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PRIME MINISTER WEN JIABAO'S VISIT TO INDIA, 9 - 12 APRIL 2005

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Summary

1.1 This brief analyses the Chinese Premier's recent visit to India. It:-

- i) highlights the objectives of the visit;
- ii) assesses both the specific and overall achievements of the trip;
- iii) reflects on the steps that both countries might take to further strengthen their mutual ties; and
- iv) explains the implications of closer Sino-Indian relations for this region.

Objectives of the Visit for China

2.1 From China's point of view the visit was aimed at 'promoting trust and widening cooperation' between the two countries. The swing through the region was also aimed to establish the fact that South Asia falls within the ambit of China's interests and influence despite India's dominant position in the region. It was also meant to

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emphasise to India that bilateral ties with the regional states will continue to be important for Beijing even as it expands its ties with India.

- 2.2 Progress on the border issue that has bedevilled the relations between India and China was an important item on China's agenda. Identifying the guiding principles for future negotiations formed a crucial part of this quest.
- 2.3 Looking beyond the region, China also wanted to signal to the United States that the two Asian giants could get along well despite their unresolved border issue. It is significant that China's eagerness to seek out India and establish stronger ties with it is viewed by some as a reaction to the offer that the United States recently made to help India transform itself into a world power. China is aware that India and the United States share important democratic values and certain common strategic interests; evidenced earlier in India's support for Washington's missile defence programme. The possibility that the United States might enlist India as a counter weight is always of concern to China.
- 2.4 The visit was also aimed at strengthening trade and investment relations. China recognises the strides India has made in the IT sector and seeks to marry its prowess in hardware to India's much fabled software achievements.

Objectives of the Visit for India

- 3.1 On India's part, it wanted the visit to put a stamp on the positive turn this relationship has taken in the last few years. More importantly, it sought to make China recognise that India was emerging as a significant entity and that China should be more autonomous in its relationship with New Delhi.
- 3.2 India had some specific expectations from China such as the recognition of Sikkim as an integral part of India. No doubt, this had been accepted informally by China earlier, but India's aim was to get an unequivocal recognition of its status as part of the Indian Union.

- 3.3 India was also interested in a robust indication of support from Mr Wen on its claims for a permanent seat in the United Nation Security Council (UNSC).
- 3.4 New Delhi was equally desirous of using the visit to seek more flexibility from China on the border dispute so that negotiations could move forward. China's public repetition of the stated positions had stagnated the process and the two countries were not moving forward on this issue.
- 3.5 An implied interest was also to indicate to the United States that it should not assume that India would automatically participate in its balancing game. India perceives that this could harm its long term interests by preventing it from dictating the pace of its own strategic interests. Washington's policy of checkmating China holds limited appeal for India at the moment. It is keener to maintain a stable relationship with Beijing which such visits reinforce. In addition, the Mr Wen's visit was meant to reaffirm the common Sino-Indian views about the importance of a multipolar world devoid of unilateral impulses.

Achievements: China's Perspective

- 4.1 China has every reason to feel pleased that the visit accomplished its stated aims. It managed to convey the impression of a balance in its relationship with the South Asian rivals. China was not subjected to any interrogative questions by India about its nuclear and missile supply relationship with Pakistan even though this causes a great deal of disquiet in India. China appears to have also succeeded in alleviating Indian concerns about its bilateral interactions with India's smaller neighbours.
- 4.2 The three tier approach to the vexing border problem has been well received by India. This new initiative comprises "an accord on the guiding principles at the first stage, agreed framework in the second and actual delineation of the border in the third."
- 4.3 China has also managed to cultivate a sizeable section of Indian opinion which views the burgeoning ties between the two countries in very positive terms. The visit has successfully reinforced this opinion.

4.4 Apart from the progress on the boundary issue a clutch of agreements was signed by both sides dealing with greater opportunities in trade, cultural relations and expansion in aviation links. The two countries also agreed on a five year plan for comprehensive economic cooperation. Taken together, these initiatives could be the building blocks for the 'bridge of friendship' between the two countries that the Chinese Premier enthusiastically alluded to.

Achievements: India's Perspective – Positive View

5.1 India can also claim a measure of success in its aims. The growing political understanding and the flow of high level visits has created a more favourable neighbourly environment which has reduced the pressure on the border. From India's point of view, bonding is certainly better than bickering.

5.2 The most satisfying result of the visit for India was Beijing's stand on Sikkim. The official map endorsing Sikkim as an Indian state was handed over to the Indian government which has done much to assuage India's feelings, even though some Indian analysts were quick to point out that the recognition has been extended strictly in the context of border trade that China wants to expand.

5.3 The flexibility shown by China on the border issue has been equally satisfying to India. China's willingness to approach the boundary dispute on the basis of mutual strategic interests and its statement that it is necessary to safeguard the interests of the settled populations is a significant departure from its traditional stand.

5.4 It also appears that China has obliquely acknowledged India's UNSC claims by stating that it recognises India's role in the UN and the wider world. If one were to go by the Indian side of the story that China is desirous of seeing India as a permanent member, then this is indeed a significant gain. It is a departure in China's policy on two counts: first China has been opposed to the expansion of the Security Council and secondly, this shows that it is no longer bound by Pakistan's policy against Indian membership.

Achievements: India's Perspective – Cautious View

- 6.1 Some analysts in India, however, are not so convinced about the visit's positive effects. They question the limits of this friendship and point to Mr Wen's evasive position on India's UNSC membership. They point out that China has not endorsed India's claim.
- 6.2 Neither are they willing to accept that China's India policy is autonomous. Despite claims to the contrary, Pakistan and the United States cast their long shadows on the ties between the Himalayan neighbours. Some are of the opinion that India is unduly coy about raising the issue of military cooperation between Beijing and Islamabad. This has been extremely harmful for India's strategic interests since it has allowed "China's creeping hegemony to go unchecked". Amongst other things, the point of special concern here is China's deepening involvement in expanding the capacity of Pakistan's Gwadar port. In combination with the perch that China has acquired in Myanmar's Coco Islands, this amounts to encirclement. Reports about Sino-Bangladesh agreement on nuclear cooperation which was made during Mr Wen's recent visit to Dhaka further complicates India's strategic environment.
- 6.3 The United States had recently made an offer to help India transform itself into a world power. China's overture towards India could be seen as a reaction to the American offer. China's concern that the United States may enlist India as a counter weight could be seen to be driving China's policy towards India.
- 6.4 Even the much-touted benefits on the economic front have failed to convince the skeptics that the two powers are on to a trouble-free relationship. While much has been made of the complementarities between their high-tech industries – India's software and China's hardware which Mr Wen likened to 'two pagodas' – it is not certain that the two could be comfortably intertwined to make an economic impact.
- 6.5 Many IT experts are unconvinced about the potential for cooperation in this field. Reacting to the scenario presented by the Chinese Prime Minister, IT leaders point to the barriers in the form of language, legal issues and China's special treatment of its

domestic industries. In their opinion there simply isn't the required synergy between the two countries' technologies.

- 6.6 In fact, one of them went so far as to say that "China is not a straightforward country like Singapore when it comes to business. You cannot pull out money or transfer it easily. One has to put in some capital and a firm cannot open branch offices with ease." Obviously, not everyone is sanguine about the outcome of a partnership in this area.
- 6.7 One of the emerging issues of common concern between India and China is energy security. The two countries' efforts to ensure future oil and gas supplies, for which both have an enormous need, is expected to become a point of contention. At present, both are trying to put a positive spin on the scope for cooperation in this area and some evidence of this is apparent. For example, in Sudan's Greater Nile Project they are partners and they have acquired equities in Iran's Yadavaran oilfield. But these collaborative efforts cannot be taken for granted once their needs become more acute and supply becomes scarce. It is believed that, in such a situation, politics rather than commerce will become the driving force, with perhaps negative consequences for their friendship.

Overall Assessment

- 7.1 Despite the misgivings voiced by some in India it does appear that the visit has generated enough goodwill and understanding between the two Asian powers. A qualified success is a more realistic way to describe the outcome of the visit.

What Next?

- 8.1 Both India and China are bound to build on the gains made so far. Much of this could be in the form of enhancing the potential for regional economic cooperation. Trade has been a major pull factor in their interactions. Bilateral trade between the two countries grew to US\$7.6 billion annually by 2003 and is expected to cross US\$15 billion by 2007. This is not improbable given the fact that two-way trade reached US\$13 billion in 2004, surpassing the original goals by over 30%.

- 8.2 A more determined move towards creating a free trade zone as articulated by China might be a possibility. In addition to their burgeoning trade relationship, the two countries might further improve the opportunities for sub-regional cooperation such as the 'Kunming Initiative' – a China-led initiative that seeks to link Yunnan with Myanmar, India's north-eastern states and Thailand in an economic grid.
- 8.3 People-to-people contacts are also being explored in a more purposive manner. Cultural activities are expected to increase and a good indication of this is the designation of 2006 as the 'Year of China-India Friendship'.

Implications for Southeast Asia

- 9.1 There is no doubt that friendly ties between the two major Asian powers will lead to more stability and prosperity in the region and even beyond. Their continued economic growth and development has the potential to lift up other states in their vicinity.
- 9.2 But having said this, India's expanding ties with the ASEAN states and its 'Look East' policy has provided it with a trans-regional focus which could clash with China's interests in the region. The expansion in naval cooperation between India and the regional states in an area where China has unresolved maritime claims is not viewed with equanimity by Beijing.
- 9.3 While it would not be in the interest of the Southeast Asian states to see a bitter competition between Indian and China to extend their influence in the Southeast Asian region, it is also important to be wary of one thing. If China and India succeed in pressing ahead with their economic agenda of comprehensive cooperation, it is likely that the region could be bypassed altogether which may not be a welcome development.
- 9.4 One particular area of significance is their proposed interest in sub-regional cooperation linking India's Northeast with China's South-western region. Both the countries are also actively engaged in reducing the dependence on the Malacca Strait to transport their cargo. India is planning to build a deep sea port in Dawei in

Southern Myanmar which would reduce the travel time for shipping goods to Thailand and China. China is also actively engaged in building a deep sea port in Kyaukpyu which is located at a convenient point on the land route connecting Kunming and Sittwe. Except for Myanmar, the benefits of these moves for the other regional countries seem doubtful.

Conclusion

10.1 After decades of suspicion and distrust, Sino-Indian relations have become remarkably warm and cordial. Both the powers have moved from enmity to amity and are poised to become strategic partners. But this does not mean that there are no residual concerns. The ultimate shape of the border resolution and China's strategic intentions within the South Asian region and beyond would continue to cause some disquiet in India. Visit diplomacy at the highest level is one way of ameliorating these worries and the most important outcome of the Chinese Premier's visit to New Delhi lies in this.
