to 1.5 degrees. As noted earlier, India and China were among the countries blamed for thwarting attempts to set binding targets for carbon emissions at Copenhagen. Bangladesh also argued that the financial burden of adaptation to climate change should fall on developed nations, a viewpoint in which China and India concur. The outcome of the conference was a disappointment to the Bangladesh government, but it took a pragmatic view of the results, and was pleased with the climate change fund. During her visit to China in March 2010, Sheikh Hasina urged Beijing to support Bangladesh's efforts to tackle climate change, but received a noncommittal response.

⁴²⁴ Embassy of the People's Republic of China, *Joint Statement between the People's Republic of China and the People's Republic of Bangladesh* (Dhaka: Embassy of the People's Republic of China in the People's Republic of Bangladesh, 28 March 2010), para. 8.

⁴²⁵ Both are in the ASEAN Regional Forum, but that also includes such non-regional states and entities as Canada, the US and the EU. They are only dialogue partners in ASEAN, and China is not a member of SAARC, while India is.

⁴²⁶ *Joint Statement between the People's Republic of China and the People's Republic of Bangladesh*, para. 3(f).

⁴²⁷ As of 30 April 2010, Bangladesh was the second-largest contributor to UN peacekeeping, narrowly behind Pakistan. Chowdhury, *Bangladesh-China*, p. 2.

8 Sri Lanka

8.1 Background

Sri Lanka and India are separated from each other by the Palk Strait which, at its narrowest, is little more than thirty kilometres. Geography is not the only link between the two countries. Most Sinhalese believe that they arrived in Sri Lanka from northern India during the 6th century BC, and the island also imported Buddhism from India in the 3rd century BC.

Two aspects of the domestic situation in Sri Lanka have been particularly influential in determining the country's foreign relations. The first has been politics. As in Bangladesh, the main parties tend in general to lean either to India or to China. Since independence in 1948, two main parties (by themselves or in coalition) have alternated in power, the more right-wing United National Party (UNP) and the left-oriented Sri Lanka Freedom Party (SLFP). As might be expected, the former has tended to be pro-West and to favour India, the latter readier to lean towards China. Thus, during periods when the UNP has been in power—1948-56, 1965-70, 1977-94, and 2001-4—Sri Lanka has tended to be more favourably disposed towards India than China, and the reverse has been true during SLFP rule. The current President, Mahinda Rajapaksa, heads a coalition based on the SLFP, and the period since his assumption of office in November 2005 has seen rapidly warming ties between Sri Lanka and China.

These alignments have not been invariable. For instance, the anti-Communist UNP signed a rubber-rice trade agreement with China in 1952 (during the 1960s the UNP did not pursue membership of Association of Southeast Asian Nations (ASEAN), then anti-China in orientation, because it did not want to jeopardize this accord). Similarly, although the UNP was in power during the mid-1980s, it was a period of turbulence in Sri Lankan-Indian relations. Although it was the SLFP that established full diplomatic relations with China in February 1957, bilateral relations chilled during the 1971 insurrection by the socialist Janatha Vimukthi Peramuna (JVP), when Beijing rebuffed Colombo's appeal for military assistance (in fact, the SLFP government suspected Chinese machinations behind the revolt).⁴²⁸

Insurgency has been the second aspect of Sri Lanka's internal situation that has been influential in steering the country's foreign relations. Since 1983, Sri Lanka has been wracked by severe ethnic conflict between the majority Sinhalese population and the minority Tamils in the north and east of the island. For 26 years government forces attempted to quell the Liberation Tigers of Tamil Eelam (LTTE), an organization widely regarded as the most effective insurgent group in the world. The government only finally defeated the LTTE in May 2009. As will be seen, the attitudes of outside powers towards the government's conduct of the civil war has, quite naturally, shaped its response to the countries involved.

⁴²⁸ Dr V. Suryanarayan, "Explaining China's Growing Influence in Sri Lanka," *Tamil Eelam Online* (7 May 2010) (<http://www.tamileelamonline.com/4191/>).

8.2 Relationship with China

As noted, Sri Lanka and China established diplomatic relations in 1957, and Colombo both supported the “one China” policy and the seating of the PRC in the UN. When the Sino-Indian war broke out in 1962, the SLFP government summoned the Colombo Conference of a number of non-aligned states to try to mediate the dispute. The opposition UNP denounced the government for its failure to brand China as the aggressor. In 1963, Sri Lanka and China signed a Maritime Agreement that gave each Most Favoured Nation status, again to the UNP’s dismay. When the UNP returned to power in 1965, relations with China deteriorated, and Beijing signalled its disapproval by keeping the post of ambassador vacant for five years. When the SLFP regained office in 1970, relations with China improved rapidly (except, as mentioned, during the JVP uprising in 1971), and by 1976 China had become Sri Lanka’s major trading partner.⁴²⁹

During the ethnic conflict (1983-2009), China’s support to the Sri Lankan government was initially low key, so as not to disrupt a parallel process of the normalization of Sino-Indian relations. However, the refusal of both India and Western governments to sell weapons that might be used in a civil war allowed China to step into the breach. Nanda Godage, a former Sri Lankan diplomat and Additional Foreign Secretary, recently wrote that the government was able to end the LTTE insurrection “because China threw its weight behind us and sent us the required arms.”⁴³⁰

Beijing has been quick to exploit the goodwill it earned from the Rajapaksa government by its role in the war. According to one estimate, the value of China’s projects underway at the start of 2010, or recently completed, totalled US\$6.1 billion⁴³¹, far in excess of other countries or international organizations. Indeed, in early-March 2010, the Sri Lankan government said that China was supplying more than half of all the construction and development loans it was receiving.⁴³² An economist in Colombo claimed that the government preferred to award projects to China because it did not impose conditions for reform, transparency and competitive bidding that would be part of contracts with countries like India and the US, or international organizations like the World bank.⁴³³ One government minister told the US Senate Committee on Foreign Relations that “We have the United States to thank for pushing us closer to China.”⁴³⁴ He said that President Rajapaksa was forced to reach out to other countries because the West refused to help the government finish the war with the LTTE. In 2009, China replaced Japan as Sri Lanka’s largest aid donor, providing US\$1 billion, a five-fold increase in the space of a year.⁴³⁵

China is involved in a number of major development projects in Sri Lanka. These include the port at Hambantota (which will be discussed below), an airport at the same town (which is in President Rajapaksa’s constituency), a 30-km highway from Colombo to the capital’s international airport

⁴²⁹ Suryanarayan, “Explaining China’s Growing Influence in Sri Lanka.”

⁴³⁰ Ibid.

⁴³¹ ICG, “Sri Lanka: A Bitter Peace,” *Asia Briefing* No. 99 (Colombo/Brussels: ICG, 11 January 2010), p. 12, fn. 78.

⁴³² “China to build Sri Lanka airport,” *BBC News* (10 March 2010).

⁴³³ Vikas Bajaj, “India Worries as China Builds Ports in South Asia,” *The New York Times* (16 February 2010).

⁴³⁴ *Sri Lanka: Recharting U.S. Strategy After the War*, hearing of the Committee on Foreign Relations, United States Senate, 7 December 2009 (Washington, D.C.: U.S. Government Printing Office).

⁴³⁵ Suryanarayan, “Explaining China’s Growing Influence in Sri Lanka.”

at Katunayaka, improvement of the existing railway network, and Sri Lanka's first exclusive economic zone. Beijing is also funding the second and third phases of the coal-fired Norochcholai power plant. What is of particular note is that the Chinese projects are all located in the Sinhalese areas of the country,⁴³⁶ whereas the Indian focus tends to be on the Tamil areas.

As elsewhere in the region, where China is involved in major construction projects, its activities in Sri Lanka are likely to result in a large number of Chinese technicians being stationed in the country. While this might reinforce Beijing's influence, there are many examples in Pakistan and elsewhere of Chinese extractive firms using Chinese sub-contractors rather than relying on local managers, as well as degrading the environment, thereby provoking violent resistance to their operations by local community activists.⁴³⁷

China has also earned Sri Lankan goodwill by the diplomatic support it has provided. As the final government offensive against the LTTE reached its apogee in April-May 2009, China, along with Russia, blunted Western condemnation of the humanitarian situation in the Tamil enclave held by the LTTE. In April Sri Lanka's two allies refused to allow demands with regard to the protection of civilians and access for humanitarian agencies to be placed on the agenda of the UN Security Council, which had to fall back on a non-binding resolution. As the Sri Lankan government put it, these moves at the UN "have been shot down by Sri Lanka's steadfast allies in its war on terrorism, i.e., China."⁴³⁸ This situation is ironic, given both that China has not been particularly supportive of the global war on terrorism (see the section on "Implications for Canada") and that it has been Beijing's policy not to interfere in the domestic affairs of any country. Beijing has also played a key role in Sri Lanka being granted (May 2010) dialogue partner status in the Shanghai Cooperation Organization which, as its name implies, is dominated by China.

The first shoots of bilateral ties revolved around trade (the rice-rubber accord), so it is fitting that China has now become one of Sri Lanka's primary trading partners. In 2008, it appears to have ranked behind India and the US⁴³⁹ with total trade in the region of US\$1.8 billion.⁴⁴⁰ However, US trade with Sri Lanka has been on the decline since 2006, whereas that of China is on the increase, overall bilateral trade having jumped by 550 percent between 2000 and 2008.⁴⁴¹

8.3 Relationship with India

An Indian academic has argued that in historical times all invasions of Sri Lanka except one emanated from India, which, together with the asymmetrical power relationship of the two

⁴³⁶ Suryanarayan, "Explaining China's Growing Influence in Sri Lanka."

⁴³⁷ Richard Weitz, "The Limits of Partnership. China, NATO and the Afghan War," *China Security* 6:1 (2010), p. 32.

⁴³⁸ Gunjan Singh, "Growing Chinese influence in Sri Lanka," *IDS comment* (New Delhi: Institute for Defence Studies and Analyses, 8 June 2009).

⁴³⁹ *Trade in Goods (Imports, Exports and Trade Balance) with Sri Lanka* (Washington, D.C.: U.S. Census Bureau, Foreign Trade Statistics (<http://www.census.gov/foreign-trade/balance/c5420.html#2009>); CIA, Sri Lanka—Economy, Imports and Exports, *The World Factbook* (<https://www.cia.gov/library/publications/the-world-factbook/geos/ce.html>), accessed 14 June 2010.

⁴⁴⁰ This is an extrapolation of the CIA data; however, Dr Suryanarayan put bilateral trade at \$1.13 billion (presumably in 2008 or 2009).

⁴⁴¹ T.K. Premadasa, "A glimpse of trade between Sri Lanka and China," *Colombo Today* (1 October 2009).

countries, has created an obsession with India among Sri Lankans, along with a love-hate relationship.⁴⁴²

If Sri Lanka's ethnic conflict has contributed forcefully to the strengthening of bilateral ties with China, it has had a more (but not entirely) divisive effect with regard to relations with India. Thus distinction is not entirely unexpected, given the physical distance of China and proximity of India. What is perhaps surprising is that, with a population of around 60 million Tamils in India (most of them in the southernmost state of Tamil Nadu), and Tamil parties represented in the governing coalition and Cabinet, India has not been totally supportive of the three million Tamils in Sri Lanka and hostile to Colombo's military efforts to extirpate their independence movement.

As noted, Beijing rebuffed Colombo's appeal for military assistance during the 1971 JVP insurrection. In contrast, New Delhi rushed to Sri Lanka's aid, airlifting troops to the island and sending five frigates to seal off the approaches to Colombo. Yet six months later, during the East Pakistan crisis, Sri Lanka provided landing and refuelling facilities for Pakistan Air Force planes and military personnel in civilian garb on their way to East Pakistan, where, of course, Indian troops were supporting the Bangladeshi nationalists.

In the early 1980s Indira Gandhi's government unofficially permitted the establishment of training camps for the Sri Lankan Tamil insurgents in the state of Tamil Nadu.⁴⁴³ When, in 1987, the Sri Lankan Army placed the Tamil "capital" of Jaffna under siege, India—now led by Rajiv Gandhi—tried to send supplies by ship and by air to the beleaguered city in response to pressure from Indian Tamils. The former attempt was turned back, but the airdrop (Operation Poomalai) succeeded in delivering 23 tons of supplies. The Indian government informed the Sri Lankan ambassador that any attempt by the feeble Sri Lankan Air Force to oppose the drop "would be met by force" by the escorting fighters.⁴⁴⁴ The small scale of the airdrop indicates that this was a largely symbolic mission.

The Sri Lankan government offered to hold talks, leading to the Indo-Sri Lankan Accord of July 1987. The accord met a number of Tamil demands, including the merger of the northern and eastern provinces, linguistic equality and substantial devolution, which were incorporated in the 13th Amendment to the Sri Lankan constitution. The 13th Amendment is still seen as a symbol of Indian interference in Sri Lanka.⁴⁴⁵ For their part, the LTTE and other guerrilla groups surrendered some, but not all, of their arms. The pact also committed New Delhi to the deployment of a peacekeeping force on the island, at the request of the Sri Lankan government, and made the Indian government the principal guarantor of a solution to the ethnic crisis. The

⁴⁴² Suryanarayan, "Explaining China's Growing Influence in Sri Lanka."

⁴⁴³ C. Yusuf Mumtaz, "U.S. Policy Toward the Continuing Conflict in Sri Lanka," *Policy Background and Options Paper* 2.04 (Washington, D.C.: Nathan Hale Foreign Policy Society, April 2004), p. 4; Russell R. Ross and Andrea Matles Savada, (eds.), *Sri Lanka: A Country Study* (Washington, D.C.: Government Printing Office for the Library of Congress, 1988); Suryanarayan, "Explaining China's Growing Influence in Sri Lanka."

⁴⁴⁴ Quoted in *Operation Poomalai—The Jaffna Food drop*, Bharat Rakshak (unofficial website of the Indian Air Force), 2008 (<http://www.bharat-rakshak.com/IAF/History/1987IPKF/Chapter1.html>).

⁴⁴⁵ Thomas Johnpulle, "Lanka at the Verge of a Diplomatic Blunder," *Sri Lanka Guardian*, 27 May 2010; Gamini Gunarwardane, "Who is running Sri Lanka?" *The Island Online*, (<http://www.island.lk/2010/06/11/opinion2.html>).

Indians also committed to ceasing to assist the Tamil insurgents.⁴⁴⁶ Sinhalese militants regarded the agreement as a sell-out and launched a revolt of their own. The Indian Peacekeeping Force (IPKF) had some success in reducing violence and expelling the LTTE from Jaffna, and its presence allowed the Sri Lankan armed forces to quell the Sinhalese uprising.⁴⁴⁷

As might be expected, the Indian intervention gave a boost to Sinhalese chauvinism, and is also claimed to have brought the leadership of the government and the LTTE together, briefly. When the LTTE assassinated Rajiv Gandhi, on the campaign trail in the 1991 elections, in revenge for the Indian intervention against the group, support for the LTTE plummeted in India. Rajiv Gandhi was, of course, the husband of Sonia Gandhi, the current chairperson of the ruling United Progressive Alliance (UPA) in India. Nevertheless, the Indian government cannot ignore Tamil opinion, especially given that a Tamil party is represented in the UPA government (at least two ministers are from the Dravida Munnetra Kazhagam, a leading party in the state).

China earned enormous goodwill in Sri Lanka by its role in the terminal stage of the civil war. This development clearly disturbs the Indian government, which feels itself to be sidelined. In late April 2009, as the government forces were on the verge of victory, Indian Home Minister Palaniappan Chidambaram warned that China was “fishing in troubled waters.”⁴⁴⁸ For its part, India did not join in the international criticism of the Sri Lankan government for the way in which it finally crushed the LTTE and, as will be seen, gave Colombo modest military assistance.

During a visit to India by Sri Lankan President Mahinda Rajapaksa in early June 2010, the two countries agreed on a number of infrastructure projects, including railways, ports, ferry services between the two countries and the rebuilding of Jaffna’s Palaly airport for civilian use. India also offered its support for the construction of 50,000 houses for Internally Displaced Persons in the northern and eastern provinces. The two countries will also conduct feasibility studies to link their electricity grids. More significantly, India decided to open a consulate in Hambantota (it already had one in Kandy and permission to open one in Jaffna). Evidently, New Delhi wants to keep a close watch on Chinese activities in the port.⁴⁴⁹ Finally, in 2008 overall bilateral trade between Sri Lanka and India appears to have been about 50 percent larger than that between Sri Lanka and China, although the difference is likely to be mainly accounted for by a larger Indian surplus.⁴⁵⁰

According to the joint declaration issued on 9 June 2010 at the end of Rajapaksa’s meeting with Manmohan Singh, the latter had emphasized that a meaningful devolution package, based on the 13th Amendment, was a necessary basis for a lasting political solution in Sri Lanka.⁴⁵¹ Rajapaksa sidestepped the issue, but as state elections in Tamil Nadu in 2011 approach, pressure is likely to mount on New Delhi to secure concessions for Sri Lanka’s Tamil minority, and to ensure the resettlement of those Tamils who are still in camps (as of May 2010, it was estimated that 68,000

⁴⁴⁶ US Department of State, *Background Note: Sri Lanka* (Washington, D.C.: Department of State, Bureau of South and Central Asian Affairs, 7 June 2010).

⁴⁴⁷ Ross et al, *Sri Lanka: A Country Study*; Suryanarayan, “Explaining China’s Growing Influence in Sri Lanka.”

⁴⁴⁸ Jeremy Page, “Chinese billions in Sri Lanka fund battle against Tamil Tigers,” *The Times* (2 May 2009).

⁴⁴⁹ Ravi Velloo, “Sri Lanka President inks pacts during India visit; Delhi to open consulate in Sri Lankan town where China is building a deep water port,” *The Straits Times* (10 June 2010).

⁴⁵⁰ This is an extrapolation of the CIA data.

⁴⁵¹ S. Akurugoda, “India’s continued insisting on 13th Amendment,” *Sri Lanka Guardian* (15 June 2010).

internally displaced persons were in the camps⁴⁵²). As noted, the 13th Amendment remains unpopular in Sri Lanka, but anger at the Rajapaksa government's conduct of the war is equally high in Tamil Nadu.⁴⁵³ Clearly, New Delhi has a difficult task in navigating between these emotional poles.

8.4 Defence and Security Issues

8.4.1 China

China's military ties to Sri Lanka are of long standing. In the mid-1970s, Beijing gave Colombo five high speed naval vessels, but it was not until 1985 that the PLAN conducted its first ship visit to Sri Lanka, when a 3,000-ton guided missile destroyer visited Colombo. As was noted earlier, the PLAN is alleged to have tried to obtain a naval base in Trincomalee in the early-1980s,⁴⁵⁴ although there may be reason to question this.

Although China's aid was crucial in the final phase of the civil war, Beijing had in fact been providing Sri Lanka with arms for decades, becoming the biggest arms supplier in the 1990s when India and Western governments refused to sell Colombo with weapons that would be used in a civil war. In 2007, the US suspended military aid over human rights issues, and again China stepped into the breach, agreeing to sell ammunition and ordnance for the Sri Lankan Army and Navy and apparently giving Colombo six F-7 jet fighters, free of charge. An authoritative Indian analyst asserted that "China's arms sales have been the decisive factor in ending the military stalemate."⁴⁵⁵ China also persuaded Pakistan to sell weapons to Sri Lanka and to train Sri Lankan pilots to fly the Chinese aircraft, which Pakistan also has on its inventory.⁴⁵⁶

However, the security issue that most exercises many observers in India and in the West with regard to Sri Lanka is the development of the port at Hambantota. Hambantota is ten miles from one of the world's busiest shipping routes between the Bay of Bengal and the Arabian Sea, making its potential strategic significance evident.

President Rajapakse claims that he first offered the Hambantota project to India, but was turned down by officials there. Sri Lanka's ambassador to the US likewise asserts that his country looked in America and around the world for investors, but China offered the best terms: "We don't have favorites."⁴⁵⁷ However, as soon as the deal was reached in March 2007, China turned on the tap of military and diplomatic support that enabled the defeat of the LTTE. Brahma Chellaney, who is regarded as one of India's top strategic thinkers and has excellent connections to the military establishment, contends that the arms sales were linked to the Hambantota deal.⁴⁵⁸

⁴⁵² *Background Note: Sri Lanka.*

⁴⁵³ Harsh V. Pant, "The New Battle for Sri Lanka," *Security Watch* (Zurich: Swiss Federal Institute of Technology, International Relations and Security Network, 17 June 2010).

⁴⁵⁴ Holslag, "Persistent Military Security Dilemma between China and India," p. 830.

⁴⁵⁵ Jeremy Page, "Chinese billions in Sri Lanka fund battle against Tamil Tigers," *The Times* (2 May 2009).

⁴⁵⁶ Page, "Chinese billions in Sri Lanka."

⁴⁵⁷ Vikas Bajaj, "India Worries as China Builds Ports in South Asia," *The New York Times* (16 February 2010).

⁴⁵⁸ Page, "Chinese billions in Sri Lanka."

Beijing is financing 85 percent of the US\$1 billion cost of the first, three-year stage of the project. Chinese Harbour Engineering will do the work—Chinese companies have a great deal of experience with large infrastructure projects and have become the biggest suppliers to ports of cranes used to move shipping containers.⁴⁵⁹ It was recently reported that China has offered US\$200 million to Colombo for the second phase of port development.⁴⁶⁰ The goal is for the port, hitherto a small fishing one that was devastated in the 2004 tsunami, to be able to handle 20 million containers a year. When the work is completed, Hambantota is expected to have a container port, a bunkering system, an oil refinery and an airport, in addition to other facilities that it is expected will turn it into a major transshipment location.⁴⁶¹

8.4.2 India

India has a long history of military relations with Sri Lanka. Almost all invasions of the country have emanated from its giant neighbour. Since independence, the Indian Armed Forces have intervened in Sri Lanka several times. These events include the support to Colombo in defeating the JVP in 1971, the airdrop of supplies to Jaffna in June 1987, and the deployment of the IPKF from July 1987 to March 1990. Of these, the IPKF was clearly the most significant intervention. The Indians deployed some 70,000 personnel to the island, and by the time they withdrew in March 1990 had incurred 1,200 fatalities, along with over 3,000 wounded.⁴⁶² When the LTTE captured Elephant Pass, outside Jaffna, in 2000 they seemed on the verge of victory, and in desperation the Sri Lankan government appealed to a number of countries, including India, for help. New Delhi appears to have restricted itself to an offer to mediate.

In the final stages of the civil war, India also provided the Sri Lankans with non-lethal weapons like radars, stepped up its training of the Sri Lankan Armed Forces (especially the Navy), and provided Colombo with key intelligence that enabled it to destroy LTTE supply ships, thus contributing to the atrophy of the rebel movement.⁴⁶³

As is the case with other regional states, India plays a role in the training of Sri Lankan military personnel. In 2002, it was announced that India was to provide counter-terrorism and anti-hijack training for the Sri Lankan Armed Forces, the first direct military training offered the country by India since the withdrawal of the IPKF a dozen years earlier. The goal of the training was to help the Sri Lankans protect oil storage tanks in Trincomalee. At least 100 Sri Lankan personnel participated. A 2007 report on bilateral relations by the Indian Ministry of External Affairs stated that “a major part of the training of Sri Lankan Armed Forces, that is up to 53 per cent, is carried out in India.”⁴⁶⁴ In October 2004 the two countries produced a draft defence cooperation agreement, but it apparently has yet to be signed. India has also tried to discourage Sri Lanka from obtaining defence equipment from China and Pakistan, with mixed results. As noted, Chinese equipment was seen to have played a “decisive” role in the defeat of the LTTE. On the other hand, in July 2009 Chief of Defence Staff General Sarath Fonseka announced the

⁴⁵⁹ Bajaj, “India Worries.”

⁴⁶⁰ B. Muralidhar Reddy, “China offers \$200 million to Sri Lanka,” *The Hindu* (12 June 2010).

⁴⁶¹ Singh, *Growing Chinese influence in Sri Lanka*.

⁴⁶² “Of forgotten fighters. Interview with Lt.-Gen A.S. Kalkat,” *Frontline* 16:15 (17-30 July 1999).

⁴⁶³ Suryanarayan, “Explaining China’s Growing Influence in Sri Lanka.”

⁴⁶⁴ “Sri Lanka,” in Eleanor Keymer, *Jane’s World Armies* (Coulson: HIS (Global) Limited, December 2009), p. 681.

cancellation of orders for heavy weaponry and ammunition from China and Pakistan worth \$200 million. Of course, the end of the fighting may have obviated the need for this equipment, but it is possible that the Indian pressure played a role in the decision.⁴⁶⁵

As noted above, India was apparently given an opportunity to invest in Hambantota, but turned it down. An account in the *Hindustan Times* in 2005 said that “India feels that it is unnecessary to bid for it [Hambantota] given the fact that it is already refurbishing the World War II-vintage oil-tank farm at Trincomalee with 99 giant tanks. Out of these, only 35 can be put to use in the near future.” It was further noted “There isn't enough business in Sri Lanka to make expansion worthwhile even in Trincomalee. India also does not consider the Hambantota project to be of a great strategic value, either. For India, a presence in Trincomalee makes much more strategic sense.”⁴⁶⁶ As noted earlier, even an Indian Defence Ministry official questioned the utility to China of a naval presence in Sri Lanka.⁴⁶⁷

⁴⁶⁵ “Sri Lanka,” *Jane’s World Armies*, p. 681.

⁴⁶⁶ Nuwan Peiris, “Hambantota Harbour and an Exile’s Return—Geo-Political Dimensions of an Invasive Species,” Paper No.2347, (Noida, Uttar Pradesh: South Asia Analysis Group, 28 August 2007).

⁴⁶⁷ Holslag, “Persistent Military Security Dilemma,” p. 831.

9 Implications for Canada

There are a few implications, both direct and indirect, of developments in South Asia as they relate to China. They include the mission in Afghanistan, the proliferation of weapons of mass destruction, the economic implications of the high propensity to conflict of the region, and the effect on Canada's allies—and hence indirectly on Canada—of developments in South Asia.

9.1 Terrorism

At present, two developments in South Africa have direct repercussions for Canadian security. The first is the Afghan insurgency, and the active involvement in it of the Canadian Forces. The second is the threat to Canadian domestic security posed by events in the region. Although the Canadian government rarely defines the domestic security implications of the Canadian Forces mission in Afghanistan, there have been some official statements that participation in ISAF helps to protect Canadians from terrorist attack. For example, a Department of National Defence backgrounder of 15 September 2006 stated that Canadian Forces personnel were in Afghanistan at the request of the Afghan government and, in part, to “defend Canadian interests at home and abroad by preventing Afghanistan from relapsing into a failed state that provides a safe haven for terrorists and terrorist organizations.”⁴⁶⁸ Canada has not been affected by Afghan-origin *jihadi* terrorism, as the US was both on and before 9/11. However, this country has been afflicted by *jihadi* terrorism that has strong links to Pakistan.

The Afghan insurgency and the Pakistani nursery of *jihadi* terrorism are both areas in which China could play a significant mediatory role, owing to its proximity to Afghanistan and its alliance relations with Pakistan.

Canada is heavily embroiled in Afghanistan, and by extension Pakistan. As of 7 June, Canada had 2,830 troops in Afghanistan, the sixth largest contingent in ISAF. On 21 June 2010, the Canadian Forces suffered their 148th fatality since the campaign began in 2002 (the third heaviest national toll), making it far the costliest Canadian military deployment since the Korean War.⁴⁶⁹ The financial burden has also been huge. On 9 October 2008, parliamentary budget officer Kevin Page tabled a paper, *The Fiscal Impact of the Canadian Mission in Afghanistan*, which stated that, to that point, Canada had spent US\$7.7 billion to US\$10.5 billion on costs related to its Afghan mission over the previous six years, and estimated that the country might spend US\$13.9 billion to US\$18.1 billion (or US\$1,500 per Canadian household) by the end of the 2010-11 budget year.⁴⁷⁰

Initially it was Afghanistan that was the nursery of al-Qaida and globalized *ihadism*, but since 9/11 that role has been taken over by Pakistan. Indeed, in mid-December 2008, British Prime

⁴⁶⁸ “Military Strengthens its Reconstruction and Stabilization Efforts in Afghanistan,” Backgrounder BG-06.027 (Ottawa: Department of National Defence, 15 September 2006). See also, for example, “Protecting Canadians, Rebuilding Afghanistan,” Conservative Party of Canada website, 23 October 2006 (<http://www.conservative.ca/EN/2459/56683>); Michael Chong, “Afghanistan Motion Speech in the House of Commons” (14 March 2008).

⁴⁶⁹ Two Canadian civilians have also died there.

⁴⁷⁰ “Canada’s Afghan mission could cost up to \$18.1B,” *CBC News* (9 October 2008).

Minister Gordon Brown stated that Pakistan was the source of three-quarters of all the serious terrorist plots investigated by the police and security authorities in the United Kingdom, and described Pakistan's border region with Afghanistan as one end of a "chain of terror" that could stretch to the streets of Britain.⁴⁷¹ Pakistan's role as the replacement terrorism nursery was made very clear on 1 May 2010, when Faisal Shahzad, a Pakistani-American, tried to car-bomb Times Square in New York. Attorney General Eric Holder stated that the US had evidence that the Pakistani Taliban was indeed behind the attack.⁴⁷² Shahzad is alleged to have trained in Pakistan, and very likely in one of the tribal agencies on the Pakistan-Afghanistan border, probably in Waziristan.

Thanks to their family ties to Pakistan, with its well-developed terrorism infrastructure, Pakistani-origin individuals play a considerable and growing role in jihadi terrorism in the West. At least 77 such individuals have died in terrorist attacks, or been convicted of or pleaded guilty to terrorism charges, in connection with conspiracies occurring in the West since 9/11⁴⁷³ (although almost all have arisen since about late 2003): 39 in Britain, 16 in Europe, 16 in the US, 5 in Canada, and 1 in Australia.⁴⁷⁴

Canada has had a relatively limited experience of international terrorism in the last quarter-century. However, the country has not remained entirely immune from the *jihadi* terrorism, which in recent years has often originated in South Asia. As of mid-June 2010, 13 Canadian residents had been convicted on, or pleaded guilty to, charges relating to three *jihadi* terrorist conspiracies in Canada, which all occurred in the period 2003-06 (Momin Khawaja and the Omar Khyam plot in Britain, Said Namouh and an online threat to launch bomb attacks in Austria and Germany, and the "Toronto 18" conspiracy). Compared to terrorism plots in other Western countries, the connection (ethnic origin, training and so on) to Pakistan of plots in Canada are relatively small. Of the eleven Canadian residents who have been convicted or have pleaded guilty on terrorism charges, three—and probably two others—are of Pakistani origin. Only one Canadian of Pakistani origin seems to have trained in Pakistan, but Canadian residents of other ethnic origins have used the camps there. Also, there is evidence that extremists here planned to make greater use of the camps in Pakistan.

As discussed earlier, Beijing has serious concerns vis-à-vis the export of *jihadi* terrorism from Pakistan, and regards the threat posed by groups like ETIM as one of its top priorities. When seven Chinese workers were kidnapped by the Red Mosque militants, it is likely that it was pressure from Beijing that was largely responsible for Musharraf's government sending the troops in to clear out the mosque.

So focused on its own internal security has China been, that until very recently Beijing was apparently unconcerned by the activities of Pakistani groups involved in the Kashmir dispute. For example, each time the issue of new sanctions against the Jama'at-ud Dawa (JuD), the front

⁴⁷¹ Ian Drury, "Brown reveals that 75 per cent of terrorist plots investigated by Britain have links to Pakistan," *Daily Mail* (15 December 2008).

⁴⁷² "'Pakistan Taliban' behind Times Square bomb plot," *BBC News* (9 May 2010).

⁴⁷³ To put this number in perspective, there seem to be about two million Pakistani expatriates living in the West.

⁴⁷⁴ Data maintained by author. May be amplified on request.

organization for the Punjab-based Lashkar-e-Toiba (LeT)⁴⁷⁵ was brought up at the Sanctions Committee of the UN Security Council, the militant organization was saved by a Chinese veto. However, in the wake of the Mumbai attack, which was widely attributed to the LeT, China told Islamabad that it would not veto a new sanctions attempt, thus compelling Pakistan's permanent representative at the UN to assert that Pakistan would accept any such ban. Once the Security Council declared the JuD to be a front for the LeT, and in the absence of Chinese cover, Islamabad had little option but to ban the JuD, having proscribed the LeT in 2002. In turn, China's position made it easier for the government to sell the JuD's ban to the media and the public in Pakistan.⁴⁷⁶

As was noted earlier, China is willing to deploy troops to Sudan to protect its access to oil fields there, but has relied on ISAF and the Afghan army to secure its major stake in the Aynak copper field in the face of Afghan insurgent groups. Its refusal to send troops to Afghanistan—with which it shares a border (unlike Sudan)—was excused on the grounds that, except for UN-authorized peacekeeping missions, it will not send a single soldier abroad. It would seem that China is averse to assuming a counter-terrorism burden outside its own boundaries—and willing to allow ISAF to assume that encumbrance—even though Pakistan is the nursery of globalized *jihadi* terrorism and a base for militants who operate in Xinjiang. Western countries afflicted by international terrorism may take hope from Beijing's changed stance on the JuD, but it is evident from that episode that China can do more than it does to pressure its “all-weather friend” to curb the global export of *jihadi* terrorism.

9.2 Proliferation

9.2.1 India

For more than three decades, Canada took a very strong stand on the issue of nuclear proliferation. According to University of Toronto professor Arthur Rubinoff, no nation reacted more harshly to India's 1998 nuclear tests than Canada. The government recalled Canada's ambassador, cancelled trade talks and urged the world community to take harsh action.⁴⁷⁷ While many Western states condemned India's decision, these countries gradually moved to normalize their relations with New Delhi. Canada, however, was slower to normalize relations with India after its nuclear tests than were the United States, the European Union and Australia.⁴⁷⁸ Nevertheless, in a major change to the country's nonproliferation policy, Canada supported India in the vote at the NSG on the US-India nuclear deal. In November 2009, during his first visit to India, Prime Minister Stephen Harper expressed the hope that agreement would soon be reached that would allow Canadian firms to supply nuclear technology and uranium to India, and it was reported in early-2010 that Canada was finalizing such a deal.⁴⁷⁹

⁴⁷⁵ This group has traditionally devoted its attention to the Kashmir insurgency, but has become more international in its activities in the past couple of years.

⁴⁷⁶ “Editorial: Cleaning up the act with conviction,” *Daily Times* [Lahore] (13 December 2008).

⁴⁷⁷ Ron Banerjee, “Canada to sell CANDU to India,” *Financial Post* (20 November 2009).

⁴⁷⁸ Ryan M. Touhey, *A New Direction for the Canada-India Relationship* (Toronto: Canadian International Council, August 2009), p. 2.

⁴⁷⁹ Campbell Clark, “Harper to push program aimed at securing vulnerable nuclear sites,” *The Globe and Mail* (13 April 2010).

9.2.2 Pakistan

The Pakistani nuclear programme began in 1972, and Canada and France were both approached by Islamabad for help in developing the technology and securing the materials, ostensibly for “peaceful purposes.” Canada was prepared to supply a heavy-water facility, but after India’s nuclear test in 1974, the international community took decisive action to ensure that Pakistan would not follow India’s lead. Canada refused to supply nuclear fuel, heavy water, or spare parts for the continued operation of the Karachi Nuclear Power Plant (KANUPP), angering many in the Pakistani government, who felt that Pakistan was being punished for India’s sins and that Canada’s refusal to supply KANUPP was a violation of an agreement it had made with Pakistan, and which had been validated by the International Atomic Energy Commission.⁴⁸⁰ After Pakistan’s 1998 nuclear test, Canada suspended military exports and joined with other countries in suspending millions of dollars of development aid to Pakistan. Despite Ottawa’s relenting over the Indian nuclear programme, it has persisted in its refusal to lift the arms embargo on Pakistan. As recently as October 2009, Canada rejected a Pakistani request that it reverse its arms ban. Ottawa’s stance is in part motivated by Ottawa’s anger that Pakistan secretly used Canadian technology in the mid-1990s to develop its nuclear programmes.⁴⁸¹

Pakistan’s proliferation record is in stark contrast to that of India. Beginning in the 1970s, Pakistan used clandestine procurement networks to develop its nuclear weapons programme. Former Pakistani nuclear official A.Q. Khan subsequently used a similar network to supply Libya, North Korea, and Iran with materials related to uranium enrichment (like India, Pakistan has not signed the NPT). The current status of Pakistan’s nuclear export network is unclear, although most official US reports indicate that, at the least, it has been damaged considerably. A press release by the State Department in January 2009 said that the network “is no longer operating.” However, in 2005, Britain’s MI5 pointed out that “since the beginning of 2004 extensive procurement efforts for the Pakistan nuclear sector have been registered.”⁴⁸² In 2006, another British intelligence estimate revealed that Pakistan, Iran and Syria were buying the technology and chemicals required for enriching uranium. The document said the quantity and range of equipment and materials bought clearly pointed out that a significant amount was meant for resale.⁴⁸³ A 2006 German intelligence service report claimed that Pakistan was “still secretly buying and just as stealthily selling nuclear weapons technology.” One of the German report’s authors concluded, “They were buying to sell and it could no longer be hived off as rogue scientists doing the deed.”

As was described earlier, Beijing played a key role in Pakistan’s development of nuclear weapons, such that expert observers described as unique among nuclear weapons states China’s transfer of highly-enriched uranium to a non-nuclear country for military use. In addition to directly proliferating to Pakistan, China is held indirectly accountable in some quarters for Pakistan’s own proliferation activities. As Pakistan’s closest ally, China seems both to have continued to supply Pakistan with nuclear materials since the unmasking of the Khan network,

⁴⁸⁰ Christopher O. Clary, *The A. Q. Khan Network: Causes and Implications* (Monterey: Naval Postgraduate School, December 2005), p. 25.

⁴⁸¹ Rick Westhead, “Pakistan pleads for weapons aid,” *The Star* (30 October 2009).

⁴⁸² Malladi Rama Rao, “Fresh Fears about Pakistan's Clandestine N-proliferation,” *News Blaze* (11 April 2010) (<http://newsblaze.com/story/20100411134437ramr.nb/topstory.html>).

⁴⁸³ Wilson John, *AQ Khan Network: Alive & Still Working* (New Delhi: Institute of Peace and Conflict Studies, 25 January 2006).

and also to have done relatively little to dissuade Islamabad from continuing its proliferation activities. Richard Fisher, a senior fellow of Asian military affairs at the International Assessment and Strategy Center, contends that China has sold enough nuclear and missile technology to Pakistan, Iran and North Korea to spur secondary proliferation among those states.⁴⁸⁴ Fisher finds it disquieting that China would continue to broaden its nuclear relationship with Pakistan, given the threat posed to Pakistan's nuclear arsenal by potential rogue insiders and terrorists on the outside. A.Q. Khan claimed that Pakistan's military leadership approved of his exports to North Korea of advanced centrifuges for enriching uranium and of his exports to Iran of centrifuges and bomb design information, precisely the kinds of things China is alleged to have supplied Pakistan.⁴⁸⁵

Not all analysts see China's involvement in proliferation as being the result of deliberate policy. Charles Freeman, a former assistant US trade representative for China affairs, said that while there are "obvious holes" in Chinese efforts to prevent proliferation, the export of dual-use technologies in the region is not supported by the government in Beijing: "As a general government policy, nuclear proliferation is something the Chinese government seeks to control." He added that China has in some instances helped check proliferation, a view in which Ken Lieberthal, a former senior director for Asia on the National Security Council, concurs. One problem may be inadequate implementation of China's export-control legislation.⁴⁸⁶

9.3 Commercial Interests

The growing economic profile of South Asia, and of India in particular, makes security developments that could disrupt trade relations a source of concern to countries, like Canada, that are hoping greatly to expand their trade profile with regional countries.

During the serious India-Pakistan confrontation in 2002, the US government issued a travel advisory warning American citizens that increased tensions between India and Pakistan made both countries too dangerous to visit. It was lifted after a few days, but while it was in place it caused alarm bells to ring all over India where businesses take the free movement of people—particularly between the high-tech hubs of Bangalore and Silicon Valley—for granted. At the time, an Indian business consultant observed that the travel advisories "had an impact, and that's not good news for us."⁴⁸⁷ Equally, it would not be good news for businessmen on this side of the Atlantic. In late-May 2002, fears of a military conflict between India and Pakistan pushed the price of gold to a 27-month high. Britain's planned withdrawal of some embassy staff from Pakistan in response to security threats, and the temporary closure of the Brooklyn Bridge in New York over fears of a terrorist attack, also unnerved traders and would have complicated the business environment.⁴⁸⁸

⁴⁸⁴ "Chinese Firms Boost Nuclear Threats," *newsmax.com* (15 April 2010) (<http://www.newsmax.com/Newsfront/china-nuclear-threats-companies/2010/04/15/id/355778>), accessed 11 May 2010.

⁴⁸⁵ R. Jeffrey Smith, "Pakistan asks court to let it reopen probe of nuclear scientist A.Q. Khan," *The Washington Post* (23 March 2010).

⁴⁸⁶ "Chinese Firms Boost Nuclear Threats."

⁴⁸⁷ "New Ties with India," *PBS News Hour Online* (29 August 2002).

⁴⁸⁸ "Gold price soars on war fears," *BBC News* (22 May 2002).

Two-way trade between Canada and South Asian countries amounted to \$6.7 billion in 2009; this represents just over 1 percent of Canada's estimated trade world-wide in that year, and was far short of the \$50.8 billion in Canada-China trade in 2009.⁴⁸⁹ Canada, India and China are all anxious to increase trade. In early-June 2010, the Canadian High Commissioner to India stated that Canada is exploring the possibility of signing a Comprehensive Economic Partnership Agreement with India, with the aim of tripling total trade and investment from \$5 billion to \$15 billion by 2015. He argued that \$5 billion is a minuscule figure, given that the combined Canada-India GDP is approaching \$3 trillion. During Prime Minister Stephen Harper's visit to India in November 2009, he and Prime Minister Manmohan Singh had agreed to intensify trade and economic ties by concluding bilateral economic agreements.⁴⁹⁰

In December 2009, Stockwell Day, the Minister for the Asia-Pacific Gateway, stated that the opportunities for Canada-China trade relations were "almost unlimited."⁴⁹¹ A report by the Asia Pacific Foundation of Canada, released in mid-September 2009, concluded that Canada has the potential to attract billions of dollars in investment from Chinese companies: "Chinese companies perceive Canada as one of the most open economies in the world," it stated. In recent years, Chinese companies have sought to buy into Canada's resources sector, especially mining and energy, in a bid to lock in future supplies of oil and key metals for its booming economy.⁴⁹² At the end of 2009, the stock of foreign direct investment from China into Canada reached a peak of \$8.85 billion, compared to \$5.2 billion in 2008. Canadian direct investment in China stood at \$3.3 billion at the end of 2009; a substantial number of Canadian firms are investing in that country.⁴⁹³

If these aspirations are realized, they would also increase the vulnerability of all the countries involved to security-related disruption. South Asia-Canada trade would all be seaborne and therefore vulnerable to disruption in the Indian Ocean in any major regional crisis, and the negative impact on China's economy of conflict there or elsewhere in South Asia would presumably have a knock-on effect on Canada, although obviously on a relatively small scale.

9.4 Security Implications for Canada's Allies

Apart from Afghanistan, Canada has a relatively light security footprint in South Asia. However, developments in that region that affect Canada's allies—in particular, the United States and NATO—obviously carry a knock-on effect for Canada. The only time in NATO's 61-year history that Article 5 has been invoked was in response to an attack that originated in South Asia. Any development that raises questions about NATO unity and purpose, as the Afghan conflict has

⁴⁸⁹ *Fact Sheets: India* (16 February 2010), *Pakistan* (21 February 2010), *Bangladesh* (16 February 2010), *Nepal* (16 February 2010), *Sri Lanka* (19 February 2010), *China* (April 2010), Ottawa: Department of Foreign Affairs and International Trade (<http://www.international.gc.ca/international/index.aspx>), accessed 30 April and 3 May 2010. Data for Afghanistan and Bhutan are from the same source and are for 2008; they totaled just \$27 million. Global trade figures from CIA, *World Factbook*, accessed 30 April 2010.

⁴⁹⁰ "Canada, India keen to triple trade, investment to \$15b by 2015," *Business Line [The Hindu]* (4 June 2004).

⁴⁹¹ "Potential for Canada-China trade 'almost unlimited:' Canadian Minister," Consulate-General of the People's Republic of China in Vancouver, 23 December 2009.

⁴⁹² Colin Perkel, "Execs talk Canada-China trade," *The Star* (15 September 2009).

⁴⁹³ "Backgrounder: Canada-China Political Relations" (Ottawa: Office of the Prime Minister, 18 June 2010).

done,⁴⁹⁴ has repercussions for all members of the Alliance. China's unwillingness to intercede in Afghanistan and Pakistan, beyond the limits of its own domestic concerns, has added to the strain faced by the Alliance, but only indirectly. If China does make a concerted effort to establish a military presence in the Indian Ocean, the US would almost certainly challenge the attempt, probably in concert with India. Canada would likely have commercial and security stakes in any confrontation in the Indian Ocean, although they would be of a lesser order. The US is obviously keeping a very wary eye on Pakistan's nuclear arsenal, and the putative threat to it from Islamist extremists. Given Canada's long-standing proliferation concerns, any American initiatives to curtail such a threat would be of significance to Canada, as would further Chinese contributions to Pakistan's nuclear capability.

9.5 Impact on Canadians

There are also strong personal links between Canada and the two Asian giants. Statistics Canada reported that in 2006 there were 1,135,365 individuals who claimed only Chinese origin, and another 211,145 who claimed Chinese roots among two or more ethnic origins provided, for a total of 1,346,510 residents in Canada claiming Chinese origin, 4.3 percent of the total population. The figures for individuals of East Indian origin were 780,175; 182,495; and 962,665 respectively, the last figure representing 3.1 percent of the overall Canadian population.⁴⁹⁵ Thus, combined, people of Chinese and East Indian descent comprise one in fourteen Canadian residents.

Minister Day estimated that travel by Chinese to Canada would increase by up to 50 percent over the next five years and each 50,000 visitors would be worth about \$100 million to the Canadian economy. Last year, nearly 160,000 Chinese visited Canada.⁴⁹⁶ China produces far more secondary graduates than its universities can handle, making post-secondary study in overseas countries an attractive option. In 2008, the total number of Chinese students in Canada was more than 42,000, a figure that was estimated to have increased by a further 20 percent in 2009. These students represent a market potentially worth millions of dollars to high schools, colleges and universities in Canada, but nonetheless make up only a fraction of the nearly half-million Chinese students expected to invest in a foreign diploma or degree in 2010.⁴⁹⁷ About 3,300 Indian students enrolled in Canadian post-secondary educational institutes in 2008, far above the number for the previous year.⁴⁹⁸ These students constitute a significant and growing element of people-to-people contact between Canada and India.

There would doubtless be consequences for the personal and economic ties described above—and therefore for Canada—should there be a serious deterioration in the security environment in South and East Asia.

⁴⁹⁴ See, for example, Kellett et al, "The Involvement of Key States in Afghanistan," pp. 52-77, 94.

⁴⁹⁵ Statistics Canada, "Canada," in *Ethnic origins, 2006 counts, for Canada, provinces and territories – 20% sample data*, Ottawa: Statistics Canada (<http://www12.statcan.ca/census-recensement/2006/dp-pd/hlt/97-562/pages/page.cfm?Lang=E&Geo=PR&Code=01&Table=2&Data=Count&StartRec=1&Sort=3&Display=All&CSDFilter=5000>). Accessed 11 June 2010.

⁴⁹⁶ "Potential for Canada-China trade 'almost unlimited.'"

⁴⁹⁷ Mark MacKinnon, "Recruiting Chinese students: A work in progress," *The Globe and Mail* (15 March 2010).

⁴⁹⁸ "Number of Indian students in Canada sees marked increase," *The Economic Times* (31 August 2009).

10 Conclusions

China has ambitions to become a “world power second to none,” a goal with major implications for the security environment in South Asia. Twenty years ago, the region was seen as a backwater in global security, but this is no longer the case. In return, developments in South Asia will influence the pace and direction of China’s rise.

This assessment of China’s strategic interaction with South Asia ultimately boils down to its rivalry with India. The past two decades have witnessed warming relations, fuelled in large measure by the needs of their growing economies. At the same time, China’s only two remaining border disputes (from an original 14) revolve around India, while the growing reliance of both countries on the sea lines of communication in the Indian Ocean bring them head-to-head there, too, a southward shift of possibly greater global consequence.

Militarily, China’s nuclear capabilities considerably exceed those of India, while New Delhi’s conventional capacity is still generally short of Beijing’s, except with regard to operational experience. But rapidly growing economies will enable both to augment their military strength. In a heavily-armed region, where a number of great power strategic interests intersect, the US clearly envisages India as a means of containing China (as Beijing sees Pakistan as a balance against India). Although New Delhi is highly reluctant to surrender its relative independence in foreign and security policy, the possibility of a US-Indian alignment is disturbing to China. Thus, Beijing has a strategic interest in preventing India from succumbing to American blandishments, and has a variety of carrots and sticks with which to accomplish this objective.

India clearly occupies a highly strategic location in the world, but that advantage is diluted by its failure to establish cordial relations with its own neighbours, with Pakistan in particular acting as a regional tether on New Delhi’s global aspirations. China has encouraged this drag-weight on its rival, but given that Pakistan is arguably the most dangerous country in the world, in arming it Beijing is undermining global security for quite local objectives. Beijing’s undoubted influence on Islamabad is also deployed to reduce the threat of militancy within China, but it has been indifferent to extremism on a wider scale. This narrow focus is also seen in Afghanistan, where China’s interests are surprisingly limited, as consequently is its motivation to assist NATO.

For the past half-century, and continuing vigorously today, the most evident regional illustration of Sino-Indian competition has been military-strategic contention over the Himalayan border. Militarily, this has involved war (1962), troop movements and border incursions. Strategically, it has revolved around rivalry over the buffer states between them (actually or virtually): Nepal, Bhutan and Bangladesh. The two Himalayan states are in the unenviable position of being squeezed between China and India, who have important domestic security concerns at issue in the region: Tibet for China and Maoist insurgency for India, which is seriously wracked by leftist rebellion. Through Bhutan, Beijing can threaten India’s northeastern states, while New Delhi can (with greater difficulty) return the favour in Nepal and elsewhere on the border, given Chinese nervousness over Tibet.

India borders five of the six other South Asian states discussed here (the 30-km strait separating it from Sri Lanka being regarded as a contiguous boundary); its frontiers with these countries total 9,260 kilometres. In international affairs, proximity tends to breed bilateral irritants, including

border quarrels, water disputes, refugee and rebel intrusions, economic assertion and so on. When reinforced by huge disparities in size and power, the larger state often seems to have a “big brother attitude,” while the weaker is prone to take offence (the Russia-Ukraine situation is an example of this tendency). Thus, India’s location in South Asia does not necessarily work to its advantage.

If rival India is excluded, China’s borders with the South Asian states (all Himalayan) not only are one-quarter the length of India’s, they are also much more inaccessible. Thus, geography has helped to prevent too overbearing a Chinese embrace of South Asia. Equally, New Delhi’s relations with regional states are complicated by ethnic ties in three of the six South Asia countries discussed here (and also with the remaining regional state, the Maldives). Beijing is spared this potential headache. The difference this makes is clear from the example of Sri Lanka.

Such is the impact on South Asian states of Sino-Indian competition that political parties in countries such as Bangladesh and Sri Lanka have tended to align with one or the other, with the result that political reversals on the domestic scene can have larger strategic implications. Nevertheless, for the various reasons cited above, China has tended in the past quarter-century or so to have had more even relations with South Asian countries than has India. While Bhutan has been reliably in India’s camp for half-a-century, China’s relations with Pakistan and Bangladesh have been remarkably consistent. To some extent, regional states can leverage Sino-Indian competition to their advantage, as Sri Lanka is currently doing, but the limits to such a strategy are illustrated by the semi-blockade India clamped on Nepal in 1988.

There are undoubtedly plenty of hotspots in South Asia that could provoke conflict between China and India (or, far less likely, some other regional country). However, growing economic interdependence, increasing military might and the shift of New Delhi’s and Beijing’s gaze to the Indian Ocean, suggest that such an eventuality is improbable. The fact is that it has been nearly half-a-century since the only real conflict between them, and it is telling that there has not been a single fatality in skirmishing on the Sino-Indian border since 1967—the same is not true of the Indo-Bangladeshi frontier.

Finally, China has the capability but not the interest to contribute to the resolution of two of Canada’s security concerns in South Asia: the stabilization of Afghanistan and the neutralization of the nurseries of global extremism. In these regards, Beijing is focused on its own narrow domestic concerns. Equally, Canada has invested a great deal of diplomatic energy in trying to counter Pakistan’s nuclear proliferation, which was largely fuelled by China. China seems unlikely to stop its support for Pakistan’s nuclear adventurism, although it has probably curtailed it considerably. Canada has growing economic links and person-to-person ties with India and China. Any conflict in the South Asia region would disrupt these ties, although the overall impact on Canada would probably not be huge, given the relative scale of the personal and commercial links.

List of acronyms

ADB	Asian Development Bank
AL	Awami League
ANSF	Afghan National Security Forces
AQIM	Al-Qaida in the Islamic Maghreb
ASEAN	Association of Southeast Asian Nations
BCIM	Bangladesh, China, India and Myanmar
BJP	Bharatiya Janata Party
BNP	Bangladesh Nationalist Party
BRIC	Brazil, Russia, India, China
DOD	Department of Defense
ETIM	East Turkestan Islamic Movement
EU	European Union
GDP	Gross Domestic Product
HEU	highly enriched uranium
IAEA	International Atomic Energy Agency
ICG	International Crisis Group
INS	Indian Naval Ship
IPKF	Indian Peacekeeping Force
ISAF	International Security Assistance Force
ISI	Inter-Services Intelligence
IT	information technology
JuD	Jama'at-ud Dawa
JVP	Janatha Vimukhthi Peramuna

KANUPP	Karachi Nuclear Power Plant
km	kilometre
LAC	Line of Actual Control
LeT	Lashkar-e-Toiba
LTTE	Liberation Tigers of Tamil Eelam
MRBM	medium-range ballistic missile
NATO	North Atlantic Treaty Organization
NPT	Nuclear Non-Proliferation Treaty
NSG	Nuclear Suppliers Group
ONI	Office of Naval Intelligence
PLA	People's Liberation Army
PLAN	People's Liberation Army Navy
PRC	People's Republic of China
SAARC	South Asia Association for Regional Cooperation
SASAC	State-Owned Supervision and Administration Commission
SCO	Shanghai Cooperation Organization
SLFP	Sri Lanka Freedom Party
SRBM	short-range ballistic missile
SSBN	nuclear-powered ballistic missile submarine
TAPI	Turkmenistan-Afghanistan-Pakistan-India
TEU	twenty-feet equivalent unit
TIP	Turkestan Islamic Party
UCPN(M)	United Communist Party of Nepal (Maoist)
UK	United Kingdom

UN	United Nations
UNHCR	UN High Commissioner for Refugees
UNP	United National Party
UPA	United Progressive Alliance
US	United States
VLCC	very large crude carrier

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This report is part of a broader assessment of the rise of China and its impact on regional and global security. China's rapid accretion of geopolitical weight ensures that other great power will be increasingly wary in their dealings with it. In this context, China's great power rivals in its own neighbourhood assume growing importance both to Beijing and to Western capitals. This report examines all but the smallest South Asian states in the context of their relations with China. Particular emphasis is placed on potential flashpoints between China and South Asian states, especially on the Himalayan border and in the Indian Ocean.

Le présent rapport s'inscrit dans une évaluation globale de l'essor de la Chine et de son impact sur la sécurité régionale et mondiale. L'augmentation rapide du poids géopolitique de la Chine fait en sorte que les autres grandes puissances se montreront de plus en plus prudentes dans leurs rapports avec elle. Dans ce contexte, les grandes puissances rivales de la Chine dans son propre voisinage prennent une importance grandissante pour Beijing et pour les capitales occidentales. Nous examinons ici tous les États de l'Asie méridionale, sauf les plus petits, dans le contexte de leurs relations avec la Chine. Nous mettons particulièrement l'accent sur les points d'inflammabilité entre la Chine et les États de l'Asie méridionale, en particulier à la frontière himalayenne et dans l'océan Indien.

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