

Détente Between China and India
The Delicate Balance of Geopolitics in Asia

Willem van Kemenade

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Netherlands Institute of International Relations *Clingendael*

Clingendael Diplomatic Studies Programme

Clingendael 7

2597 VH The Hague

Telephone +31(0)70 - 3746605

Telefax +31(0)70 - 3746666

P.O. Box 93080

2509 AB The Hague

Email: ddavidse@clingendael.nl

Website: <http://www.clingendael.nl>

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Comparative studies of the politics and economics of the two giants of Asia, China and India have become a booming academic industry in recent years and I have made my modest contribution to this process. After doing a number of business briefings for major corporations and lectures at business schools in China and Europe (see: <http://www.willemvk.org>), I decided in 2007 to do a broader study of the strategic relationship between the two major rising powers, their rivalries and their complex interdependencies in the South- and Southeast Asia regions. After monitoring events in India over the last five years for the lectures, I made a three month research trip to India from September through December 2007.

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In January 2008, I moved on to Washington DC, to take up a stint as a Visiting Scholar at the Johns Hopkins University School of Advanced International Studies to work on my next book on the EU-US-China Global Strategic Grand Triangle. Special thanks to Professor David M. Lampton, Dean of the Faculty and Director of China Studies at SAIS for offering me facilities there. Since Washington is the Rome plus Mecca of all international studies, I still continued to work intermittently on my China-India book for several months. I have benefited greatly from my frequent conversations with Prof. Pieter Bottelier (Chinese Economy), Walter Andersen, Associate Director for South Asia Studies at SAIS, Hasan Askari Rizvi, Visiting Professor from Pakistan, Ashley Tellis of the Carnegie Endowment for International Peace, Expert in Asian Regional Security issues and Adviser to Senator John McCain, Professors Harry Harding and David Shambaugh of The George Washington University, and eminent Burma specialists Prof. David Steinberg of Georgetown University and Ambassador Priscilla Clapp of the U.S. Institute of Peace.

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Willem van Kemenade

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Introduction

Indian and Chinese statesmen of the 20th and early 21st century have ruminated at length on the grand vision of their two ancient Asian civilizations and now resurgent great neighboring countries, becoming close partners, leading Asia and the world at large.

After Indian independence in 1947 India emerged as the new leading power of Asia with Prime Minister Jawaharlal Nehru as the authentic voice of the whole born-again Orient. Nehru had visited the Soviet Union in 1927 and China in 1939. He then told Kuomintang leader Chiang Kai-shek: “More and more, I think of India and China pulling together in the future”. During the 1950s India and China were in de *Hindi-Chini Bhai-Bhai* (India and China are brothers) honeymoon but it didn’t last long. By 1959 the two were at odds over the flight to India of the Dalai Lama and his political asylum there together with his government-in-exile and there was escalating acrimony over the unsettled border that the two had inherited from the British Empire. The two fought a brief war in the Himalayas, which India lost and which shattered the vision of a common destiny for decades to come. Yet, the two did not become implacable enemies and just withdrew behind the lines of actual control in *cold peace*. India was a neutral, non-aligned country, leaning towards the Soviet Union and China knew if it pushed India too hard it would risk a crisis or even military conflict with Moscow or drive India in the arms of the United States. China had succeeded in

downgrading India as the leading power of the non-aligned Afro-Asian world and during the 1960s and beyond forged a geo-political alliance with India's adversary Pakistan, to keep India in check, have a backdoor to the outside world and outrun the US naval blockade of the Chinese Pacific east-coast.

The China-Pakistan Axis became a strategic alliance, but China never intervened on Pakistan's behalf in its wars with India, neither the second Kashmir War in 1965 nor the Bangladesh Independence War in 1971. Chairman Mao Zedong himself had made his own minor peace gesture, when on Labour Day, May 1, 1970 he turned to the Indian Charge d'Affaires Brajesh Mishra and told him: "India is a great country and the Indian people are a great people. Chinese and Indian people ought to live as friends, they cannot always quarrel".¹ After Bangladeshi Independence, China actually withdrew political support for the Pakistani position of self-determination for Kashmir and endorsed the *Simla Agreement*, signed in July 1972 by Indian Prime Minister Indira Gandhi and Pakistani President Zulfikar Ali Bhutto, binding the two countries 'to settle their differences by peaceful means through bilateral negotiations'. It also cemented the *Line of Control* as something close to a permanent border. The agreement has been the basis of all subsequent bilateral talks between India and Pakistan, and equally important of all Chinese official pronouncements on the conflict.

The next *providential* statement by a top Chinese leader was Deng Xiaoping's in 1988 when he met with the young visiting Indian prime minister Rajiv Gandhi, the first top-level visit since the 1962 border war. Deng told Gandhi: "*If there should be an Asian Age in the next Century, then it could only be realized after both India and China become developed economies*". It took another 15 years before relations between the two countries really started improving and only after India had embarked on 'playing the US card'. The Bush administration was cultivating India as a strategic partner for the containment of China, a concept that was supported by the Indian right, but still conflicted with India's deeply rooted tradition of a non-aligned and independent foreign policy. By 2003, the Chinese realized that if India was so adept at playing the America card with them, why wouldn't China itself have its own direct, regular high-level dialogue with the Indians. Since 2003 four reciprocal visits of heads of state and government have taken place. The first one of prime minister Atal Behari Vajpayee in 2003 ushered in unprecedented optimism that the long-standing border dispute would be solved immediately. "So far, the talks were limited to lower-ranking officials who could not take decisions. It will not be so now and (high-level) representatives of the two countries will resolve the issue," Vajpayee said. India appointed national security advisor Brajesh Mishra as its special representative while China

1) Jairam Ramesh, *Making Sense of Chindia, Reflections on China and India*, New Delhi 2005, p. 18.

appointed then senior vice-minister of foreign affairs, now state councillor Dai Bingguo. During the 2005 visit of Chinese premier Wen Jiabao, Indian prime minister Manmohan Singh instilled a global dimension in the optimism about the relationship: "*India and China can together reshape the world order*", he said.

However, after all the optimism since 2003, in 2008 no solution of the border conflict is in sight. The Indian media accuse the Chinese side of backtracking and making excessive new demands, Chinese think-tankers, who act as semi-official spokesmen in the more flexible current political environment say that the '*irresponsible*' Indian media indulged in wishful thinking and created the wave of unjustified optimism that has now become a new obstacle to the negotiating process. Despite this, it is hardly conceivable that relations will regress to the coldness and stagnation of the past.

Chapter 1 describes the failure of India to assert itself as the dominant regional power in South Asia and the challenges China has posed to Indian leadership by forging close military relationships, not only with Pakistan, but also with Bangladesh. South Asia is one of the most dangerous regions in the world and the least economically integrated one. Intra-regional trade is less than 2 per cent of South Asian gross domestic product, according to the World Bank, compared with more than 20 per cent in East Asia. Apart from India, all countries in the South Asia region figure on the '*Failed State Index*', published annually by *Foreign Policy Magazine*. This is one of several reasons why India has embarked on a 'Look East Policy', i.e. seeking cooperation and integration with the more stable and dynamic Southeast, and East Asia regions. China is reciprocating by increasingly using South Asia, India's 'Near Abroad' as its own 'backyard'.

The effects of the Cold War, the India-China border issue and the origins of the Tibet issue are discussed in chapter 2. Close friendly relations between India and China during the early 1950s, slowly deteriorated as a result of the American introduction of Cold War antagonism in South Asia, turning Pakistan into an ally of the United States, nudging India towards the Soviet Union, and China following with its own courtship of Pakistan. The real watershed in Sino-Indian relations was the failed Tibetan uprising against Chinese rule in 1959 and the subsequent flight of the Dalai Lama to India, where he and his followers were given political asylum. This further complicated the unsettled India-China border issue and descended into war and India's dramatic defeat in 1962. Relations came to a full standstill until 1976. Border negotiations were resumed in 1981 but made no progress. Only the shock of India's second series of nuclear tests in 1998 and the realization in Washington that it should abandon its policy of indifference towards India and start regular high level exchanges, persuaded the Chinese that they had to do the same. Since 2003 there have been four reciprocal top-level visits, but obstacles against a border-settlement are bigger than ever since the

Chinese in 2006 reasserted their claim to all of the Indian state of Arunachal Pradesh, the territory south of the British-imposed McMahon-line. Chinese experts charge that the Indian media, and assorted politicians have irresponsibly spun the illusion that the border-problem can be solved without any Indian concession. The Indian mainstream view is that the disputed territories have been under British and later Indian control for a century or more and that bygones should be bygones.

The focus of chapter 3 is the Sino-Tibetan negotiating process over a new highly autonomous status – short of independence - for Tibet within the People's Republic of China. It is a dialogue of the deaf and mute in which the Tibetans maintain false hopes that support of the international community will lead to a Chinese change of heart and the Chinese bet that accelerated Han-immigration into Tibet, Chinese style economic development with super-high growth, infrastructural integration of Tibet with *China Proper* and the death of the incumbent 72 year old Dalai Lama will usher in the end to Tibetan nationalism and separatism. The latest violent Tibetan protests against Chinese repression on March 14, 2008, the largest since the failed uprising of 1959 may change the dynamics of this scenario. The Dalai Lama's '*middle way*' – no independence but extensive autonomy, seeking international support and engagement of China in futile talks – is considered a failure by younger generations who seem to be willing to use more radical methods, armed struggle and perhaps even terrorist means.

Chapter 4 deals with China's most important strategic relationship in Asia: the China-Pakistan Axis. Islamic, anti-communist Pakistan has two highly dissimilar allies: the United States and China. The alliance with the US is a legacy of the Cold War, has been discontinuous and is now based on anti-terrorism. The one with China was originally based on common antagonism towards India and more recently on challenging India's hegemony over South-Asia and China's geo-strategic scheme of having a backdoor to the Indian Ocean, the Persian Gulf and the Greater Middle East in general. After eight years under its fourth military dictatorship since independence in 1947, Pakistan is after elections in February 2008 experiencing a new honeymoon of parliamentary democracy. Paradoxically this does not favor the alliance with distant democratic America, while the alliance with neighboring China is expanding. China's fundamental common interest with Pakistan is the joint struggle against Islamic militants in the Pakistani Northwestern tribal areas and China's Islamic Western region of Xinjiang. China also has invested in the Pakistani port of Gwadar at the entrance of the Persian Gulf, which has the potential to become a Chinese naval base to counter the American base on the British Indian Ocean Territory (BIOT) of Diego Garcia.

Chapter 5 describes the tentative efforts of a humiliated Russia and China and an isolated India, starting from the late 1990s, to seek an anti-hegemonic united front against U.S. domination. After the first Anglo-American bombing

campaign against Iraq in December 1998, Russian Foreign Minister Yevgeny Primakov proposed a *Strategic Triangle* of Russia, China and India to oppose American global supremacy. India had suffered U.S. sanctions for its nuclear tests in May 1998 and in May 1999, the U.S. bombed the Chinese embassy in Belgrade. At the same time, American Supreme NATO Commander Gen. Wesley Clark ordered the British NATO commander in Kosovo, Lt. Gen. Michael Jackson to bomb the Russians out of Pristina airport, which Jackson refused to do. India played a dualistic role in the triangle. On the one hand it couldn't partner with China, on the other, the Bush administration adopted the policy of 'legalizing' India as a nuclear power and building it into a strategic partner to balance China. Russian president Putin however wanted to keep India in by defining the triangle not as an 'anti-US coalition' but a 'counterpoint to the US'. Thus the triangle became a flexible mechanism that agreed on key issues, such as joint opposition to the war in Iraq, Islamic terrorism (Chechnya, Kashmir, Xinjiang), unilateral independence for Kosovo, another Bush-war against Iran, a shared interest in a multipolar world and democratization of international relations. China worried regularly that India would drift into the US camp, but in the end was confident that 'India's DNA does not allow itself to become subordinate to the US like Britain and Japan'. The country is simply too ancient, too big and too self-absorbed to yield again to alien *Diktat*. A decisive factor in the future strategic orientation of India will be whether Russia maintains its position as India's premier arms supplier or whether it will be marginalized as such by the US.

Chapter 6 deals with the newly emerging partnership between the world's two largest democracies: India and the US. As a Soviet ally during the Cold War and a *rogue* nuclear power since its first tests in 1974, India had been shunned for decades by the United States and only got Washington's serious attention after it conducted a new set of nuclear tests in 1998. The Clinton administration started a high level negotiating process to induce India to sign the *Comprehensive Test Ban Treaty*, but this was made futile after the Republicans killed the treaty on the Senate floor in October 1999. The blessing in disguise was that there was no longer a need to maintain sanctions against India. After '9/11' India and the US bonded as the two were both victims of Islamist terrorism, but India showed its determination to maintain an independent foreign policy by strengthening its relations with both Russia, Iran and Israel, reflecting the competing interest groups across the political spectrum that Indian coalition-governments have to cope with. In 2005, US Secretary of State Rice proclaimed that it was now the policy of the US to "help India become a major world power in the 21st century". First step was to get India into the non-proliferation regime through the backdoor, i.e. subject most of its nuclear reactors to the inspection regime of the IAEA, while skirting the question whether India could conduct

further nuclear tests. The US Congress blocked this ambiguity and in New Delhi, any restriction on India's nuclear sovereignty was totally unacceptable, not only for the main Indian Communist Party, which was part of the governing coalition, but also for the rightwing Hindu Nationalists in opposition. During the spring of 2008, it became clear that the nuclear deal would not be completed before the end of the Bush-presidency. It is unclear whether the next US administration will renegotiate the deal on the same generous terms. So what is then the showpiece of the new US-India relationship. New major fighter plane and war-ship deals? According to New Delhi and Washington insiders they will take ten years to materialize.

The political tragedy of enduring repression, stagnation and isolation in Burma was temporarily upstaged by the devastating cyclone Nargis on May 3, 2008, but as Chapter 7 illustrates, not significantly affected by it. The xenophobic, paranoid military junta pretended as if no large scale international aid was needed for 2.5 million destitute people and went ahead with a farcical referendum on a new constitution that they had planned for May 10 and that should pave the way towards a *'discipline-flourishing genuine multi-party democracy'* by 2010. The draft constitution, a Suharto-style blueprint that would proclaim the army as the supreme power in public affairs and reserve 25 per cent of the seats in a new national parliament for military appointees was dubiously approved by 92.4 per cent of voters. What distinguishes the former Suharto-regime from the Burmese junta is that the latter is economically fully incompetent whereas the Suharto-regime was a mixed oligarchy of generals and highly qualified, internationally trained technocrats. If Burma's junta would transform towards such a 'technocracy' that might be progress over the current situation. The junta's agenda has the support of Burma's neighbors China, Thailand, Singapore and even democratic India. Nevertheless, the Bush administration announced a further tightening of sanctions just before the cyclone and the European Union has a Special Envoy traveling the region, threatening harsher sanctions if the junta doesn't cave in. Both Burma and China were hit by western sanctions over their military repression of a democratic student movement in 1988 and 1989, but the sanctions on powerful China, where everybody has business interests were lifted within two years, while those against much smaller and poorer Burma – the size of one Chinese province – are still in force with the 55 million people there rather than the regime suffering the hardship. Burma's neighbors will no longer allow an Asian regime, no matter how odious, to be brought down by western sanctions. It is time that grandstanding bureaucrats and politicians in Brussels and Washington realize that their sanctions will only harden the resolve of the highly nationalistic junta, drive it further in the arms of China and aggravate the suffering of the people.

The focus of the final Chapter 8 is on the comparative –

competitive/cooperative - role of China and India in the world-economy. According to World Bank studies, China and India will probably be the second and fourth largest economies in the world by 2020. India will have better high tech private enterprises, but China's huge state conglomerates will wield more global clout. Due to China's 'one child policy', China's labour force is expected to peak around 2015, while India's is projected to grow beyond the middle of this century. (Communist) China has allowed foreign investors to make huge profits at the expense of indigenous firms, India will not allow that. There is huge waste in China's colossal investments and Indian financial markets and banks allocate capital more productively. China's industrial prowess is without peer in the world, but India's strength is hidden. A hot Motorola wireless handset, Cisco network switch, or Philips imaging device may read '*Made in China*' on the back, but much of the software and integration of multimedia technologies that yield the real profit margins may have been developed in India. The biggest advantage India may have is that its private companies have better, more dynamic and more globalized management than China's state-conglomerates. China's imagined or potential economic threat to the US has been discussed in previous chapters, but one German author, Gabor Steingart advocates an *Economic NATO* to defend Western prosperity against the advancing *Yellow and Brown Hordes from Asia*. Chancellor Angela Merkel embraced his rhetoric and tried to warm president George Bush to it, but Bush, a firm believer in free trade rejected it.

The challenge from India is at a different level. Both China and India will be powering global growth for decades to come: China as the world's manufacturing base; and India as the world's back office for services. Pramod Mahajan, Indian Minister of IT, says: 'They – the Chinese -- have the hardware but they are not masters of software. Together we are natural allies'. Apart from lack of modern infrastructure, the other principal weakness of Indian industries is the frequency of strikes. In recent years, India's outsourcing has risen to new levels. Boeing and Airbus now employ hundreds of Indians on critical tasks, including the design of next-generation cockpits and systems to prevent airborne collisions. For about one-fifth of the cost, investment banks like Morgan Stanley are hiring Indians to analyse US stocks, a job that can pay US\$ 200,000 a year or more on Wall Street. Outsourcing has now become a '*Third Industrial Revolution*', which threatens the jobs of 28 to 42 million workers in the United States alone. Potentially offshoreable jobs – 30 to 40 million -- include scientists, mathematicians, and editors on the high end, and telephone operators, clerks, and typists on the low end. In the club of big trading powers, - the US, the EU and China -, India is still '*minor league*'. The US and EU both have investment volumes in China running in the tens of billions of dollars and trade volumes with China of over US\$ 300 billion – eight or nine times that of India. China has emerged as India's largest trading partner, while India was only the eighteenth largest exporter to China and

the thirteenth most significant export destination of Chinese products. India is invoking security considerations to restrict Chinese investments in India, because of the unsolved border dispute. China is far more relaxed about Indian investment in and trade with China than the other way around.

1. Regional Power India: Challenged by China

India Surrounded by 'Failed States'

India is located in a troubled neighbourhood. It is surrounded by six fragile states, some of the worst governed countries in the world. The three Islamic countries – Pakistan, Bangladesh and Afghanistan – are in varying states of dysfunction because of poor governance, Islamic fundamentalism, jihadism and terrorism, with Pakistan a permanent strategic ally of China while simultaneously in a shaky alliance with the United States, and Bangladesh in a cooperative defence partnership with China. Of the remaining countries, Nepal is a fledgling Hindu republic following a long-drawn-out tripartite conflict of Maoist rebels, a downgraded autocratic monarch and democratic parties, in which China supported the monarch and India the democratic camp. The other two countries – Myanmar and Sri Lanka – are predominantly Buddhist: Myanmar is under the

yoke of perhaps the most brutal, backward military dictatorship in the world, propped up by China and to a lesser extent by India itself; and Sri Lanka has been afflicted by an ethnic civil war for decades, which India has tried unsuccessfully to stop by heavy military involvement.

Of 177 rankings, Pakistan, India's most troubling neighbour, ranks twelfth on the 'Failed States Index 2007', published by the Fund for Peace and Foreign Policy Magazine, but this rating was made before the latest coup by Pakistan's military dictator, General Pervez Musharraf, followed by mass detention of the moderate opposition, the judiciary and legal profession and culminating in the cataclysmic assassination of Benazir Bhutto, who, despite all her flaws, was the best hope for Pakistan's moderate, secular and democratic forces.

Table of Failing States' Rankings²

	2007	2006	2005
Afghanistan	8	10	11
Pakistan	12	9	34
Myanmar	14	18	23
Bangladesh	16	19	17
Nepal	21	20	35
Sri Lanka	25	25	not listed
China	not listed		75
India	not listed		76

Pakistan's elections in February 2008 resulted in a surprise victory for moderate, secular parties and setbacks for US-supported military dictator Pervez Musharraf

2) *Foreign Policy*, July/August 2007. A state that is failing has several attributes. One of the most common is the loss of physical control of (part of) its territory or a monopoly on the legitimate use of force. Other attributes of state failure include the erosion of legitimate authority to make collective decisions, an inability to provide reasonable public services, and the inability to interact with other states as a full member of the international community. The twelve indicators cover a wide range of elements of the risk of state failure, such as extensive corruption and criminal behaviour, inability to collect taxes or otherwise draw on citizen support, large-scale involuntary dislocation of the population, sharp economic decline, group-based inequality, institutionalized persecution or discrimination, severe demographic pressures, brain drain, and environmental decay. States can fail at varying rates through explosion, implosion, erosion, or invasion over different time periods. The years 2006-2007 were not all bad news. Two vulnerable giants, China and Russia, improved their scores sufficiently to move out of the 60 worst states.

and the Islamists. The democratic process has been resumed, while the United States continues to prop up the loser, the diminished President Musharraf, who had to give up his post as commander-in-chief and abandon his military uniform altogether. Whether Pakistan's reinvigorated multi-party democracy will consolidate and survive remains to be seen.³

Considering this uncomfortable environment, India has done surprisingly well. Its democracy is functioning reasonably well despite many flaws, and its economy is booming as never before after decades of slow growth.

China enjoys a far more benevolent periphery in East Asia than India does in South Asia. All of China's neighbouring countries and territories – Japan, South Korea, Taiwan, Hong Kong/Macao and Singapore – are formidable high-tech industry, trade and investment centres with huge mutually beneficial interaction and economic interdependence patterns with China. The only odd man out is North Korea, which ranked thirteenth as a failed state between Pakistan and Myanmar in 2007, but since basic agreement on the dismantling of its nuclear programme has been reached, it is now taking modest steps towards positive political and economic interaction with the region and its prospects may improve, although implementation of the agreement is still in doubt.

India's Failed Leadership in South Asia and China's Growing Influence

India is not a nation-state, but in Huntingtonian terms a 'civilizational' state.⁴ It is the 'core-state' of Hindu civilization, to which only one of its neighbours, Nepal, also belongs. India is also the ancient cradle of Buddhist civilization, but as a secular state it has mostly neglected to bring the cultural/religious attractions into play with its Buddhist neighbours of Sri Lanka, Myanmar and beyond.

Since the late 1950s, India-China relations have been bedevilled by the issue of Tibet – that is, the hospitality that the Dalai Lama enjoys with his government-in-exile in northern India and the major unresolved border problem as a result of the legacy of the non-demarcated borders of the British Indian Empire, aggravated by China's border war in 1962. But of far greater concern to India is China's South Asia policy, especially its strategic relationship with Pakistan, including generous gifts of nuclear weapon-related technologies and materials,

3) Since Pakistan is a vital strategic ally of China, a sub-chapter here would not suffice. Instead, a separate major chapter 4 is devoted to Pakistan's relations with the United States, India and China.

4) See Samuel P. Huntington, 'The Clash of Civilizations?', *Foreign Affairs*, Summer 1993.

modern conventional weapons' systems and gestures of support for Pakistan in its periodic confrontation or conflict with India.⁵

China's ambitions in the Indian Ocean are another source of worry to India. Large Chinese navies were navigating the Indian Ocean long before the Portuguese, for trade and imperial flag-showing, but they stopped appearing after 1435.⁶ The Indian Ocean is now being described by some Chinese strategists as 'China's next frontier!'⁷ According to an American Pentagon study, General Zhao Nanqi, Director of the General Logistics Department of the People's Liberation Army (PLA) issued a top-secret memorandum that disclosed the PLA's strategy to consolidate Chinese control over the South China Sea and the Indian Ocean. He noted: 'We can no longer accept the Indian Ocean as only an Ocean of the Indians'.⁸

However it is not only China's all-weather friendship with Pakistan and its advances into the Indian Ocean that are a thorn in the side of India; it is also China's extensive political and military relations with Nepal, Bangladesh and Sri Lanka that concern India. India's smaller neighbours – Nepal, Bangladesh, Sri Lanka and the Maldives – perceive India as a bullying hegemon that during the Cold War looked towards the Soviet Union and since the beginning of the new millennium towards the United States. India, for example, sent a peacekeeping force of 60,000 personnel to Sri Lanka from 1987-1990 that became embroiled in a fruitless civil war against Tamil separatists; and in 1988 Indian forces intervened in the Maldives to prevent a coup d'état. Rhavni Thakur, a China scholar at the University of Delhi and an adviser to the Indian Congress Party, stresses the importance of history to understand all of this:

Pakistan was created out of India and so was Bangladesh. Sri Lanka was civilizational and historically hugely influenced by India. Nepal similarly. For these countries, anti-Indianism is a way of claiming an identity, independence for themselves. For them it is: We are not a part, or an arm or a limb of India, whereas in India we tend to think they were all part of us. In Nepal it is even more radical, because with the Maoists in charge there, it is violently anti-Indian. There are more Maoists in Nepal now than in China. Bangladesh has become a hotbed of Muslim fundamentalism, supported by

5) For a more detailed treatment of Sino-Pakistani relations and the disruptive impact that these have had on India and South-Asia, see chapter 4.

6) C.P. Fitzgerald, *The Horizon History of China* (New York: American Heritage, 1969), pp. 239-242; Edward L. Dreyer, Zheng He, *China and the Oceans in the Early Ming Dynasty, 1405- 1433* (Longman, 2006); and Gavin Menzies, *1421: The Year China Discovered the World* (London: Bantam Press, 2002).

7) Maharajakrishna Rasgotra (ed.), *The New Asian Power Dynamic* (New Delhi: Sage, 2007), p. 14.

8) Yossef Bodansky, 'The PRC Surge for the Strait of Malacca and Spratly Confronts India and the US', *Defense & Foreign Affairs Strategic Policy*, Washington DC, 1995.

the army. The generals who now control Bangladesh fought on the side of Pakistan against us in 1971. Their relationship with China is different. China is an outsider. 'They don't feel threatened by it, which is rather wrong of course. Secondly, for China the smaller countries are something that can balance India. And China is using aid and investment very astutely. In fact, in many ways I would say that China, in terms of its own current definition, is following the American line. Psychologically, China wants to become America, using the same policies that America did – trade and aid – and if that doesn't work, military links.⁹

Bangladesh

India liberated East Pakistan from West Pakistani military oppression that was universally condemned as genocide in 1971, but relations between the benefactor India and independent Bangladesh, after initial cordiality, have not been smooth. A major bone of contention has become Bangladeshi allegations that it does not receive a fair share of the waters of the River Ganges, with Bangladesh considering it to be a violation of the international convention that prohibits unilateral withdrawal of water from an international water body.

There are unsolved disputes regarding land corridors from Bangladeshi enclaves in Indian territory to Bangladesh. In recent years India has increasingly complained that Bangladesh does not maintain its border properly. It fears an increasing flow of economically depressed Bangladeshis and it accuses Bangladesh of harbouring Indian separatist and jihadi terrorist groups. New Delhi estimates that over 20 million Bangladeshis are living illegally in border regions, mostly in West Bengal and Assam. L.K. Advani, deputy leader of India's BJP party and other Indian officials have expressed the fear that Assam is emerging as the second Muslim-majority state within the Indian union, after the state of Jammu and Kashmir.¹⁰ India has been constructing an India–Bangladesh fence along much of the 2,500-mile border. The major irritant for India, however, has been that China has forged a military partnership with Bangladesh. Despite large-scale atrocities by the then West Pakistani military in former East Pakistan prior to its independence as Bangladesh in 1971, the Pakistani military, its intelligence apparatus (ISI) and Islamist ideology have regained influence in Bangladesh, and as a result the Pakistan–China strategic military nexus has been extended into Bangladesh. Bangladesh became a major recipient of Chinese arms and is part of China's larger game plan to encircle India, together with Pakistan and Myanmar.

9) Interview with Dr Rhavni Thakur, New Delhi, 27 September 2007.

10) Tarique Niazi, 'China's March on South Asia', *China Brief*, vol. 5, no. 9, 26 April 2005, Jamestown Foundation, Washington DC.

Bangladesh's armed forces are today predominantly equipped with Chinese military hardware. The Bangladesh Army's tanks and light tanks are of Chinese origin. The Bangladesh Navy's frigates and patrol crafts are mostly Chinese. The Bangladesh Air Force's combat aircraft are all Chinese. In short, China has forged Bangladesh into a military-equipment client state, just like Pakistan, and has agreed to assist Bangladesh with its civilian nuclear programme. In December 2002, Bangladesh's Prime Minister Begum Khaleda Zia visited China and signed a Defence Cooperation Agreement. Officials accompanying her insisted that: 'This defence umbrella agreement is not directed against any country and would not affect Bangladesh's relations with India'. Indian analysts, however, concluded that Pakistan was under increasing pressure from India for two terrorist attacks on the Kashmiri and Indian parliaments by Pakistani-sponsored Kashmiri jihadists in late 2001 and, with Islamic fundamentalism on the rise in both Pakistan and Bangladesh, the latter could provide further leverages in using its territory for intensifying Pakistan's proxy war on India's unstable eastern peripheries on the borders with Tibet and Myanmar.¹¹ The agreement would also give China a strategic toe-hold on India's eastern flank in Bangladesh, close to the Indian state of Arunachal Pradesh, to which Beijing has stated a claim. It would further facilitate China's plans to gain naval facilities in the Bay of Bengal as part of its so-called 'String of Pearls', of which another one, the port of Gwadar, is on the western edge of Pakistan at the entrance of the Persian Gulf.

Meanwhile, fundamentalist groups continue to call for the implementation of shariah law in Bangladesh and have been held responsible for a series of bomb attacks in Bangladesh in 2005 as a result of which Indian Prime Minister Manmohan Singh refused to attend a summit in Dhaka of SAARC, the South Asian Association of Regional Cooperation.

Externally, Bangladesh has been accused of fuelling the insurgencies in north-east India with arms, aid and training, providing a haven for al-Qaeda terrorists and emerging as a hub for arms' trafficking. Bangladesh has emerged as a sanctuary for Islamic extremist groups in the region, including the Pakistan-based Lashkar-e-Toiba. For the last sixteen years, domestic politics have been dominated if not perverted by the 'Battle of the Begums': Awami League leader Sheikh Hassina, daughter of assassinated 'father of the nation' Sheikh Mujib'ur Rahman; and Begum Khaleda Zia, widow of assassinated president Zia'ur Rahman. A state of emergency is in force and the two women are in confinement.

11) Dr Subash Kapila, Bangladesh-China Defence Cooperation Agreement's Strategic Implications: An Analysis, South Asia Analysis Group, 14 January 2003.

Nepal

Nepal's relationship with India has suffered years of turbulence, initially caused by Nepalese resistance to Indian domination and more recently by the terminal crisis of the Nepalese monarchy. India and Nepal had been closely intertwined by treaty since 1950, which provided for mutual security guarantees, trade and transit rights and free emigration. This was tantamount to an Indian protectorate over the Himalayan kingdom, a subservient status that the tiny kingdoms of Sikkim and nearby Bhutan had accepted, but Nepal, with 147,000 square kilometres and 23 million people, was increasingly dissatisfied. When India deposed the king of Sikkim in 1975 and annexed Sikkim as an Indian state, Nepal openly criticized the move. King Birendra of Nepal then proposed that Nepal be recognized internationally as a zone of peace, which was supported by China and Pakistan. India considered the 'zone of peace' proposal a declaration of neutrality and an attempt to alter the India-Nepal special relationship, which it could not accept. In 1984, Nepal reiterated the zone of peace proposal, which it continually promoted in international forums with Chinese support. When the India-Nepal trade and transit treaties expired and the two sides failed to agree on terms for renewal, India imposed a virtual blockade, which lasted until 1990. What aggravated the crisis between the two countries were Nepal's overtures to China as a counterweight to Indian hegemony, leading to the acquisition of Chinese weaponry and the construction of a road, linking Nepal with Tibet. New Delhi perceived the arms' purchase as an indication of Kathmandu's intent to build a military relationship with Beijing, in violation of the 1950 treaty, which included Nepal in India's security zone and precluded arms purchases without India's approval. In 1963 Nepal had agreed to an Indian monopoly on arms' sales. India linked security with economic relations and insisted on reviewing India-Nepal relations as a whole. Nepal had to back down after shortages of daily necessities, including oil, and a crisis in tourism led to a change in its political system, in which the king was forced to institute a parliamentary democracy. Nepal's new government sought quick restoration of amicable relations, annulled arms deals with China and the special security relationship between New Delhi and Kathmandu was resumed.¹²

The state of limbo of Nepal's monarchy entered its final phase when elections made Nepal's Communist Party (Maoist) the largest party in the new Constituent Assembly, which would draft a new constitution for a republican political system for Nepal. The Maoists received 37 per cent of the 601 seats in the assembly, or 217 seats, double that of their closest competitor, the previously

12) Dhiraj Shrivastava, *India's Foreign Policy and its Neighbours* (Jaipur: ABD Publishers, 2007), pp. 181-183.

ruling centrist Nepali Congress. They vowed to lead the new government under their leader Pushpa Kamal Dahal, better known as '*Chairman Prachanda, the fierce one*'. The election result put India and the United States in a quandary. Both had supported combinations of the other 24 parties and the 'twin pillar theory', under which the monarchy and multi-party democracy should co-exist. Indian political analysts expressed concern that the Maoist victory in Nepal would embolden India's violent underground Maoists (known also as Naxalites). 'This is the upset of all upsets', said General Ashok Mehta, a defence analyst at the Centre for Policy Research. "India's reports all said that the Maoists would finish in third position." The Indian foreign policy establishment completely misread the situation, backing the king, and then discredited political parties. India's Naxalites, described by India's Prime Minister Manmohan Singh as the single largest threat to national security, are active in one-quarter of India's 600 districts. They have been critical of the Maoist leadership in Nepal, arguing that it sold out by joining mainstream politics.¹³

China will also have to make some major readjustment to the new reality and come to terms with the fact that during the ten-year Maoist rebellion it consistently supported Nepal's monarchy, including the last discredited king, Gyanendra. Tibet is one of the key issues in China's relationship with Nepal. Every year, 2,500 to 3,500 Tibetans – mostly children, monks and nuns – flee to India from Tibet.

Sri Lanka

India has a distinct liability in playing a constructive role in Sri Lanka's prolonged ethnic conflict between its Sinhalese majority and the Tamil minority, for with a Tamil-majority state of its own, it has to tread very cautiously in its pronouncements on the conflict. As a remote power, however, China has no such concerns to balance, and as a result boldly vouches for Sri Lanka's territorial integrity with little regard for the national aspirations of the Tamil minority. Both China and India jostle for dominant positions in Sri Lanka, with China the more favoured distant friend.

Sri Lanka also maintains close military relations with China's ally Pakistan, but publicity about this is avoided whenever possible. India and Pakistan are in a cold war over Sri Lanka, to the extent that it is compared to a love triangle. Pakistan yearns to be in love with Sri Lanka, but India wants to keep it for itself. Any Pakistani-Sri Lankan love tryst has to be handled with great discretion, lest spurned India resorts to a vendetta. The last example was in spring 2006, when

13) Jo Johnson, 'India Fears Backlash from Maoist Victory', *Financial Times*, 14 April 2008.

Sri Lankan President Mahinda Rajapakse made a three-day visit to Pakistan, accompanied by his brother Gothabhaya, Sri Lanka's minister of defence. A former Sri Lankan diplomat, N. Godage, wrote in a recent newspaper article that he could boldly say that:

Sri Lanka today remains an undivided country, thanks to the military support it received from Pakistan, particularly in 2000 when the Tamil Tiger rebels were poised to take Jaffna and announce a unilateral declaration of independence of their desired state Tamil Eelam [...] It was Pakistan-supplied multi-barrelled rocket launchers that tilted the military balance in Sri Lanka's favour in that year when India showed reluctance to assist us militarily. Probably it was Pakistan's way of doing something in return for our favour in 1971 during the Bangladesh war. Sri Lanka defied India and allowed Pakistan civilian aircraft to fly via Colombo to Dhaka although it was aware that Pakistan was using these aircraft to transport military personnel. Sri Lanka's relationship with Pakistan, established soon after our Independence in 1948, began on an open and friendly note as opposed to that of India.

Towards India, our early leaders had entertained great suspicion. Sri Lanka's first prime minister, Dudley S. Senanayake, felt that the most likely threat to our independence could come from India and this fear perception became the dominant strand in his foreign policy. Their fear was fuelled by utterances made by Indian leaders such as Jawaharlal Nehru, Dr Pattabhi Sitaramaya and K.M. Panikkar in the mid 1940s, who suggested that Ceylon would inevitably be drawn into a closer union with India, presumably as an autonomous unit within the Indian federation.

This fear was the foundation, upon which are built Indo-Lanka relations marked by their ups and downs. But in a relationship between a small and weak country and a big and powerful country, prudence recommends collaboration rather than confrontation. So the small fish swims as close as possible to the big fish to avoid being swallowed.¹⁴

In Sri Lanka, India is experiencing another geopolitical drama of its own making. In Pakistan, Bangladesh and Myanmar, China got port and potentially naval facilities by its own calculated design. In Sri Lanka, China got them through sheer Indian negligence and complacency. China and India have been vying for influence in Sri Lanka, affectionately known as the 'Pearl of the Indian Ocean'. China lost one round when Sri Lanka's former president, Chandrika Kumaratunge Bandaranaike, outmanoeuvred the pro-China United National Party in 2003. Then a new president, Mahinda Rajapakse, entered the stage and he went on a visit to China in February 2007. The president hailed from a small

14) See <http://www.lankanewspapers.com>, 'The Love Triangle of Sri Lanka, India and Pakistan', 5 April 2006.

port city Hambantota on the south-east coast of Sri Lanka. China and Sri Lanka agreed to a 'friendship city relationship', centring on Hambantota. On 12 March 2007, a US\$ 360 million contract, paired by a loan of the same amount by the Chinese ExIm Bank, was signed for the redevelopment of Hambantota Harbour between the Sri Lanka Ports Authority (SLPA) and a consortium led by China Harbour Engineering Company Ltd. (CHEC). The first phase of the project is the construction of a jetty and an oil terminal. Later the port will be developed to handle 20 million containers annually. The first phase will be completed in three years and the whole project will be finished in fifteen years. India, however, did not consider the Hambantota project to be of great strategic value and took the role of China rather nonchalantly. India itself was redeveloping a large oil-tank farm with 99 giant tanks in Trincomalee on Sri Lanka's central east coast and its view was that there was not enough business in Sri Lanka to justify any further projects. But Booz Allen Hamilton, consultants to the Pentagon, described the Hambantota project as a further expansion of the Chinese naval presence in the Indian Ocean. Their report says that it starts from Gwadar in Pakistan, at Chittagong in Bangladesh, in Sitwe, Myanmar, Cambodia and Thailand, pulling to the South China Sea. Add to all this, 'Hambantota' – the 'H' factor – the new pearl in the necklace – which is 'Made in China'. Gwadar, Hambantota and Sitwe are thus described as a strategic triangle checkmating India.¹⁵ First, there is the Deep Sea Hub Port, developed by China in Gwadar in Pakistan, just 72 km from the Iranian border and 400 kilometres east of the Strait of Hormuz, a major channel of world oil supplies. This would serve as a western outlet for Chinese exports and energy supplies, thus reducing dependence on choke points like the Malacca Straits, which are vulnerable to disruptions and pirate attacks. Oil/gas tankers to China from the Gulf and Africa could be discharged in Gwadar, then pumped by a pipeline through Pakistan-controlled Kashmiri territory to Xinjiang. Pakistan further agreed with China to set up a Special Economic Zone (SEZ) in Gwadar, which is entirely for Chinese use to produce goods for export in Africa. The cost advantage is immense. The other point in the triangle is Sitwe in Myanmar. China mainly intends to lay pipelines to Yunnan province – in the far south-western corner of China – from Sitwe. The third point in the strategic triangle is Hambantota. The SAAG analysis concludes that the commercial challenges that India faces in the entire ocean continent would be determined by the presence of other superpowers in neighbouring countries located in the Indian Ocean. Geostrategically, Indian responses to Sri Lankan issues have been

15) See 'Energy Futures in Asia', by Booz Allen Hamilton, mentioned in Nuwan Peiris' guest column, *Hambantota Harbour and an Exile's Return: Geo-Political Dimensions of an Invasive Species*, South Asia Analysis Group (SAAG), Paper no. 2347, 28 August 2007, available online at <http://www.southasiaanalysis.org/%5Cpapers24%5Cpaper2347.html>.

impulsive and erratic. As a result, by loosening their geopolitical grip on Sri Lanka, they have allowed China to creep into the Indian security perimeter, and it is right to say that they – the Chinese – are inside India now.¹⁶

The Maldives

China has been negotiating on and off to establish a submarine base in the Maldives archipelago near the south-west coast of India. Plans that the PLA Navy (PLAN) wanted to build a submarine base at Marao were first publicized by the Indian news magazine *Newsinsight* in 2001. In 2004, the Maldivian government was ‘confronted’ by ‘some Western governments’ and admitted that the PLAN had visited the islands again, but ‘its explanation that the team carried out preliminary oceanic and environmental studies is not being believed’. China’s big worry is the extended lease of the US’s Diego Garcia base, and American moves to deploy submarines in the Malacca Straits despite Malaysia’s and Indonesia’s refusal to give permission in February 2004, and the certain presence of at least two US submarines in the Taiwan Strait to defend Taiwan against China. ‘No one is certain of Chinese intentions this time’, a diplomat said. ‘It could be a base the Chinese want, because they want to break out of the growing American stranglehold.’ According to reports, China will lease Marao Island for 25 years and create jobs for locals by building infrastructure for tourism and fishing.¹⁷

*Myanmar*¹⁸

Perhaps the most significant aspect of the 2007 crisis in Myanmar is that China, for the second time in recent years, has shown sensitivity to the negative impact that its cosy relations with the most repressive regimes in the world have on its international image. The first tentative turning point was Darfur, where China, after long silence, has been cooperating since the beginning of 2007 with multilateral efforts to end the unprecedented humanitarian crisis there, to such an extent that both the British and United States government praised Beijing.¹⁹

Chinese concern that pressure from the US Congress, Hollywood and

16) See Peiris, note 14.

17) ‘China Seeks Maldives Base Again’, *Newsinsight*, 24 April 2004, available online at <http://www.newsinsight.net/nati2.asp?recno=2719&ctg=Defence>.

18) For Myanmar’s relationships with China and India, see chapter 6.

19) Mure Dickie, ‘UK Minister Praises China’s Role in Darfur’, *Financial Times*, 18 May 2007; and Guy Dinmore in Washington and Mark Turner at the United Nations, ‘US Defends China’s Role in Darfur’, *Financial Times*, 11 April 2007.

NGOs, both in the US and in Europe, would taint the 2008 Beijing Olympics had made China more responsive, and this was certainly a factor in the Myanmar crisis as well. After decades of repression and economic hardship, a fivefold increase in fuel prices in August snowballed into a massive protest movement, led by a determined alliance of Buddhist monks, who called for the overthrow of the military junta. By late September 2007 the army opened the attack on the monks outside the Shwedagon Pagoda, the heart of Burmese Buddhism in the centre of Yangon (Rangoon), in what seemed to become a repeat of the large-scale massacre of students in 1988, in which an estimated 3,000 people died. The United Nations Security Council convened immediately and called for restraint. China, which in January 2007 still vetoed a resolution calling for freedom and democracy in Myanmar, this time subtly changed its tune. Tang Jiaxuan, a former foreign minister and special emissary of China's President Hu Jintao, called for a 'democracy process that is appropriate for the country'. There were a small number of casualties at the outset, but the regime showed unusual restraint. One South-East Asian diplomat was quoted as saying: 'The Myanmar government is tolerating the protesters and not taking any action against the monks because of pressure from China. Everyone knows that China is the major supporter of the junta so if (the) government takes any action, it will affect the image of China'.²⁰

Myanmar has become a diplomatic liability for China, not because its regime is so repressive, but because it is so incompetent in managing the economy and draws a significant portion of its revenues from trade in drugs, such as methamphetamine. The junta also appears to have lost the ability to prevent the exodus of political refugees and economic migrants, which long served as tacit justification for its rule. Although China this time did not join efforts to bring down the junta, as demanded by the United States and the European Union with the participation of India and ASEAN as well, there is evidence that China has been hedging its bets on political developments in Myanmar for some years. Bertil Lintner, a leading Thailand-based Myanmar analyst, said that Beijing maintained unofficial contacts with exiled Myanmar opposition groups in Thailand and other South-East Asian countries in a bid to minimize their antagonism and to improve its understanding of political developments. He said that Beijing also tolerated the presence of these groups in Ruili, a town on the border with Myanmar in Yunnan province, where some maintain unofficial offices.

China – and India – are major rival political-economic supporters to various degrees of the Myanmar regime, and 'regime-change' is a recurring issue on international agendas. A separate, more detailed, chapter will therefore be devoted to the China–India–Myanmar triangle.

20) Rowan Callick, 'China Holding Regime in Check', *The Australian*, 25 September 2007.

South Asia: Least Integrated Region in the World

It is clear from the above that South Asia is, alongside the Middle East and parts of Africa, one of the most dangerous regions in the world. India and Pakistan, the two biggest countries in the region, are frozen in a Huntingtonian clash of civilizations over who in the end will rule Kashmir, the assembled multi-ethnic, multi-religious territory in the far north with a population of over 70 per cent Muslims and the rest Hindus and Buddhists. The big Hindu power, India, which imagined itself as the rightful heir to the British Indian Empire, lost 700,000 square kilometres to Partition in 1947 and another 85,800 square kilometres of Kashmir to Pakistan after the first war in 1948. During the 1950s China laid claim to another 37,500 square kilometres during the 1950s and India is in no mood to yield another square inch. The medium-sized Muslim power, Pakistan, thinks that it has the sacred right to unite all Muslim believers under its Ummah (community of believers). The sworn enemies hardly interact peacefully and their trade volume is just US\$ 1 billion annually, most of which, absurdly, is routed through Dubai. Cooperation between the other South Asian states is also limited. It is the least economically integrated region in the world. Intra-regional trade is less than 2 per cent of South Asian gross domestic product, according to the World Bank, compared with more than 20 per cent in East Asia. As a relative latecomer to liberalization, with a trade to GDP ratio lower than the world average, South Asia remains less open than most other regions. The World Bank estimates that today's US\$ 1 billion annual trade between India and Pakistan, for example, could be nine times higher if such barriers were removed.²¹

Intra-regional trade in South Asia accounts for a mere 4 per cent of the region's total trade, even though the South Asia Preferential Trading Arrangement (SAPTA) has been in place since 1995. In contrast, in 2004, intra-regional trade in ASEAN amounted to 49 per cent; in NAFTA this figure was 44 per cent and in the European Union this was 67 per cent. Progress on the South Asia Free Trade Area (SAFTA) has been slow, which has been fuelled in part by political frictions between states in the region.²²

These internal and regional anomalies are indeed facts of life, but another major obstacle is India's political system, its bureaucracy and democracy. Bureaucracy, the infamous 'Licence Raj', is according to Transparency International (TI) as corrupt as in China, but China's is much more efficient. According to TI's Corruption Perception Index 2007, India and China had a

21) Jo Johnson, 'India's Neighbourhood Shows Signs of Neglect', *Financial Times*, 4 April 2007.

22) Chietigj Bajpae, 'India Held Back by Wall of Instability', *Asia Times* (online), 1 June 2006.

score of 3.5, both ranking 72, which is considerably better than Russia with a score of 2.3 and a ranking of 143; Bangladesh with a score of 2.0 and a ranking of 162; or Myanmar, which is at the bottom, together with Somalia, with a score of 1.4 and a ranking of 179!²³ India's smothering pace, due to its unpredictable democracy, which creates precarious coalition governments and changes in policy every time that there is a change of administration has led to India becoming subordinate to China among the emerging economies.²⁴

South Asia Association for Regional Cooperation (SAARC)

SAARC, meant as the equivalent of ASEAN in South-East Asia, is a dysfunctional organization that hardly engenders any enthusiasm among its members. 'The problem with SAARC is that Pakistan thought it would be an organization dominated by India, while India viewed it as a vehicle for all the others to gang up against it', said Professor S.D. Muni, a former ambassador and now professor at Jawaharlal Nehru University, in a Round Table Debate at the Institute for Defence Studies and Analysis (IDSA) in New Delhi where I was the guest speaker.²⁵ Muni laments that the West sings a lot of praise for ASEAN:

South Asia was at the wrong side of the Cold War, so there is a huge critical assessment of what SAARC is doing. I agree SAARC will not progress unless India and Pakistan settle down to a more meaningful businesslike relationship. The problem is not with other countries. All other countries want to grow. In fact they see SAARC as answers to their problems. But for a big country with a big economy like India (75 per cent of all of South Asia), SAARC today does not produce more than 2 per cent of its GDP in trade. So our future is not tied up in SAARC. India has to carry SAARC, there is no doubt about that. But it cannot be a priority. That's why East Asia is a greater priority in terms of sheer economic diversity and volume.²⁶

Indeed, while the South Asian countries bicker with India, India is forging close ties with ASEAN and particularly with Japan, Asia's largest fully democratic soulmate of India. India became a full member of the East Asia Summit in 2005, which is the precursor of a future 'East Asian Community', alongside ASEAN + 3 (China, Japan and South-Korea), plus Australia and New Zealand. India was taken in at the insistence of Japan, Indonesia and Vietnam, lest the organization

23) See http://www.transparency.org/policy_research/surveys_indices/cpi/2007.

24) Bajpae, 'India Held Back by Wall of Instability'.

25) Round Table Discussion at IDSA, New Delhi, 11 October 2007.

26) IDSA Discussion with Prof. Muni, at the Round Table Discussion at IDSA, New Delhi, 11 October 2007.

be dominated by China. China, never a one-trick pony, in turn gate-crashed SAARC in November 2006 through the Pakistani door, where it is now an observer and dialogue partner.²⁷

South Asia: India's 'Near Abroad', 'China's Backyard'

So while SAARC and another regional organization – Bangladesh–India–Myanmar–Sri Lanka–Thailand Economic Cooperation (BIMSTEC) – dodder along and India tackles insurgencies in the north-east, China, which has solved border issues with all its fourteen neighbours except India, is taking bold action with short-term cross-border integration schemes and grandiose long-term plans.

China has a vital interest in building cross-border infrastructure so as to develop the eastern regions of Tibet and south-western Yunnan province and to link these to the Bay of Bengal and the wider Indian Ocean for overseas trade and investment purposes. Yunnan is also destined to become China's gateway to South Asia and South-East Asia. It makes perfect economic sense, but the government in New Delhi, in particular the Home Office, a bastion of China-bashers, cites security concerns – bringing the China threat nearer to home – as excuses for foot dragging. Of the north-eastern 'seven sister-states', two – Assam and Tripura – are flooded with millions of illegal immigrants from Bangladesh, and the result is rising Islamist terrorism there. The prophecy of former US Secretary of State Henry Kissinger that 'Bangladesh would over the years accentuate India's centrifugal tendencies and carve out new Muslim states' is an ever-creeping reality.²⁸ Much of the frontier is aflame, and Indian control in these ethnically non-Hindu tribal, partly Christian, areas is brittle at best. Nagaland has an active secessionist movement. Indian policy for decades has been to keep the borders closed, use the army to suppress separatism, not to build internal infrastructure and not to develop the economy. This has been an utter failure. India's boundaries are virtually inaccessible from within but are easily reached from outside by fellow tribal insurrectionists from Myanmar. Finally, India has realized that the best way of securing the north-east is through accelerated economic development. 'By gradually integrating this region [with South-East and East Asia] through cross-border market access, the north-eastern states can become the bridge between the Indian economy and what is beyond doubt the fastest-growing and dynamic region in the world', Pranab Mukherjee, India's foreign minister, told a seminar in late 2007.

27) See Willem van Kemenade, 'Azië in de Wereld', *Internationale Spectator*, July/August 2007.

28) S.P. Sinha, *Lost Opportunities: 50 Years of Insurgency in the North-East and India's Response* (New Delhi: Lancer, 2007), p. 31.

'Y2K' (Yunnan to Kolkata): The Kunming Initiative

China, with its authoritarian regime, has a different approach from India to combat separatism, whether in Tibet or Yunnan province, home to 25 national minorities, including Tibetan Christians. China's first priority is to build infrastructure, promote economic development, open the border for trade and raise living standards. In 1999, the Yunnan provincial government hosted a Conference on Regional Cooperation and Development among China, India, Myanmar and Bangladesh in Kunming, the provincial capital near the border with Myanmar. The delegates, mostly local administrators, academics and business people, approved by acclamation what was called the 'Kunming Initiative'. The main thrust of the exercise was to exhort the governments concerned to improve communications between the south-western region of China and the north-eastern region of India by developing appropriate road, rail, waterway and air links. More specifically, a call was made to revive the ancient southern silk route between Assam and Yunnan. The seven Indian state-governments and also the national governments of Myanmar and Bangladesh were all strongly in favour of the 'Kunming Initiative', as it would create jobs, bring development and prosperity and reduce social and ethnic unrest. But the Indian government was less than enthusiastic. India's official national establishment in Delhi saw the Kunming Initiative as 'a sinister ploy to increase Chinese influence in our troubled north-east'.²⁹ Those who oppose the enhancement of Sino-Indian trade relations point out fearfully that the road will allow Chinese goods to flood the Indian market. But it works two ways: Yunnan province imports annually over half a million tonnes of iron ore from India and exports to it about one million tonnes of phosphatic ore. Improved infrastructure could also transform the north-eastern region into a tourist hub and help to integrate it into the China-ASEAN tourist circuit.

Thus far China has been the initiative's most enthusiastic proponent and India its least. The initiative currently remains a track-2 (non-governmental) one, despite Yunnan's efforts to lobby New Delhi to upgrade it to the governmental level. 'If we press ahead seriously and open up direct overland routes between north-eastern India and Yunnan, it could reduce transport costs by over 30 per cent, not to mention the slash-down on transport time', enthuses Yao Jiannong, head of the Development Strategy Section of the Yunnan Development Research Centre. Currently, the US\$ 30 billion-plus of trade between China and India is

29) P.V. Indiresan, 'The Kunming Initiative', *Frontline: India's National Magazine*, vol. 17, no. 07, 1-14 April 2000.

primarily conducted by sea, often entailing detours of thousands of kilometres. The Yunnan Development Research Centre estimates that a direct road link between Yunnan and India via Myanmar would allow the journey from Kolkata to Kunming to be made in three or four days. A railroad would reduce it even further to 48 hours. In contrast, for goods to travel by sea it usually takes upwards of ten days.³⁰



The favoured Sino-Indian road link is the so-called Stilwell Road, named after US General Joseph Stilwell, because it was built under his command from late 1942 until 1944 as a means to break the Japanese blockade of the East China coast. The road stretches from Kunming in China's Yunnan province to Ledo in India's Assam and comprises around 57 kilometres in India, 1,000 kilometres in Myanmar and 680 kilometres in China. The Indian part of the road has fallen into disrepair following its closure in 1961 for security reasons, but India is expected to complete the transformation of its potholed single track into a two-lane 'National Highway'. Yunnan's section of the road, on the other hand, is

30) Pallavi Ayar, 'The Yunnan Model', *Frontline*, 3 November 2006, vol. 23, no. 21, <http://www.flonnet.com/fl2321/stories/20061103000306300.htm>.

ready for use and is now a gleaming six-lane highway. The Chinese and Indians are expected to help to rebuild part of the Stilwell Road in Myanmar.³¹

Eager to get started and impatient with the time that it will take to revitalize the Stilwell Road, Yunnan's government has now turned its focus to another possible overland route that is ready for use: the Kunming–Ruili–Mandalay–Imphal route. Yunnan's foreign affairs office is currently lobbying India and Myanmar to conduct a joint survey of this overland route. It believes that this can be opened for trade within months, provided that the political will exists. The Indian government has already helped Myanmar to build 100 kilometres of good-quality road from Imphal towards Mandalay, and the Kunming–Ruili expressway is ready for traffic. Yunnan is also planning rail connections with Myanmar: a railroad currently exists between Kunming and Dali, a city to the province's west, and extension of this line towards the Myanmar border in Baoshan is expected to be completed within the next few years. Plans to build rail tracks to Ruili are also being discussed. Finally, since 2006 there have been regular direct flights by China Eastern Airlines from Beijing to Kolkata and Delhi, although Air India only flies its old route to Hong Kong.

'India's 'Look East Policy' has to look at its own East first. Today, one-third of India's trade volume is with South-East Asia, which has emerged as India's largest trading partner, but it has had no impact on the country's north-east. India's 'Look East Policy' is consequently meaningless if it does not have any impact in its own north-east first.

31) Jo Johnson, 'Ghost Road to Boost India-China Trade', *Financial Times*, 19 October 2007.

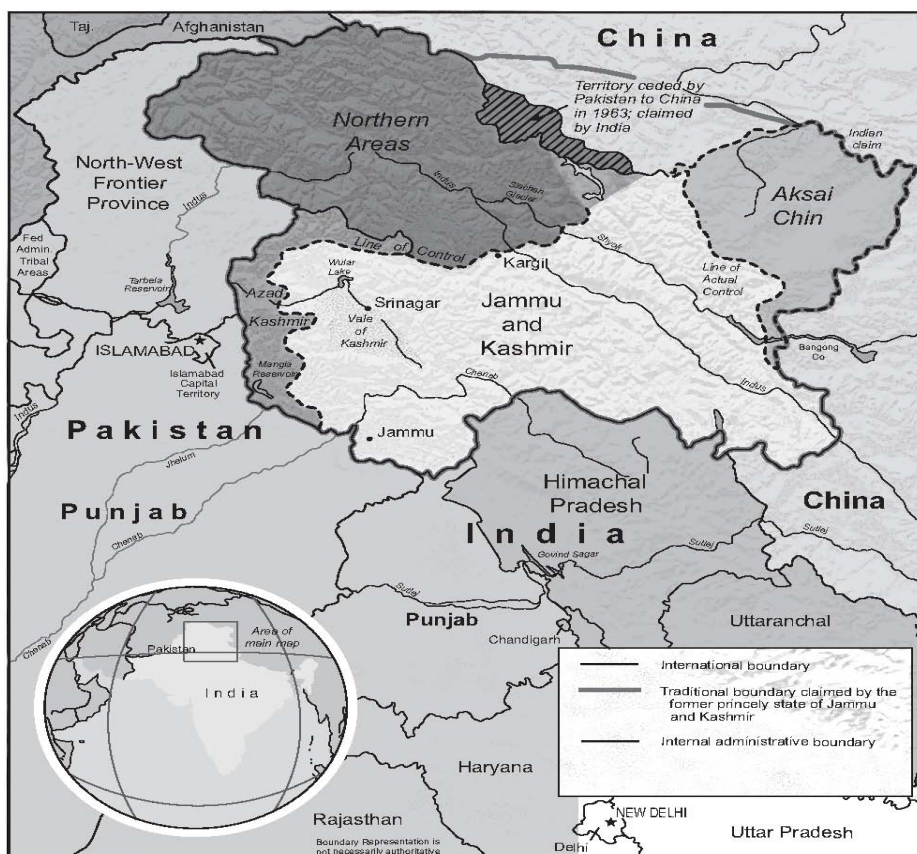
2. China–India Relations: Tibet in the 1950s and the Border Issue

Tibet in the 1950s

During the early 1950s, Sino-Indian political relations had been tentative: actively friendly on the Indian side; and wait-and-see on the Chinese side. After their meeting at the Bandung Conference in 1955, the two prime ministers, Jawaharlal Nehru and Zhou Enlai, exchanged official visits and a period of friendship on the basis of *pancasila* – the five principles of peaceful coexistence (1955-1959) – was initiated. The most onerous problem, the border, was not discussed at all, because neither side had studied the issues sufficiently or formulated a strategy about how to handle them. There are references in Selected Works of Jawaharlal Nehru expressing disinterest in the border issues as minor or already settled and a preference to ignore the whole thing. One famous exclamation by Nehru about the barren north-western corner of Kashmir/Ladakh, the Aksai Chin, was: ‘Not even a blade of grass grows there!’

Differences between the political systems of the two neighbours were profound. India, a non-aligned, pluralistic democracy with historical links to the West, was now becoming a *realpolitik* partner of the Soviet Union and was therefore increasingly viewed as an ideological adversary by China. China was a

hardline revolutionary communist, anti-imperialist one-party state, which in the Indian strategic community's perception considered India from the very beginning as a (potential) rival for leadership over the non-aligned, Afro-Asian world, whereas it saw Pakistan as a tool to curtail, contain and weaken India.³²



Events in Tibet and along the long border stretching from Kashmir and the Chinese Muslim region of Xinjiang in the west to Tibet in the east soon derailed already uneasy relations completely. Tibet is a nation and culture very different from China, but during the long wars of the Manchu emperors to subdue the West-Mongols, the Zungars, in the seventeenth and eighteenth centuries, Tibet

32) My first familiarization with the complex strategic configuration in South Asia was in 1971, when as an undergraduate history student I wrote a paper (*kandidaats-scriptie*, or BA thesis) on 'China as a Factor in the Indo-Pakistani Conflict', Catholic University of Nijmegen, June 1972.

became a protectorate of the Manchu-Chinese Empire against the West-Mongol threat (1720). The relationship between the Chinese Emperor and Tibet's Dalai Lama was one of *'patron-priest'* (in Tibetan: Cho-Yon), basically similar to the one between the Holy Roman Emperor and the Pope in mediaeval Europe, but with the important difference that no Dalai Lama ever dominated the Emperor as some Popes dominated some mediaeval European Emperors. The Tibetan administrations under the Qing Empire were predominantly secular, with the Dalai and Panchen Lamas playing merely religious roles, supervised by the Manchu-Chinese Ambans, a kind of imperial superintendents or inspectors-general. After the collapse of the Manchu Empire in 1911, Tibet reasserted its independence by proclamation of the Dalai Lama in 1913, but this was never recognized by any other state. In 1904 a British military expedition, led by Colonel Francis Younghusband had extracted trading rights and the right to station troops from the Tibetan government for the protection of British-Indian trading missions, which continued after 1913. From 1913 until the Chinese invasion in 1950, Tibet had been an unrecognized, de facto independent state and India's Prime Minister Nehru hoped that after the Chinese communist victory in 1949 the status quo would be maintained – that is, that the People's Republic of China would exercise no full sovereignty over Tibet but only nominal suzerainty (in Chinese: zongzhuquan), and that independent India would continue to enjoy the same trading privileges, including protective military garrisons, as British India had enjoyed. This proved to be utterly naive and unrealistic. China invaded Tibet and installed a local government of pro-China Tibetans, subordinate to the Chinese People's Liberation Army and the Communist Party. Nehru had no other way but to accept this outcome, but it took four years to formalize this acceptance. An 'Agreement between the Republic of India and the People's Republic of China on Trade and Intercourse between Tibet Region of China and India' secured India's recognition of full Chinese sovereignty over Tibet.³³

33) Signed at Peking, on 29 April 1954; see <http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18053.htm>.

The Border: The Western Sector

Nehru went public with the border issue in a letter to Zhou Enlai in December 1958, expressing dismay over newly published Chinese maps that identified large parts of Ladakh, the north-eastern part of Kashmir and the whole North Eastern Frontier Agency (NEFA), an administrative border unit north of Bengal that had been established by the British in agreement with the local government of Tibet, as Chinese territory. Ladakh had been a separate Buddhist state as early as the tenth century. In the late seventeenth century Ladakh sought the protection of the Mughal Empire against invading forces from Tibet, and thus it became a subsidiary of Emperor Aurangzeb, under the condition that the local king, Dalek Namgyal, would convert to Islam, but this never happened because the Mughal Empire was already in a state of decrepitude and could no longer enforce its agreements. During the early nineteenth century the newly emerging Sikh kingdom in Lahore (now Pakistan) expanded into Kashmir, adding Ladakh in 1833, and Zorawar Singh, a general of the self-styled new Maharadjah of Kashmir Gulab Singh, even marched into Tibet and Chinese Turkestan (Xinjiang). The border in the sparsely populated, mountainous territory was never demarcated. Nevertheless, Nehru wrote in a letter to Zhou Enlai:

A treaty of 1842 between Kashmir on the one hand and the Emperor of China and the Lama Guru of Lhasa (now called the Dalai Lama) on the other, mentions the India-China boundary in the Ladakh region. In 1847, the Chinese government admitted that this boundary was sufficiently and distinctly fixed. The area now claimed by China has always been depicted as part of India on official maps, has been surveyed by Indian officials and even a Chinese map of 1893 shows it as Indian territory.

One of India's most authoritative journalists, A.G. Noorani, wrote in two meticulously documented articles in 2006 that Nehru's claim that 'the area now claimed by China [in Ladakh] has always been depicted as part of India on official maps' was manifestly untrue. Instead, the 1842 treaty had ended hostilities and was a non-aggression pact, but was not a border-agreement.³⁴

A caravan track was running through the easternmost part of Ladakh, the Aksai Chin plateau, where traditionally herders from Ladakh had grazed their cattle and extracted salt. During 1954-1957, the Chinese army had built a paved road on this track, linking Xinjiang with Tibet, which was only noticed by the Chief Lama of Ladakh, Kushok Bakula, while on a visit to Tibet in 1957. Then in July 1958, an official magazine in Beijing, China Pictorial, published a map that showed large parts of Ladakh and of the NEFA in the eastern sector as Chinese

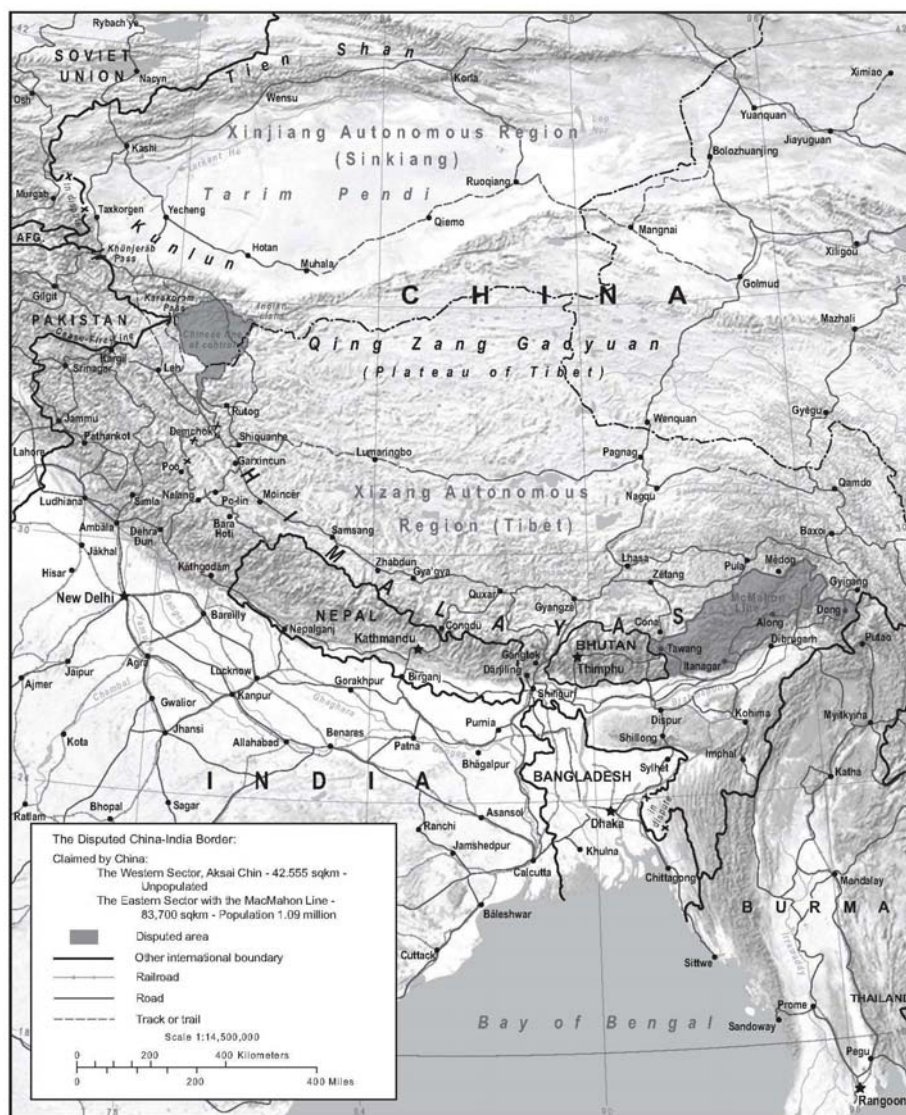
34) A.G. Noorani, 'Facing the Truth', *Frontline*, 6 October 2006.

territory. India knew that its claim to Ladakh was disputable, but it was determined to reject any Chinese demand for negotiations because this would a priori weaken its position on other territorial issues.

The Eastern Sector

Representatives of Britain, China and Tibet (!) had agreed at a conference in Simla in 1913, chaired by Sir Henry McMahon, Foreign Secretary of British India, that the frontier between British India and southern Tibet should follow the crest of the high Himalayas, thence the McMahon Line. But the newly established Chinese republican government disavowed its plenipotentiary, the Imperial Amban (appointed by the last Emperor) in Lhasa, and refused to sign the convention. History could have been different. The Younghusband invasion aimed at making Tibet a dependency of the British Empire, but the British government in London opposed the scheme of the British Indian government. The whole thing was given up. Otherwise, Tibet might have become an outlying area of India, or something like Sikkim or Bhutan.³⁵

35) Interview with Dr Abanti Bhattacharya, China-Tibet specialist at the Institute of Defence Studies and Analyses, New Delhi, 14 October 2007.



Nehru and Zhou Enlai had been in regular dialogue about the McMahon Line since 1956. Zhou rejected the line as a legacy of British imperialism, but ‘because of the friendly relations between China and India his government would, after consulting with the local Tibetan authorities, give it recognition’.³⁶ After the publication of China Pictorial’s map in 1958, Nehru and Zhou Enlai engaged in a diplomatic correspondence that became increasingly acrimonious. While this correspondence was on-going, a major event occurred that would have a permanent negative impact on relations between the two countries. Although smaller in physical scale, it was of similar historical magnitude as the flight ten years before of Chiang Kai-shek with the remnants of his government and defeated armies to Taiwan.

On 31 March 1959 after a failed uprising against Chinese rule, the Dalai Lama fled to India and was offered political asylum with about 100,000 followers. The then 24-year-old Lama told Nehru that reforms in Tibet should be undertaken by Tibetans themselves and not in the Chinese way: ‘This would leave Tibetans a people without their souls’.

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The Dalai Lama’s own hope was to achieve Tibetan independence with Indian help. His old tutor, Heinrich Harrer, author of *Seven Years in Tibet*, had been encouraging him to canvass support in the West. Nehru responded that India could not start a war with China for the freedom of Tibet. Indeed “the whole world cannot bring freedom to Tibet unless the whole fabric of the Chinese state is destroyed”. Were he to go to the West, Nehru told the god-king, he would “look like a piece of merchandise”, adding that his “independence or nothing” attitude would get Tibetans nowhere.³⁷

Nehru’s unsentimental reception of the Dalai Lama stood in sharp contrast to the popular welcome by large sections of the Indian public. Both this and Nehru bestowing legitimacy upon the Tibetan high-priest greatly angered the Chinese leadership. Beijing’s position was that the Tibetan revolt, far from being

36) Ramachandra Guha, *India after Gandhi: The History of the World’s Largest Democracy* (London: Ecco/HarperCollins, 2007), p. 303.

37) Guha, *India after Gandhi*, p. 302.

a popular uprising, was the product of ‘fugitive upper-class reactionaries’ aided by the ‘American imperialists and the Chiang Kai-shek clique’.

The Chinese have much to answer for, but the end of old Tibet is not just a matter of semi-colonial oppression. It is often forgotten that many Tibetans, especially educated people in the larger towns, were so keen to modernize their society in the mid-twentieth century that they saw the Chinese communists as allies against rule by monks and serf-owning landlords. The Dalai Lama himself, in the early 1950s, was impressed by Chinese reforms and wrote poems praising Chairman Mao.³⁸

The Border War

Tensions rose to boiling point when Nehru accused China in August 1959 of ‘raids and aggression’ along the McMahon line, soon followed by deadly incidents in the western sector of Ladakh. Before this latest escalation, Zhou Enlai had proposed to maintain the status quo for the time being – that is, that China relinquish its claim to most of India’s north-east in exchange for India’s abandonment of its claim to Aksai Chin – but a weakened Nehru, under heavy pressure from the Indian Parliament and public opinion was in no position to agree to anything but unconditional withdrawal of Chinese units, both from Ladakh and from the NEFA. Zhou Enlai insisted on Indian acknowledgement that ‘borders were an arbitrary legacy of colonialism’ and ‘non-delineated’, and proposed maintenance of the status quo and mutual withdrawal up to 20 kilometres behind the positions prior to recent advances. He further reiterated his demand for negotiations.³⁹

On 16 November 1959 Nehru offered an interim measure: India and China would both withdraw west, respectively east of what they considered the international border in Ladakh. Zhou adamantly rejected treating the eastern and western sectors differently, which he felt was tantamount to India conceding nothing and China giving up 33,000 square kilometres of territory and a 200-kilometre-long mountain highway. Nehru then broke off the diplomatic correspondence with his Chinese counterpart. Four months later in April 1960, Nehru, prodded by the Russians – who did not side with their fellow communists in China and professed neutrality – agreed to meet with Zhou Enlai. The Chinese premier spent one week in Delhi and met with Nehru for 24 hours.

38) Ian Buruma, ‘The Last of the Tibetans’, *Los Angeles Times*, 26 March 2008.

39) The above narrative is based on G.V. Ambekar and V.D. Divekar (eds), *Documents on China’s Relations with South and South-East Asia, 1949-1962* (Bombay: Allied Publishers, 1964), no. 55.

Having done so much to advance China's interests during the years when China was isolated, blockaded and threatened by the United States, Nehru's hurt and hostility pervaded all of the meetings. Zhou Enlai had a big complaint of his own: the activities of the Dalai Lama in India far exceeded the limits of political asylum.

However, Nehru's demands amounted to full Chinese surrender: unconditional recognition of India's claim to the Aksai Chin, in combination with formal acceptance of the McMahon Line as the de jure de facto border of the NEFA. Having done so much to advance China's interests during the years when China was isolated, blockaded and threatened by the United States, Nehru's hurt and hostility pervaded all the meetings.

Zhou Enlai had a big complaint of his own: the activities of the Dalai Lama in India far exceeded the limits of political asylum. Zhou obviously could not agree to something that no Chinese government, warlords, Kuomintang or Communists since 1913 had agreed. After the utter failure of the summit, the Indian government decided to resort to a forward policy: intruding into areas that China claimed and occupied and establishing positions there. One year later, Nehru announced that the balance of power in the disputed areas had shifted in India's favour and that a major showdown between India and China was going to take place.

China was taken aback by the Soviet Union's neutrality, but nevertheless it warned India that it would take decisive action if the Indian military build-up continued. For the first time, China used its new relationship with Pakistan to unnerve India. It started negotiations with Pakistan about the unsettled border between Xinjiang and Kashmir, which New Delhi considered Indian territory (see also chapter 4).

In October 1960, Zhou Enlai further explained the Chinese position to the American journalist and 'old friend of China', Edgar Snow. Zhou claimed that the boundary issue only 'came to the fore' after the Dalai Lama had run away, and drew the somewhat far-fetched conclusion: 'The Indian side [...] is using the Sino-Indian boundary question as a card against the progressive forces at home and as capital for obtaining "foreign aid"'.⁴⁰

The 1961 Indian invasion of Portuguese Goa further alarmed Chinese officials in Peking and convinced them that force was the only way to deal with a stubborn ageing Nehru who had become a prisoner of 'demagogic democratic politics'.

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40) Neville Maxwell, *India's China War* (London: Jonathan Cape, 1970), p. 171; and Guha, *India after Gandhi*.

deal with a stubborn ageing Nehru who had become a prisoner of ‘demagogic democratic politics’.

By the end of 1961 China had started a large-scale militarization programme in Tibet, and by the middle of 1962 India had established more than 40 forward military positions in Ladakh. India’s chief-of-staff, General K.S. Thimayya was fully aware of India’s military weakness and had been struggling with India’s Minister of Defence V.K. Krishna Menon for years over border defences and appointments at key commands, but Nehru always protected this widely reviled ‘evil genius of Indian politics’, who was suspected of neglecting India’s defences, on the basis of his left-wing, pro-China sympathies. In July 1962, (by then) retired General Thimayya warned at a symposium in Delhi that ‘China’s present strength in manpower, equipment and aircraft exceeds our resources one hundredfold with the full support of the USSR and we could never hope to match China in the foreseeable future. It must be left to the politicians and the diplomats to ensure our security’. The present strength of the army and air forces of India’, said the general, ‘are even below the “minimum insurance” we can give to our people’.⁴¹

The Chinese launched their well-prepared ‘punitive expedition’ (teaching India a lesson) on 20 October 1962 and within days they had overwhelmed the Indian positions, both on the western front in Ladakh and in the NEFA in the east. The Chinese troops had been on the Tibetan plateau since the mid-1950s, fighting Kham rebels, unlike the Indians, whose troops had to be brought in from the plains where they only had experience in artillery combat. On 18 October 1962, the Indian corps commander in the Tawang area in the west of the NEFA, General B.M. Kaul, a Menon appointee, had to be evacuated to Delhi with acute chest pains. In a note to Nehru on 24 October 1962, Zhou Enlai urged that both parties would confirm that the dispute be settled by peaceful means, would agree to the line-of-actual-control (LAC) prevailing in November 1959 and would withdraw their troops 20 kilometres behind this line. India immediately rejected these proposals, but it did make counter proposals – return to the status quo ante of 8 September 1962, meaning Chinese evacuation of the NEFA and re-establishment of the 40-plus Indian forward positions in Ladakh. For the Chinese this meant the go-ahead for a second military strike. On 24 October 1962 the Chinese occupied their prime target: Tawang. On 28 October Nehru finally fired Krishna Menon, and in what amounted to abandonment of India’s non-alignment he called on Britain and the United States to provide India with arms. Between 15 and 19 November 1962 the PLA wiped out all organized Indian military presence in the disputed areas, followed by a unilateral Chinese ceasefire and the measures couched in Zhou’s note of 24 October. The Chinese military

41) Guha, *India after Gandhi*, p. 330.

action had ended India's 'forward policy' and resulted in unassailable Chinese control over some 40,000 square kilometres of disputed land. The Indian army accepted the de facto border as China had described it in 1959; in the east, China respected (but did not recognize) the McMahon Line, the inherited status quo, which had been imposed by British colonialism, withdrew to the north of it and even abandoned Tawang. The Chinese withdrawal in the western sector, Ladakh, was completed on 28 February 1963, and there has been no change in the military status quo to this day.⁴²

The war had unmistakably established Chinese superiority in strategy, armaments, logistics, communications and national will. India lost 7,000 soldiers as dead, POWs and MIAs, which was relatively minor, but the heaviest blow was to India's national pride and imagination. It felt betrayed by an unscrupulous neighbour that it had naively chosen to trust and support.

Questions remain to this day about why exactly the Chinese went to war and why did they conduct the war in the way that they did, especially the unilateral withdrawal. The standard view on the Indian side was, and still is, that China committed blatant aggression with the premeditated purpose of demonstrating its military superiority, humiliating India and wrecking India's leadership status in the South Asia region and the non-aligned Afro-Asian world in general. The defeat by China drove India temporarily into the arms of the United States, whose advances it had so far spurned. But it was not in China's interest to make India overly dependent on the United States, hence the unilateral withdrawal.

Another unanswered question is whether the timing of the Chinese attack was related to the climactic moment of the Cold War: the Cuban Missile Crisis. The Chinese launched their attack on 20 October 1962 and announced their ceasefire on 19 November 1962. The Cuban Crisis unfolded from 1 October until 14 November 1962. If the Kennedy administration had had its hands free, would it have retaliated against China in some way? Or was China's Himalaya War linked to its own turbulent domestic politics? After the radical experiment of the Great Leap Forward, which had failed and caused the largest famine in world history, Mao Zedong was fighting off a challenge to his leadership by party moderates. Did he need an external sideshow to divert the pressure? No major new facts have emerged that shine a different light on these monumental issues. In June 2007, the CIA declassified three volumes of documents on the 1962 war, suggesting that the Chinese government under Premier Zhou Enlai deceived India by giving false assurances to Prime Minister Jawaharlal Nehru that the border issue was a petty problem that could be resolved by lower-level officials. The CIA documents paint Nehru as a naive and romantic statesman who trusted

42) This narrative of diplomatic and military activities from 1959 to 1962 is based on the above-cited Indian collection of documents and on Guha.

the Chinese. They claim that the Indian leader kept disagreements with the Chinese on the border issue out of the public domain so as to maintain his relationship with Zhou.⁴³ Indian strategic analysts pointed out that although the CIA revelations were nothing new as the India–China conflict had already been thoroughly examined, they had the potential to inject additional mistrust between the two sides.⁴⁴ China dismissed the documents as ‘groundless’ without any further elaboration. But the Chinese Foreign Ministry spokesman added that the new China–India Strategic Cooperative Partnership enjoys consistent developments with fruitful cooperation in various fields, and that the boundary negotiations are also making positive progress.

Perhaps the worst aspect of the border war was not the fact that India was defeated, but the sense of betrayal at the hands of the deceptive Chinese that many Indians felt, foremost Nehru himself, as his letter to state chief ministers testifies:

We have felt no ill will against the Chinese people. In international matters, we have often helped the Chinese Government. It has been a matter of grief to me that, in spite of our friendly attitude to them, the Chinese Government should have paid us back aggression and calumny. The Chinese newspapers are full of the utmost vituperation against India and the Government of India.⁴⁵

But many Indian intellectuals put the ultimate blame squarely on Nehru’s ‘chauvinistic disregard for the historical truth; a disregard which rendered conciliation and accord difficult for decades’.⁴⁶

43) CNN-IBN (Indian edition of CNN International), 28 June 2007.

44) Interviews with Vinodh Khanna and Mohan Guraswamy, New Delhi, 28 September and 10 October 2007.

45) ‘Letter of the 21 October 1962’, in Jawaharlal Nehru, *Letters to Chief Ministers, 1947-1964*, vol. 5 (London/Delhi: Oxford University Press, 1989), p. 538.

46) ‘It is sad that in the cold wars between India and Pakistan and between India and China the historical truth received such merciless battering from Jawaharlal Nehru. The historical falsehood about the treaty of 1842 which he propounded in March 1959 barred the door to conciliation with China and created a deadlock – there was nothing to negotiate’; see A.G. Noorani, ‘Facing the Truth’, *Frontline*, part 2, 20 October 2006.

Normalization of Relations and Resumption of Border Talks (1976 and 1981)

Relations between India and China, which were downgraded to chargé d'affaires' level in 1962, came to a full standstill for five years until ambassadors were exchanged again in 1976. They first renewed efforts to improve relations after the Soviet Union invaded Afghanistan in December 1979. China modified its pro-Pakistan stand on Kashmir and appeared willing to remain silent on India's absorption of Sikkim and its special advisory relationship with Bhutan. China's leaders agreed to discuss the border issue – India's priority – as the first step to a broadening of relations. In 1981 Chinese Foreign Minister Huang Hua was invited to India, where he made complimentary remarks about India's role in South Asia. Chinese Premier Zhao Ziyang concurrently toured Pakistan, Nepal and Bangladesh. After the Huang visit, India and China held eight rounds of border negotiations between December 1981 and November 1987. These talks initially raised hopes that progress could be made on the border issue. But then, in October 1985, China staked its claim to the 'eastern tract' – current-day Arunachal Pradesh – seriously for the first time. Until then, China had conveyed the impression to Indian leaders on several occasions that although it did not recognize the validity of the McMahon Line (the British-delineated borderline between India and China), it was willing to abide by a reciprocal formulation: China would acknowledge Indian sovereignty in the 'eastern tract' if India abandoned its claim to Aksai Chin, the 38,000 kilometre tract of cold desert in Ladakh in the western Himalayas that China had brought under its control when its army 'liberated' Tibet in 1951. But India rejected this 'east-west' swap proposal on the principled ground that Chinese 'concessions' in the eastern tract were not concessions at all since China had never administered this area and had no right over it. And from its perspective, Aksai Chin was Indian territory that had been 'illegally occupied' by China.⁴⁷

In 1986 and 1987 the negotiations achieved nothing, given the charges exchanged between the two countries of military encroachment in the Sumdorong Chu Valley of the Tawang tract on the eastern sector of the border. China's construction of a military post and helicopter pad in the area in 1986 and India's bestowal of full statehood to Arunachal Pradesh (formerly the North-East Frontier Agency) in February 1987 caused both sides to deploy new troops to the area, raising tensions and fears of a new border war. China relayed warnings that it would 'teach India a lesson' if it did not cease 'nibbling' at Chinese territory. By the summer of 1987, however, both sides had backed away from conflict and denied that military clashes had taken place. The 1988 state visit of Rajiv Gandhi,

47) *Daily News Analysis*, 13 May 2007.

the first prime ministerial visit to China since Nehru's in 1954, brought the bonhomie that had disappeared in 1962 back to the bilateral relationship.

Deng Xiaoping spoke to Gandhi like an oracle: 'If there should be an Asian Age in the next century, then it could only be realized after both India and China become developed economies'.

A Joint Working Group (JWG) was set up to resolve the border dispute, which led to a Peace and Tranquillity Agreement in September 1993. A high-level Sino-Indian Expert Group was also set up to assist the JWG. A number of confidence-building measures were put into place. India maintained a sectoral approach to the dispute, while China preferred to address the dispute as a package. Since 1985, however, it had largely accepted India's sectoral approach (while stressing the need for a holistic approach), accepting the McMahon Line as a basis for discussion in the eastern sector and the 1899 Macartney-MacDonald Line (which roughly conforms to China's former claim line) for Ladakh.

Following India's nuclear tests on 11 and 13 May 1998, Sino-Indian relations slumped, but have since improved (see chapter 4). In November 2000, for the first time, maps were exchanged showing each side's perception of the border, and in January 2001 it was agreed that the process of border delineation would be hastened. High-level visits from both sides during 2001 and 2002 appreciably created an environment that was suitable for a peaceful resolution of conflicts. Unlike the Indo-Pakistan dispute, a certain amount of flexibility, reciprocity and restraint have marked the efforts for conflict resolution.

When Indian Prime Minister Atal Bihari Vajpayee started a five-day visit to China in June 2003, the Indian political spectrum was deeply split between a belligerent pro-American lobby that was fearful of Chinese designs, and a peace lobby consisting of secular opposition and communist politicians and intellectuals pleading for the aging Vajpayee to take his opportunity to mend fences with China and accept an overall border settlement through a package deal offered by the Chinese leadership.⁴⁸ Upon his arrival in Beijing, Vajpayee said that the longstanding dispute would be solved immediately. 'So far, the talks were limited to lower-ranking officials who could not take decisions. It will not be so now and representatives of the two countries will resolve the issue', he added, referring to the appointment of two special representatives. India appointed National Security Adviser Brajesh Mishra as its special representative, while China appointed Vice-Minister of Foreign Affairs Dai Bingguo.

Another promising development took place: India acknowledged that Tibet was part of China and China agreed to begin trading with India's north-eastern state of Sikkim, which India interpreted as Chinese recognition of Sikkim as part

48) Sultan Shahin, 'India in China: Going Beyond Chow Mein', *Asia Times*, 21 June 2003.

of India. But Chinese Foreign Ministry spokesman Kong Quan at once rejected India's claim that China's acceptance of a trade route through Sikkim implied recognition of India's absorption in 1975 of the Himalayan kingdom. "The question of Sikkim is a question left over from history and is an enduring one", Mr Kong announced. "This question cannot be solved overnight. We hope this question can be resolved gradually."⁴⁹ "Beijing has the political will to resolve the Sikkim dispute. But we have to prepare our people, particularly hardliners among the Communist Party", a senior Chinese diplomat told *The Telegraph* newspaper. "And there are bound to be questions like: what is India going to give China in return for recognizing Sikkim as a part of India?"⁵⁰ A breakthrough of sorts took place in 2005 when China accepted Sikkim as an integral part of India, while India reciprocated by recognizing the Tibet Autonomous Region as part of Chinese territory.

During an official visit to India by Chinese Premier Wen Jiabao in April 2005, India and China reached an 'Agreement on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question', which stipulated that the boundary question should not be allowed to affect the overall development of bilateral relations. The two sides were envisaging a 'political settlement' and not a 'technical solution' to the issue, senior officials from both sides added. The guiding principles, they pointed out, provided the basis for proactively addressing the issue as a strategic objective. By stating that it was a strategic objective, India and China had ensured that this issue would not be put on the backburner. Pointing out that a sector-by-sector approach was not being contemplated, the officials maintained that the two sides would take an overall view of the three sectors. This would involve an 'inter-sectoral trade off', they maintained. Article III of the guiding principles holds: 'Both sides should, in the spirit of mutual respect and understanding, make meaningful and mutually acceptable adjustments to their respective positions on the boundary issue, so as to arrive at a package settlement to the boundary question'.⁵¹

According to Article VII of the agreement, 'the two sides pledged to safeguard due interests of their settled populations in the border areas'. Arunachal Pradesh's population is only 10 per cent Tibetan, 68 per cent Indo-Mongoloid tribes and the rest are immigrants from Nagaland and Assam. The Indian side assumes that if the local population was asked whether it wishes to stay with India or become part of China, the people would opt for the religious and other freedoms of India. Tengye Rinpoche, the Tibetan abbot of Tawang Monastery,

49) 'Top Envoys to Solve Border Dispute', *International Herald Tribune*, 25 June 2003.

50) S.N.M. Abdi, 'India and China in Talks to Settle Sikkim Dispute', *South China Morning Post*, 3 June 2003.

51) Amit Baruah, 'Border Issue: India, China for Political, not Technical Solution', *The Hindu*, 14 April 2005.

doubts whether they can continue to preserve ancient Buddhist traditions if the region comes under Chinese control. Some monks are more strident in their anti-China sentiment. However, some locals say that if India wants to prevent any Chinese claim to the area, then it should start developing the region, which has a poor road network, electricity shortages, no college and high illiteracy levels. 'We hear that China is far ahead of India and everyone is equal in China', said Pema Wangchuk, head of the Monpa Welfare Association, an organization of the Monpa tribal people who dominate Tawang. 'This feeling should not be allowed to linger. Otherwise, people may one day want to become a part of China.'⁵²

Border violations by army patrols continued to occur regularly in Arunachal Pradesh, even during Vajpayee's visit in 2003 and again just a month after the highly successful visit by Chinese Premier Wen Jiabao to India in early April 2005. Srikanth Kondapalli, a specialist in Chinese military affairs at Jawaharlal Nehru University, said that Chinese army publications write regularly about Tawang, seat of a famous Buddhist monastery in the north-western corner of Arunachal Pradesh on the border with Bhutan. Professor Kondapalli speculates that the Chinese military is playing its own politics in the border areas, which may well work against the progress on a border settlement that civilian negotiators are assumed to have made in recent years.⁵³ After the signing of the eleven-point agreement in April 2005, Indians had taken the pragmatic and cooperative letter and spirit of the agreement as a major step forward, if not Chinese acceptance of the status quo. By the end of 2006 there were growing indications that the Chinese were pursuing parallel agendas and might not respect the interests of the 'settled population'.

'All of Arunachal Pradesh is Part of China'

In November 2006, just one week before the official visit of Chinese President Hu Jintao to New Delhi, Sun Yuxi, the Chinese ambassador to India, delivered what was widely perceived in India as a bombshell, saying on CNN-IBN that all of Arunachal Pradesh, and not only Tawang, is part of China. Repeatedly asked for further elaboration, the ambassador in subsequent interviews soft-pedalled somehow, saying that 'Arunachal Pradesh was a disputed area and through friendly consultations, the two countries can arrive at a mutually acceptable and mutually satisfactory solution to the issue left over from history'.⁵⁴ The damage

52) Y.P. Rajesh, 'Buddhist Enclave May Hold Key to Sino-Indian Border Row', Reuters, 18 August 2006, online at <http://www.phayul.com/news/article.aspx?id=13582&t=1>.

53) Interview with Prof. Srikanth Kondapalli, New Delhi, 15 October 2007.

54) Interview with Chinese Ambassador Sun Yuxi, Press Trust of India, 14 November 2006.

was done, however, and the incident cast a pall over the presidential visit a few days later. According to the Chinese state news agency Xinhua, China's President Hu and India's Prime Minister Singh agreed that the Sino-Indian relationship has gone far beyond a bilateral level and is of global significance.⁵⁵ Border negotiations only ranked fifth on the scheme of priorities. China declined directly to endorse India's bid for permanent membership of the United Nations Security Council, a longstanding bone of contention that reinforces New Delhi's doubts over Beijing's willingness to accept a multipolar Asia. The two agreed to expand trade to US\$ 40 billion by 2010 (but compared to between US\$ 200 and 300 billion for Chinese trade with the European Union, the United States and Japan – see final chapter). Press conferences by the two countries' trade ministers, Kamal Nath and Bo Xilai, were abruptly cancelled without explanation, the reason probably being that Chinese companies are increasingly excluded from large construction and telecommunications projects, which Indians perceive as national security risks.⁵⁶ The worst insult, by which President Hu added to the earlier injury by his ambassador, was China's insistence on flying straight from New Delhi to the Pakistani capital of Islamabad. 'A lot of people have been saying that President Hu should have made a special visit', said General Ashok K. Mehta, an Indian security analyst. "In spite of what he may have said publicly about India being a rising power, China still wants to contain it within the region and to treat both India and Pakistan, with which they have a longstanding strategic relationship, as equals" (see chapter 4).⁵⁷

China brusquely reasserted its claim to all of Arunachal Pradesh in May 2007, when a couple of lawmakers from the state raised the issue of renewed Chinese incursions. The Indian government dismissed the incursion story as a political gimmick and part of opposition party politics. Then the subsequent denial of a visa to an Indian bureaucrat by the Chinese authorities on the grounds that 'being from Arunachal Pradesh he was [already] a Chinese citizen', was a rude awakening for India's political elite. US-based Chinese and Indian analysts explained that the visa refusal did not constitute a threat to Arunachal Pradesh as such, but that China wanted to make clear that the state is still disputed territory under India's control.⁵⁸

55) 'China, India Agree to Push Forward Strategic, Cooperative Partnership', Xinhua News Agency, 21 November 2006.

56) Jo Johnson, 'China and India Fail to Dispel Mutual Suspicion', *Financial Times*, 21 November 2006.

57) Jo Johnson in New Delhi, Richard McGregor in Beijing and Farhan Bokhari in Karachi, 'India May See Slight in Hu Tour', *Financial Times*, 23 November 2006.

58) 'India, China: Read between the (Border) Lines', *Daily Estimate ISN Security Watch*, New Delhi, 5 July 2007.

A new indication that China seemed to harden its stance over the territorial dispute was that China's new Foreign Minister Yang Jiechi told his Indian counterpart Pranab Mukherjee in Hamburg during the ASEM meeting that the 'mere presence' of settled populations in disputed border areas did not affect Chinese claims. Indian commentators interpreted this as a violation of the 2005 guidelines in which both sides agreed to safeguard the interests of settled populations. Indian Prime Minister Manmohan Singh took up the matter in a meeting with China's President Hu Jintao in Heiligendamm one week later, but the issue did not affect the positive dynamic in the broad relationship at all, with Singh saying that 'China is our greatest neighbour' and New Delhi would do everything to cement this relationship. While the dazzling mix of Indian media from pro-China communist commentators to hardline Hindu-nationalist China bashers diverged widely in their interpretation of Chinese imperviousness, top officials have started to grapple with the question of whether India's rising global profile and improving ties with the West are behind the supposed new Chinese hard line. One commentary read: "Wrapped in secrecy and perfected in planning, sources say, the Chinese approach has first to be deciphered, then understood".⁵⁹

Tawang Revisited

Since the Chinese ambassador to India, Sun Yuxi reiterated China's territorial demand to all of the Indian state of Arunachal Pradesh in November 2006, the main focus of a future border-settlement has been on Tawang.

Tawang, the north-western district of Arunachal Pradesh on the borders with Bhutan and Tibet, is allegedly of special importance to China, as it is historically an integral part of Tibet, the birthplace of the sixth Dalai Lama, the seat of a major monastery, ecclesiastically under the control of the Drepung Monastery in Lhasa, with the Head Lama of the monastery appointed by the Dalai Lama in Dharamsala. In an Anglo-Tibetan Treaty of 1914, the British had persuaded Tibet to relinquish control over Tawang, for as one colonial official, Sir Charles Bell, argued at the time, it was necessary to get this 'undoubtedly Tibetan territory' into British India 'as otherwise Tibet and Assam will adjoin each other and, if Tibet should again come under Chinese control, it will be a dangerous position for us'.⁶⁰ Like Bell, during the nineteenth century the British never

59) 'PM Meets Chinese President: Calls for Border Settlement without Displacing People', *India News Online*, News Behind the News, New Delhi, 11 June 2007.

60) Sir Charles Bell, the British political officer for Sikkim, Bhutan and Tibet in the early part of the twentieth century, quoted in Dorothy Woodman, *Himalayan Frontiers: A Political Review of British, Chinese, Indian and Russian Rivalries* (London: Cresset, 1969), quoted in Guha, *India after Gandhi*, p. 173.

challenged that Tawang was part of Tibet, until in the early twentieth century their main preoccupation became to keep Tibet in a state of isolation and to keep the Russians out. With the Anglo-Russian Agreement of 1907, Tibet, like Afghanistan, became a buffer state between the British and Russian Empires. The Manchu-Chinese Empire was regarded as a passive, neutral element. Then, during the final years of the Manchus, China embarked on an assertive, forward policy towards Tibet, intending to transform it from a loose protectorate into a full province. By 1910, the Chinese were the effective power in Tibet and the British policy of keeping the Russians out had become an anachronism. In 1911 the British-Indian government under Viceroy Lord Hardinge determined that the 'Chinese policy of expansion' had forced the government that 'endeavour should be made to secure as soon as possible a sound strategic boundary between China-cum-Tibet and the tribal territory and to make this the main object of our policy'. Hardinge took up his predecessor Minto's proposal 'that the Outer Line should be pushed north so as to take in all the tribal territory, not including of course the Tawang Tract'. The sudden collapse of Chinese power in Tibet in 1911-1912 made the British decide that their interests, political as well as strategic, would best be served by an arrangement that excluded effective Chinese power from Tibet. What was needed now was an arrangement, parallel to that of 1907, that would make Tibet a buffer between the Chinese and the British. To further this objective, the British convened a conference at Simla in October 1913, with the Chinese attending under constraint, the Tibetans with alacrity. The conference was presided over by Sir Henry McMahon, Foreign Secretary of the British-Indian government, who acted without the full authority of London. Ivan Chen, the Chinese Amban (High Commissioner) in Lhasa (unrecognized as such by the British) only initialled the agreement and was then repudiated by the government in Peking.

In the end, the Simla Convention, which defined the earlier-mentioned McMahon Line, pushing the boundary 60 miles north of the Himalayan foothills and making Tawang part of British India, was only signed by McMahon and a Tibetan representative. China was never a party to it. The conference itself was 'diplomatic hugger-mugger' and the Simla Convention a 'piece of cartographic leger-demain'⁶¹ – in short, a sham. If the Indian government had been willing to renegotiate this farce and replace it by something serious during the 1950s, the 1962 war would almost certainly have been avoided. The British Indian administration was established in NEFA only in 1944, three years before independence, while Tawang was excluded despite the fact that it lay well below the McMahon Line. Only after the Chinese moved to re-annex Tibet by force in

61) Neville Maxwell, *India's China War: Historical Introduction, The Limits of Empire* (London: Pelican Books, 1972), pp. 4-54.

October 1950, an Indian army unit of the Frontier Administrative Service under Major Relangnao Khating took possession of Tawang in February 1951 and raised the Indian flag there.⁶²

A Chinese Tibet specialist, Hu Shisheng, Director of South Asian Studies at the China Institute of Contemporary International Relations in Beijing, says that China could not do anything against the Indian military action, because it had its hands full with completing its military operations elsewhere in the huge territory of Tibet. Hu restates China's complete position: "We have reiterated the claim to the whole territory of Arunachal Pradesh, but as a matter of fact we are only focusing on Tawang. Why we say that: because it was taken over by India by force, long after independence and the Tibetan administration was forcefully removed by India". Hu stresses that China cannot give up the whole territory of 93,000 square kilometres without concessions from the Indian side:

In the internet age there are many protests. Even the Dalai Lama has not given up his claim.⁶³ The Chinese government has to pay a lot of attention to public opinion. India is viewed as a relatively weaker country. If China gives up territory that India took by force, there are bound to be protests. Before reaching a settlement by give and take, we need re-education of the people.⁶⁴

Indian experts and commentators almost unanimously agree that China has been the aggressor and that therefore no concessions can be made. One commentator, Mohan Guruswamy, a former government minister and now president of think tank the Centre for Policy Alternatives, emphasized that India's claim over Arunachal Pradesh does not rest on any great historical tradition or cultural affinity with the ethnic mix there: 'We are there because the British went there'.⁶⁵ Nevertheless, he insists that India is not going to make concessions. In an interview, Guruswamy further elaborates: 'The border will be resolved, but it will take a long time. The Chinese will have to come back around to their old position of the status quo, Zhou Enlai's swap deal, or like Deng Xiaoping said: "Stop where we are". We can still have good working relations with them pending a solution'.

Guruswamy compares the Chinese negotiating style with their way of haggling in the market: 'The woman asks 300 yuan for a shirt and in the end she

62) Mohan Guruswamy, *Sino-Indian Ties: Twentieth Century Borders for stable Twenty-First Century Relations*, IPCS Issue Brief, no. 49, Institute of Peace and Conflict Studies, July 2007.

63) In fact, the Tibetan government-in-exile, under pressure from India, recognized Arunachal Pradesh as part of India on 6 December 2006, less than one month after the Chinese ambassador to India had restated China's claim to the whole territory.

64) Interview with Hu Shisheng, Beijing, 21 December 2007.

65) Guruswamy, *Sino-Indian Ties*.

sells for 20. We Indians also haggle but not like that: we ask 40 and in the end also sell for 20'. He is adamant that there can be no concession about Tawang. (British) India possessed this area for almost 100 years and that should settle the issue. 'China cannot be allowed to have any sub-Himalayan space. If China really wishes to rise peacefully and be on solid footing in the future, we must understand the sum of our history and learn from our experiences',⁶⁶ Guruswamy feels.

While China played the card of historical precedent, irredentism, geopolitical and in the mid- to long-term future, economic development needs, it is noteworthy that Indian Foreign Minister Pranab Mukherjee played the 'democratic card' in rejecting any Chinese territorial claim. He said that he had made it clear to his Chinese counterpart Yang Jiechi that: 'it is extremely difficult for any Indian Government adhering to the Constitution to give up any part of the country which is regularly sending its elected representatives to the State Assemblies and the sovereign Parliament. [...] Therefore, these aspects have to be kept in view', Mukherjee is said to have told the Chinese foreign minister.⁶⁷

Border Talks in Deadlock?

The eleventh session of the Sino-Indian bilateral border talks was held in New Delhi from 24-26 September 2007, against the backdrop of a general consensus in both capitals that no breakthrough to the territorial dispute will be achieved for a long period of time. The talks, started after the late Indian Prime Minister Rajiv Gandhi's visit to China in 1988, had been reinvigorated by the visits of Indian Prime Minister A.B. Vajpayee in 2003 and that of Chinese Premier Wen Jiabao to India in 2005, whereas the Chinese presidential visit in 2006 marked the new chill. India had previously indicated its willingness to settle for the territorial status quo by giving up claims to the Aksai Chin in Ladakh and hoped that China would give up its claims to Arunachal Pradesh in the eastern sector and recognize the McMahon Line, as suggested by Zhou Enlai in 1959. However, during 2006-2007, it transpired that China was no longer interested.

In India with its dozens of political parties, myriad of media, think tanks and commentators, there was a multitude of theories, speculations and fantasies about the logic and deeper motives of the Chinese shift. The supposed about-turn on the east-west swap proposal might, according to some, be linked to China's changed geopolitical needs. With the completion of numerous road and rail links to Lhasa from other parts of China, and the heightened accessibility to Tibetan

66) Interview with Mohan Guruswamy, New Delhi, 28 September 2007.

67) 'India Cannot Give Up Any Part: Pranab to China', PTI in *The Hindu*, 16 June 2007.

areas, Aksai Chin did not hold the same strategic significance that it did in the 1950s and 1960s, and Arunachal Pradesh was now the bridge to link Tibet to the Indian Ocean.

According to a comprehensive analysis by a senior strategic analyst, Dr Mohan Malik of the Asia-Pacific Center for Security Studies in Honolulu, Beijing had upped the ante because of rapid changes in the regional and global strategic environment. During summer 2007 there were several encroachments by Chinese army units in Arunachal Pradesh and reports of Chinese arms supplies to insurgents in India's volatile north-east via Bangladesh and Myanmar. Then, in August 2007, Beijing demanded the removal of two old Indian Army bunkers near the tri-junction of Sikkim, Bhutan and Tibet, claiming that these were located on Chinese territory. This move raised questions about China's declared policy of treating Sikkim as part of Indian territory. China's increasing assertiveness led to a rapid meltdown in the Sino-Indian border talks and a 'mini-Cold War' has quietly taken hold.⁶⁸

Some in the Indian strategic community link the logic behind China's new hard line to President Hu Jintao and the increasing urgency of the Tibet issue (see chapter 3). Hu was party secretary in Tibet during the 1988 uprising and owes his promotion to the national leadership to his effective suppression of turmoil there. One group of analysts now argue that Hu wants to direct the process of succession of the current Dalai Lama, who is 72 and will not live forever. To facilitate the choice of the next Dalai Lama and to stabilize Tibet during the succession, Hu needs control over Tawang, which houses one of the most important Tibetan monasteries, and which only ended up as part of India because of the British and bold Indian military action in 1951.

Others, however, attribute the recent downturn in Sino-Indian relations more to domestic power struggles within the Chinese Communist Party than to the issue of the Dalai Lama's succession. One indication of this is the candour of Ambassador Sun Yuxi, who told Mohan Guruswamy that while he was soundly castigated in India for his unintended comment on Arunachal Pradesh, he gained a major constituency in China.⁶⁹

A third, much more fundamental, reason behind the current chill in Sino-Indian relations is India's strategic tilt towards the United States in recent years. According to Chinese diplomats, US Secretary of State Condoleezza Rice's offer in March 2005 to 'help make India a major world power in the twenty-first century' has greatly bothered China. It is no secret that another US policy is to build coalitions to try to block the rise of China to world power status, and India

68) Mohan Malik, 'India-China Competition Revealed in Ongoing Border Disputes', *Power and Interest News Report (PINR)*, 9 October 2007.

69) Interview with Mohan Guruswamy, New Delhi, 28 September 2007.

is one potential major member of such a coalition (see chapter 4). Condoleezza Rice's offer, the long-term India–US defence cooperation framework and the July 2005 (draft) US–India nuclear energy deal that followed soon after, have been compared by Chinese strategic analysts to 'the strategic tilt' towards China that was executed by former US President Richard Nixon in 1971 to contain the common Soviet threat. Claiming that these developments have 'destabilizing and negative implications' for China's future, China's India-watchers have started warning their government that Beijing 'should not take India lightly any longer'.⁷⁰ China's confidence that its growing economic and military power would eventually enable it to restore the Sino-centric hierarchy of nations in Asia has been shaken. An internal study on India undertaken in mid-2005 (with inputs from China's South Asia watchers such as Cheng Ruisheng, Ma Jiali, Sun Shihai, Rong Ying, Shen Dingli, among others), at the behest of the Chinese leadership's 'Foreign Affairs Small Group', recommended that Beijing take all measures to maintain its current strategic leverage (in terms of territory and membership of the exclusive Permanent Five and Nuclear Five clubs); diplomatic advantages (special relationships and membership of regional and international organizations); and economic lead over India. Although the evidence is inconclusive, the most plausible deduction is that this internal reassessment of India lies behind the recent hardening of China's stance on the territorial dispute and a whole range of other issues in China–India relations.⁷¹

Rong Ying, Director of the Centre for South Asian Studies at the China Institute of International Studies, a think tank of the Chinese Foreign Ministry, strongly dismisses the Indian view that China has changed its position and has hardened:

The short answer is that there is no quick solution. After the decision to handle the issue politically – and appoint two senior officials instead of lower level experts – was taken [in 2003], India got high expectations. [Ambassador] Sun's statement and the visa issue gave a wrong impression to the media. 'China has regressed!' This is not the case. China has been very clear. India wants to interpret the guidelines in its favour. But I agree that the negotiations are in a very difficult period. We call it 'phase 2 period'. We are trying to work out a framework. What kind of give and take are we going to see? The media have not been very helpful by playing up these issues. The Indian side has to be realistic and has to lower its expectations. I am not saying that China will finally demand Arunachal Pradesh back as a whole, but I would assume at this particular stage that we are not going to say we ask 300 and we are going to settle for 20.⁷²

70) Mohan Malik, 'India–China Competition Revealed in Ongoing Border Disputes'.

71) Malik, 'India–China Competition Revealed in Ongoing Border Disputes'.

72) Interview with Rong Ying, Beijing, 20 December 2007.

Many in India now suspect that whatever concessions or compromises India might be willing to make, China is inexorably pushing an expansionist grand strategy. Exerting its claim to Arunachal Pradesh is supposedly serving China's geostrategic goal of bringing south-west China and Tibet closer to the Indian Ocean and to China's growing sphere of influence in Myanmar, as already explained in chapter 1. 'It isn't just China's strategy', says Ding Xueliang of the Carnegie Endowment for International Peace in Beijing. 'It's a historical perception: the view [that the territory of Arunachal Pradesh is China's] is widely shared by Chinese officials'. Also, he adds, even though Chinese leaders (unlike their Indian counterparts) do not face the pressure of electoral politics, they too are accountable to parliament and the Communist Party apparatus for their actions. If too many concessions are made, there is bound to be a lot of finger-pointing and charges of betrayal of national interest.⁷³

73) Venkatesan Vembu, 'Why China's Playing Hardball in Arunachal', *Daily News Analysis*, 13 May 2007.

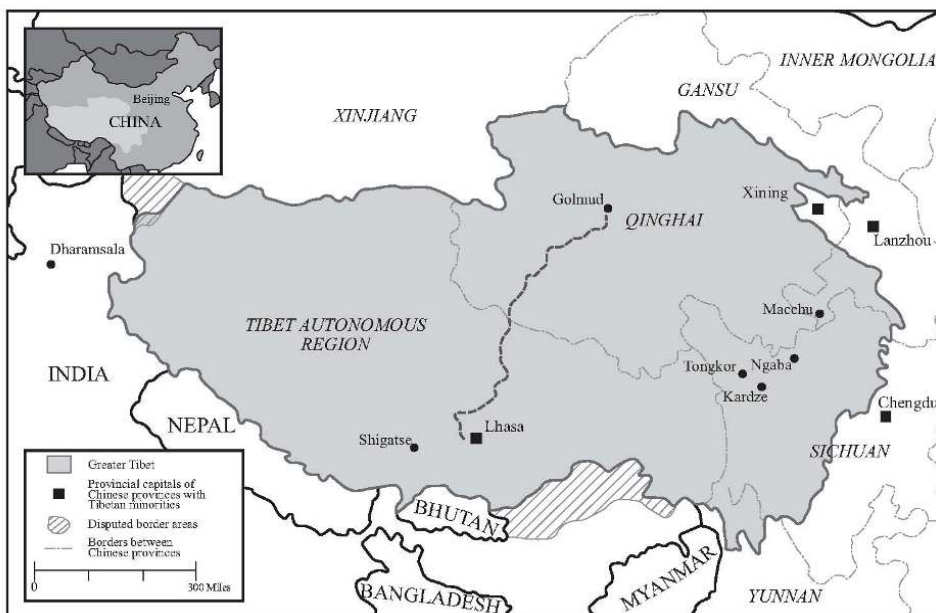
3. The China–Tibet Dialogue: Real Autonomy Or Sinification?

Official Admission of Chinese Misrule

Apart from the inconclusive bilateral Sino-Indian negotiations about a border settlement, there has been an on-off dialogue process about a final solution for Tibet. This is an issue between the Chinese government and the government-in-exile of the Dalai Lama, who since 1959 has been residing in Dharamsala as a guest of the Indian government.

Negotiations between representatives of the Dalai Lama and the Chinese government have been undertaken in two phases, the first from 1979 until 1985 when Tibetan exile delegations visited China for six rounds of preparatory talks about talks. China was then in the first round of post-Mao liberalization, which was epitomized in Tibet by the admission of relatively liberal party leader Hu Yaobang – under Deng Xiaoping – that twenty years of Maoist ultra-leftism had brought destruction to Tibet’s traditional culture and religion and caused severe economic hardship among the people of Tibet. The new moderate party leadership relaxed political control, introduced some real autonomy and religious tolerance. The first three delegations were nevertheless fiascos that highlighted the extent of China’s misrule and repression and revealed, to the great embarrassment of the Chinese, how highly revered the Dalai Lama and his sister Pema Gyalpo still were despite twenty years of hardline communist indoctrination. A fourth delegation arrived in 1982 and had Lodi Gyaltzen Gyari, then the ‘minister of foreign affairs’ of the government-in-exile in its midst. The group proposed that Tibet should be restored to what it had been during imperial rule, that the dismemberment of historical, ethnic Tibet and its fragmentation

over four neighbouring Chinese provinces should be reversed, and that all parts be reunited into one large autonomous region – about one-quarter of all of China.



What is Tibet? Where are the 'Borders'?

In ancient times, the Tibetan plateau and low-lying Chinese provinces maintained a natural border between the two civilizations and the question of where Tibet and China met was of no real importance to either Tibetan or Han people. The explanatory text of a map published by the International Campaign for Tibet in Washington during the 1990s inaccurately states that 'This situation changed with the founding of the People's Republic of China in 1949, when Tibetans became subject to direct and far reaching forms of Chinese political and military control. With this control came the balkanization of traditional ethnographic Tibet, especially the eastern lands of Kham and Amdo, which were incorporated into four of China's western provinces after 1949.' Amdo, which was a vast area of mixed Mongolian, Tibetan and other habitation and known in the seventeenth century by its Mongolian name Kokonor, was annexed by Chinese Emperor K'ang Hsi (Kangxi) in 1693 and was renamed Qinghai (Blue Lake). K'ang Hsi's armies entered Lhasa in 1720 as patrons of the Kokonor Mongols, liberators of Tibet from the West-Mongol Dzungars and supporters of the seventh Dalai Lama. Tibet became a 'feudal dependency' [藩属 fanshu] of the Qing (Manchu-Chinese) Empire under a mixed administration of West-Mongols (Khoshots), East-Mongols (Khalkas) and Tibetans, supervised by an 'amban' (imperial superintendent) and secular prime ministers (Kanchenas, Polhanas). Other government officials were also mostly secular. With the exception of the Dalai and Panchen Lamas, the clergy only played a minor role. A garrison of 3,000 men was stationed in Lhasa, with the commander also supervising the government. Kham was temporarily placed under the administration of Sichuan province. The Tibetan ecclesiastical establishment idealized the 'patron-priest' (Cho-Yon) relationship between the Emperor and the Dalai Lama, which was first established under the Mongolian Yuan Dynasty (1279-1368) as one of equality, but imperial administrations disposed of Dalai Lamas or prevented them from exercising political power whenever it suited their purposes. As the Manchus were eventually thoroughly assimilated and lost their ethnic identity and language, the Outer Empire was increasingly viewed as just part of China, especially Kham and Amdo, which were already districts of Chinese provinces. Only Central Tibet (U-Tsang in Tibetan; Xizang in Chinese) was considered the real Tibet, now the 'Tibet Autonomous Region'. At the Simla Conference in 1914, the British imposed an arbitrary border between China/Tibet and the British Empire – the so-called McMahon Line – and simultaneously introduced the distinction between the territories under the Lhasa government: 'Outer Tibet', coterminous with the current Tibet Autonomous Region; and 'Inner Tibet', Kham and Amdo, part of the Chinese provinces of Sichuan and Qinghai, plus small portions of Yunnan and Gansu provinces.

The Dalai Lama insisted in his major speech for the European Parliament in Strasbourg in 1988, in which he divulged his strategy for the final settlement of the Tibet problem, that a new highly autonomous Tibet should include the global diaspora and all areas within China that are inhabited by Tibetans. His chief negotiator Lodi Gyari has continued to present this position up to the present day.⁷⁴

74) 'The Eastern Regions of Tibet' a map series and essay examining the historical diffusion and settlement of the Tibetan peoples and Tibetan Buddhism in the eastern borderlands of Kham and Amdo, *Academica Tibetica*, distributed by the International Campaign for Tibet,

One Country – Two Systems Plus ...

This unified Greater Tibet Autonomous Region (TAR) should be accorded a higher degree of autonomy than Taiwan had been offered in 1981 under the ‘one country – two systems’ formula and than Hong Kong eventually got in 1997, because Tibetans were a non-Chinese ethnic group. The answer of Communist Party officials, however, was that this was impossible, because Tibet had already ‘returned to the motherland’ while Taiwan had not. Taiwan had to be offered incentives, but the PRC had no reasons to offer concessions to Tibet.⁷⁵ After another failed mission in 1984, there was still one final visit to Amdo, one of the areas dismembered from historical Tibet, now Qinghai province.

Internationalization

While the opening of Tibet for international tourism had been the first step in the internationalization of the Tibet issue, in 1987 and 1988 the Dalai Lama took two major steps that added a political dimension to this internationalization. First, the Dalai Lama addressed the US Congressional Human Rights Caucus, where he proposed a ‘five point peace plan’:

- Transformation of the whole of Tibet into a zone of peace;
- Abandonment of China’s population transfer policy, which threatens the very existence of the Tibetans as a people;
- Respect for the Tibetan people’s fundamental human rights and democratic freedoms;
- Restoration and protection of Tibet’s natural environment and the abandonment of China’s use of Tibet for the production of nuclear weapons and dumping of nuclear waste;
- Commencement of earnest negotiations on the future status of Tibet and on relations between the Tibetan and Chinese peoples.⁷⁶

Washington DC, 1997. See also Bhuchung K. Tsering, ‘From Tsampa Eaters to Political Symbol: Evolution of Tibetan Identity in Tibet and Outside’, Annual Meeting of the Association for Asian Studies, Atlanta GA, 4 April 2008.

75) Warren W. Smith Jr, *Tibetan Nation: A History of Tibetan Nationalism and Sino-Tibetan Relations* (Boulder CO: Westview Press, 1996), pp. 563-577.

76) ‘Address to Members of the United States Congress: Five-Point Peace Plan for Tibet, 21 September 1987’, <http://www.dalailama.com/page.121.htm>. The Dalai Lama warned that transfers of Han-Chinese settlers must stop, or Tibetans ‘will soon be no more than a tourist attraction and relic of a noble past’.

Surprisingly, the executive branch of the Reagan administration in the United States was not pleased and complained that the Dalai Lama had violated the understanding upon which he had been granted a visa to visit the United States by engaging in 'activities inconsistent with his status as a 'respected religious leader', since the US government does not in any way recognize the Tibetan government in exile. US Deputy Assistant Secretary of State for East Asian Affairs J. Stapleton Roy expressed 'unwavering support for the human rights of the Tibetan people but not for a political programme for Tibet or a political status for the Dalai Lama'.⁷⁷

The Dalai Lama's visit to Washington was the spark that ignited a new series of demonstrations starting in October 1987 around the Jokhang, the main temple of Tibetan Buddhism in Lhasa. The unrelenting protests were violently suppressed, with at least six monks killed and hundreds arrested, but the great majority of them were soon released at the behest of the Panchen Lama. In China itself, hardliners were again in the ascendancy during 1987-1988. After a wave of student protests in December 1986-January 1987, the liberal party leader Hu Yaobang was deposed by a band of gerontocrats, the so-called '*eight immortals*', most of them in their eighties. One of the criticisms against Hu was aimed at the moderate, apologetic policies that he had introduced after his visit to Tibet in 1980, which 'had further aggravated the already serious contradictions between Han-Chinese and Tibetans'. A campaign against bourgeois liberalization was in full swing in major Chinese cities, when in March 1988 new riots broke out in Tibet. After the killing of several monks, one Chinese policeman was also killed to the great fury of inspecting national police chief Qiao Shi, who called for 'merciless repression'.⁷⁸

In June 1988 the Dalai Lama addressed the European Parliament in Strasbourg in an effort to revive the negotiations by accepting Deng Xiaoping's precondition that he first formally renounces the idea of Tibetan independence. This he did in the 'Strasbourg Proposal', the gist of which is an expanded version of the 'one country – two systems' formula that had already been part of the negotiating process on the future of Hong Kong after 1997. The Dalai Lama reiterated the earlier demand of more autonomy for Tibet than Hong Kong (and Taiwan) would get:

The whole of Tibet known as Cholka-Sum (U-Tsang, Kham and Amdo) should become a self-governing democratic political entity [...] in association with the People's Republic of China. The Government of the

77) Smith, *Tibetan Nation*, pp. 601-602.

78) According to the Hong Kong Chinese-language journal *Zheng Ming* in February 1988, senior Politburo member Bo Yibo had led the charge in bringing down Hu Yaobang and had added his indulgence towards Tibet to his list of misdemeanors.

PRC could be responsible for Tibet's foreign policy. The Government of Tibet should, however, develop and maintain relations, through its own Foreign Affairs Bureau, in the fields of religion, commerce, education, culture, tourism, science, sports and other non-political activities. Tibet should join international organizations, concerned with such activities. The Government of Tibet should be on a constitution of Basic Law [modelled on the 1990 Basic Law for the Hong Kong Special Administrative Region] after 1997.⁷⁹

The Strasbourg Proposal was obviously unacceptable to China since the Dalai Lama did not give up independence in the sense that Beijing wanted: the premise that Tibet had always been part of China, and will always be. Beijing rejected the proposal as '*semi-independence*' or '*disguised independence*'.⁸⁰ The official Chinese response was issued in September 1988 by the Chinese Embassy in New Delhi: the Strasbourg Proposal was no basis for negotiations 'because it has not at all relinquished the concept of "the independence of Tibet"'. The Chinese set out a new condition for the resumption of negotiations: they would have to include participation by the Dalai Lama (so as to construe the issue as one of the Dalai Lama's personal status). The Chinese refused to negotiate with officials of the Tibetan government-in-exile (an entity that they did not recognize) or with the foreign legal adviser and *auctor intellectualis* of the proposal on the negotiating team, Michiel van Walt van Praag.

Intentionally or not, the proposal had a major effect in Europe and the United States. It mobilized interest and support for the Tibetan cause and culminated in the selection of the Dalai Lama for the Nobel Peace Prize in 1989. The award reflected the world's revulsion against Chinese police terror and appreciation of the Dalai Lama's efforts to put forward a non-violent compromise solution for the complex problem of Tibet. China now concluded that the Tibetan high priest had become an 'agent of hostile Western forces' that are exploiting the Tibet issue in order to contain, weaken and split China.

Rebellion followed by Martial Law

On 10 December 1988, monks were circumambulating the Jokhang Temple in Lhasa with Tibetan flags to commemorate Universal Human Rights Day. According to foreign eye-witnesses, the People's Armed Police fired at them without warning, killing at least two. Again, the Panchen Lama was sent to Lhasa

79) 'Address to Members of the European Parliament by His Holiness the Dalai Lama, 15 June 1988', <http://www.dalailama.com/page.105.htm>.

80) 'The Dalai Lama's "New Proposal"', *Beijing Review*, 1 August 1988.

in January 1989 in another attempt to placate Tibetan sentiments. Panchen made a speech in the main temple of his sect in Shigatze in which he said that “the price paid by Tibet for its development over the last thirty years had been higher than the gains”. Before he could reach Lhasa, Panchen died of a heart attack at age 50, under what could only be described as very mysterious circumstances.⁸¹ Although there had been no negotiations with the Dalai Lama’s representatives since 1984, the Chinese United Front Department asked the Dalai Lama to assist in the search of the Panchen Lama’s reincarnation. The Dalai Lama declined and announced that he would make his own choice for the next Panchen Lama, which Beijing considered a challenge to its authority in Tibet.⁸²

When Hu Jintao was appointed the new party chief in Tibet, a major traditional Tibetan Festival – Monlam – was cancelled, but monks used the occasion to commemorate those brothers killed and wounded during previous riots. Police opened fire without warning again and unprecedented violent protests erupted, which lasted three days with an estimated 80 to 150 people killed. Martial law was declared, which lasted for more than a year until April 1990. Hu Yaobang’s liberal reform policy was now completely abandoned in favour of accelerated economic development and a relentless hard line in politics. All restrictions on Han-Chinese transmigration to Tibet were lifted so as to facilitate high economic growth, technology transfer and large construction projects, for which only Han-Chinese skilled labour was qualified. Tibetans would be allowed some cultural autonomy as a minority culture within Tibet, but they would not have any rights to demographic or cultural homogeneity within their own ‘autonomous’ territory. It was pure colonialism, as practised by European imperialists for two centuries, only this time it was Asians versus Asians, more ruthless and destined to be permanent. A document by the Propaganda Committee of the TAR Communist Party in 1994 revealed that the CCP was no longer interested in dialogue with the ‘Dalai clique’, which it described in harsh ideological jargon as ‘*splitlists of national unity, relying on hostile western forces [...] representing an antagonistic inimical contradiction*’.⁸³

On another level, there was a poisonous confrontation over what should have been a most outlandish arena for a communist party: Buddhist reincarnation politics. The Panchen Lama had died in January 1989 and normally the souls of

81) Smith, *Tibetan Nation*, p. 617.

82) There has been ample speculation that, if the Dalai Lama had cooperated on the Panchen issue, the dialogue might have taken a positive turn. However, the Dalai Lama joined forces with Hollywood in the misguided expectation that after the Soviet Union, China would also collapse. For a well-documented critique of the Dalai Lama’s quirks and errors, see Patrick French, ‘He May be a God, but He is No Politician’, *The New York Times*, 22 March 2008; and French’s book, *Tibet, Tibet: A Personal History of a Lost Land* (New York: Harper Perennial, 2004).

83) Warren Smith, op.cit., pp. 637-639.

high clerics are rediscovered through arcane procedures in a 'soul-boy' in about three years. The soul-boy is then brought up in a monastery as a reincarnation of the deceased cleric, eventually taking his place. Since the right to approve reincarnations was one of the primary aspects of Imperial China's claim to political authority over Tibet in the past, it remained so even for the atheistic communists after 1949. Beijing delayed the process until 1995 and then blocked the selection of the eleventh Panchen Lama, who had been approved by the Dalai Lama, and imposed its own candidate. The Communist Party claimed that the Dalai Lama was violating historical precedent by recognizing the reincarnation, when that right lay exclusively with the Chinese government. The Tibetan party secretary Chen Kui-yuan denounced the Dalai Lama as not only a *'political reactionary, but also a religious renegade, a conspirator and criminal who degenerated into betraying Buddhism'*. The Dalai Lama's unilateral action in recognizing the Panchen Lama's reincarnation was condemned as *'going against Buddhist doctrine, infringing upon state sovereignty and splitting the motherland through religious means'*.⁸⁴

Resumption of Dialogue

During the 1990s no more dialogues were held and 're-education programmes' ran instead in Tibet's monasteries, which were in fact indoctrination and repression campaigns. In 1996 a 'Strike Hard' campaign was launched, which mainly targeted monks and nuns who were loyal to the Dalai Lama. Almost 10,000 of them were expelled from their monastic institutions. Nevertheless, in 2002, the Communist Party made another turnaround and a new round of dialogue with the Dalai Lama's representatives was announced amid optimism that an agreement could be reached under which the Dalai Lama would return to his homeland.

Hu Shisheng of the China Institute for Contemporary International Relations (CICIR), the think tank of the Chinese Ministry of State Security, explained that international pressure was one reason for the resumption of dialogue. The European Union and the United States had urged the Chinese government to restart talks, and, specifically, the European Parliament had set a deadline of 2003 to reopen the talks, otherwise it would urge EU member state governments to recognize the Tibetan government in exile as the legitimate representative of the Tibetan people.

Generally speaking the whole region had calmed down. Domestically we had more confidence, because of economical development and all kinds of

84) Ibid., pp. 649-652.

programmes. In the monasteries, the resentment is still very strong. We will not deny that the Dalai Lama is still hugely popular. One example: central and local governments had appealed to the people for many years to become environment-friendly and to no longer wear furs and bird feathers, but to no avail. One appeal by the Dalai Lama from exile and all of a sudden they listened and burned all their furs and feathers. That's why we felt increasing need to resume the talks, because he is still so influential. That is a fact of life. But on the other hand we are still concerned that after he returns, we will be unable to control the repercussions of his return. Religion is still very powerful. Here is a fundamental contradiction. Although the party claims that there is religious freedom, and it relaxed a lot, still the image cannot be easily changed. Westerners still have a lot of doubts and regard our regime as authoritarian. The image is negative, especially compared to India.⁸⁵

The new hope was also based on the fact that China for the first time had a new national Communist Party chief, Hu Jintao, who had served in Tibet as regional party secretary in the late 1980s. Paradoxically, a popular uprising was suppressed during Hu's tenure and martial law was imposed, but he still got the benefit of the doubt thanks to his experience in the region and the belief that he was determined to find a way out of the deadlock.

Having been chosen to host the 2008 Olympic Games, the Chinese authorities were acutely aware that their human rights' record would come under intense scrutiny in the run-up to the Games, and that softening their stand on Tibet might bring some improvement to China's poor international image. Another factor was that Tibet had experienced a decade of high economic growth and unprecedented infrastructural development, including a railroad that had been under construction since 2001 linking Lhasa with the Chinese interior, so the Chinese government felt more confident about new acceptance by increasing numbers of Tibetans of the realities on the ground. The railroad, which was inaugurated in 2006, has finally linked the isolated plateau with the booming economy of China proper and would spur economic development and tourism as never before. The railway – linking Lhasa with Golmud in Qinghai – extends 1,142 kilometres on the Qinghai-Tibet Plateau. It boasts the world's highest railway station at Tanggula, located 5,068 metres above sea level, and involves an investment of 33 billion yuan (US\$ 4.7 billion). The railway will also greatly reduce transport costs for materials entering and exiting Tibet, which will help to boost both domestic and foreign trade and investment there. It will ship 900,000 passengers annually into Tibet, as Tibet will become a major tourist destination to domestic and international travellers. The rail line will also facilitate large-scale transportation of Han-Chinese to Tibet for permanent settlement and be an effective conduit to move army units and enable China to tighten its control over

85) Interview with Hu Shisheng, Beijing, December 21, 2007.

the region. At the official price tag of US\$ 4.7 billion, the railway is difficult to justify in economic terms. Tibet's total gross domestic product in 2005 was US\$ 3.12 billion, so the payoff in terms of boosting economic activity would appear to lie decades in the future, if it ever comes.⁸⁶

Six Rounds of Fruitless Talks

Six rounds of Sino-Tibetan negotiations have taken place since 2002, with the state of mind on the Tibetan side still one of hope and on the Chinese side of suspicion. Since the Dalai Lama made his peace offer of no longer seeking independence, but rather genuine autonomy, he has reiterated this offer whenever the occasion arose, but the Chinese do not trust him. Autonomy for the Chinese means limited religious and cultural freedom, such as preservation of Tibetan as a secondary language, gradual but incremental sinification, partly by requiring advanced Chinese-language skills for most senior jobs, partly by massive Han-Chinese transmigration, while political and military power will continue to rest firmly in Chinese hands and selected pro-China Tibetans. For the Tibetans, genuine autonomy means preservation of Tibetan national and cultural identity, by keeping local government and cultural and educational policies in the hands of Tibetans, who should be unified in one Greater Highly Autonomous Region, covering one-quarter of all of China's landmass. Only defence and foreign policy should be the preserve of the central government. Even the limited autonomy in the much smaller Tibet Autonomous Region (TAR) during the 1950s led to a revival of Tibetan nationalism, renewed demands for full independence, the Tibetan revolt of 1959 and the flight of the Dalai Lama. After twenty years of extreme leftist excesses (1959-1979), liberal autonomy policies were reintroduced in the 1980s and this time led to a revival of Tibetan religion, culture and nationalism and the internationalization of the Tibet issue by the Dalai Lama, who after decades in exile had evolved into a global celebrity. The Chinese were out of their wits about what to do next.⁸⁷

86) Joseph Kahn, 'Riding High in Tibet on a New Rail Line', *The New York Times*, 30 June 2006.

87) For this analysis, I have relied on Warren W. Smith Jr, 'Hope Floats for Tibet', *Combat Law*, vol. 6, no. 5, October 2007, <http://www.combatlaw.org/v6i5.php>.

What is Tibet? (2)

'Tibet is ours and what was Tibetan before the British colonialist aggression – cartographic or military -- is also ours'. This is China's neo-imperial logic.

The China–Tibet–India Triangular Imbroglia

During 2006–2007, the China–Tibet imbroglia became enmeshed with the stalemated Sino-Indian border negotiations that had dragged on since 1981, almost as long as the on-and-off Sino-Tibetan talks (1979). A third factor looming in the background is China's grand master plan to link Tibet with the Indian Ocean through north-east India, Bangladesh and Myanmar.

The north-eastern Indian state of Arunachal Pradesh (AP), two-and-a-half times the size of Taiwan, is historically part of Tibet, and Tibet having been a vassal-state or protectorate of the Qing Empire from 1720 until 1912 is the basis for China's claim to all territories that once belonged to Tibet. *'Tibet is ours and what was Tibetan before the British colonialists came is also ours' is China's neo-imperial logic.* Long before Ambassador Sun Yuxi delivered his 'shock' statement on AP, Chinese atlases all showed it as Chinese territory and some named it Southern Tibet. Chinese historical atlases, whether from the Kuomintang era or post-1949, have no references to the McMahon Line and indicate the NEFA, since 1985 known as Arunachal Pradesh, as Chinese, except for the easternmost appendix on the Burmese border. However, they do have maps of the 'British invasion' of Tibet in 1903–1904, and some do indicate the trading posts, post offices, etc., that the British established and that Nehru hoped to claim after Indian independence in a Tibet that would be a 'semi-independent' buffer between India and the PRC under Chinese *suzerainty* (*zong zhuquan*), but with special Indian rights. During a three-months' research trip to Delhi in late 2007, I went to several university and think tank libraries and visited all of the major bookstores of Old and New Delhi, but apart from a black and white historical atlas of the Mughal Empire and a US-published atlas of South Asian history, edited by Americans, no Indian atlas of (modern) Indian history is available, as if Indians are not interested in this highly contentious subject that is of such supreme importance for their country's foreign relations. Once asked about India's undefined borders, Nehru blithely said: "These are all high mountains. Nobody lives there. It is not very necessary to define these things".⁸⁸ India has

88) Brahma Chellaney, 'China's Unprincipled Principles: Indian Analyst Says China Designs "vain principles", Interprets to Convenience', *The Asian Age*, New Delhi, 16 June 2007.

already paid a heavy price for this indifference to historical detail and will continue to do so. And the Chinese smile and set the agenda.

After Ambassador Sun had restated China's claim to Arunachal Pradesh (AP), the Tibetan government-in-exile was caught in the middle. A uniquely qualified Indian insider gave me his views of the multiple strategies that the Chinese are playing. He is Professor Phuntchok Stobdan, an ethnic Tibetan from Ladakh, who is an expert on India–China border problems. Apart from English and Hindi, he speaks Tibetan, Mongolian and Uygur, works for the Institute for Defence Studies and Analyses (an official think tank in New Delhi) and teaches at the Centre for Strategic and Regional Studies at the University of Jammu and Kashmir. Stobdan says:

My hunch is that it is the deliberate policy of the Chinese to harden their position on Arunachal Pradesh to put India on the defensive before the Olympic Games. China is the most vulnerable country in the world today. Anybody could bargain for anything today and the Chinese could anticipate that India might bargain for the border. How about India facilitating some terrorists, Tibetans or even Uygurs, to walk across Arunachal Pradesh and disrupt the Olympics? [...] Why have they hardened their position on AP again? It shows first that they are not sticking to one position; second, it is somehow linked with the solution for Tibet. There is a parallel dialogue going on with the Dalai Lama on the Tibet issue. In July [2007] they had talks in which AP figured for the first time in the Sino-Tibetan dialogue. It's all linked to the border issue. India wants to resolve the border issue first, because if the border problem is resolved and AP is part of India, then it's OK. But if the Tibetan problem is resolved first and the Chinese strike a deal with the Dalai Lama in which he says that AP is part of Tibet, then India will be the big loser.⁸⁹

The Indian media consequently applied big pressure on the Tibetan government-in-exile to show its colours on the AP issue. As Tibetans, they had always held the view that AP, including Tawang, was part of the Tibetan nation. But how could the Tibetan government-in-exile speak out against the vital interests of India, a country whose hospitality it had enjoyed since 1959. Thus the prime minister of the Tibetan government-in-exile, the Kalon Tripa, Samdhong Rimpoche, on 6 December 2006 recognized the colonial McMahon Line, by which the state of Arunachal Pradesh is an integral part of India. Rimpoche said: 'The truth is that Tawang was part of Tibet before the McMahon Line was drawn by the British. But the monastery became part of India after the McMahon

89) Interview with Prof. Phuntchok Stobdan, New Delhi, 28 November 2007.

Line came into existence'.⁹⁰ Rimpoche (the equivalent of a cardinal in the Tibetan hierarchy) took a pragmatic view, but by recognizing colonial dictates, he exposed himself to uncalculated risks.

Professor Stobdan further elaborates on the changed nuances in Chinese tactics concerning Tibet:

Apart from Arunachal Pradesh, the Chinese have asked for two other conditions. The Dalai Lama himself should state that Tibet is historically part of China. This is difficult for him to say, because he is a Buddhist monk and a monk cannot tell lies, and it is clearly a lie to say that Tibet is historically part of China. China also wants him to support the 'One China' policy and say that Taiwan is part of China. This is difficult, because he has close relations to the Democratic Progressive Party [DPP], the independence-minded ruling party in Taiwan, but a compromise on this should be found.⁹¹

Furthermore, a major grievance of China is that the Dalai Lama has now for two decades allowed himself to be used by the often ill-informed Western media, and particularly Hollywood, for China-bashing purposes. Stobdan laments:

The whole Western capitalist world uses him for its own propaganda. They use him as a symbol of freedom, liberty, democracy, whether it is in central Europe, Lithuania, Estonia, the Nobel Peace Prize, etc. The Chinese would say, OK, whatever you have done the last 40 or 50 years suited your interest. But now there is a limit. Times have changed, China has changed. Confucius is back; Taoism is back; Buddhism is experiencing a revival, and the Communist Party cares for Buddhism. The World Buddhist Congress was held in China last year for the first time in 40 years. So, you come back. There is respect for you in China. You have followers in China, we give you that prestige. Reconcile! Forget about the Western world. You come back to China, in the interest of Buddhism, in the interest of the oriental world [...]. But he keeps going to Washington, Brussels or Berlin to cater to the anti-China forces. That irritates Beijing.⁹²

The Dalai Lama has addressed a fundraising gala dinner in Hollywood – organized by financier Richard Blum, the husband of Democratic Senator Dianne Feinstein – flanked by actors Richard Gere and Sharon Stone, the latter in tears.

90) 'Tibetan Government-in-Exile Recognizes McMahon Line: AP Part of India', *Times of India*, 7 December 2006.

91) Interview with Prof. Stobdan, New Delhi, 28 November 2007. It should be noted that the DPP was voted out of power in March 2008 and that ignoring a sense of obligation to the failed, discredited DPP-administration is now a lesser problem.

92) Ibid.

“It is these aristocrats of the kingdom of entertainment who will, most unwittingly, help to write a new chapter in the history of Western mythology about Tibet”, writes Orville Schell in his highly original book on how the most powerful myth-making machine in the world, Hollywood, is creating the newest and latest fantasy on Tibet.⁹³

There was a plan that the Dalai Lama would set foot on Chinese soil for the first time in 2007, to visit Wutaishan in Shanxi, one of China’s most sacred Buddhist places and where the Buddhist Lord of Wisdom Manjushri lived. ‘But the Americans spoiled the whole game’, says Stobdan, by awarding the Dalai Lama the Gold Medal of Congress.⁹⁴ ‘That will keep the Chinese angry for some time. Meanwhile, European countries will do something else, like an official meeting with German Chancellor Angela Merkel. The game will continue for some time, but the negotiations are still at a very serious stage.’⁹⁵

During the last round of Sino-Tibetan talks in July 2007, the Chinese asked the Tibetan chief negotiator Lodi Gyari about why the Kalon Tripa recognized Arunachal Pradesh as part of India. He gave no persuasive answer. The next Chinese step was: “We will negotiate with you for the settlement of the Tibet issue, provided you state that Arunachal Pradesh is part of China”.⁹⁶ It is unlikely that the Tibetans will yield to this pressure, but if they do, then there is still India, which in all probability will never give up Arunachal Pradesh without a fight. This could lead to a new ideological Cold War-style confrontation, or in the worst case even armed clashes or war between China and India, which is now increasingly close to the United States. It is difficult to guess what the rationale for the Chinese game is. Stobdan does not believe that China will stick to its claim of all of AP:

No, not the full claim, they are looking for some other things. The immediate issue is the Olympics, tactical pressure on us – India – to stay away from any anti-China ganging up. ‘Don’t play the Tibet card’. They have taken the relationship back to the 1960s. They have deviated, they have backtracked from the 2005 agreement in fact where we agreed on a principle: settled populations cannot be touched. [...] The trouble started with the previous government. Before, India recognized Tibet as part of China. In 2003 when Vajpayee went to China, he recognized the TAR as part of the PRC without realizing the fact that according to the Chinese definition, the TAR also includes Arunachal Pradesh. What this means is

93) Orville Schell, *Virtual Tibet: Searching for Shangri-La from the Himalayas to Hollywood* (New York: Metropolitan, 2000).

94) Many Americans, Chinese and Tibetans said that the visit could not have materialized anyway for security reasons: uncontrollable masses of worshippers crowding all the roads from Tibet through Sichuan to Shanxi.

95) Interview with Prof. Stobdan, New Delhi, 28 November 2007.

96) Interview with Prof. Stobdan, New Delhi, 28 November 2007.

that India has endorsed the Chinese territorial definition of the TAR by official means. The Chinese are very smart. The Indians failed to add a clause that defines what they mean by TAR.

Is India Turning its Back on Tibet?

After Indian ambivalence towards Tibet during the 1950s, followed by two decades of inactive and cold Sino-Indian relations, India continues to host the Dalai Lama and his government-in-exile, but in recent years Indian support has been re-examined and curtailed in view of India's efforts to expand comprehensive relations with China. At the end of Prime Minister Atal Bihari Vajpayee's official visit to China in June 2003, the two sides issued a 'Declaration on Principles for Relations and Comprehensive Cooperation between the Republic of India and the People's Republic of China', in which India firmly reiterated its 'one China policy' and recognized that 'the Tibet Autonomous Region is part of the territory of the People's Republic of China'. The Declaration added that it did not allow Tibetans 'to engage in anti-China political activities in India'. The Manmohan Singh government reiterated this official Indian position in the Joint Statement issued at the end of Chinese Prime Minister Wen Jiabao's state visit to India in April 2005.

In October 2007, after the Dalai Lama received his award from the United States Congress, the Indian government forbade all of its ministers from attending a ceremony to congratulate the Tibetan leader, in what was clearly a move to appease China after a high-profile visit to Beijing of Congress and ruling coalition head Sonia Gandhi and the impending visit to the Chinese capital of Indian Prime Minister Manmohan Singh in early 2008. The ceremony had been organized by the Gandhi Peace Foundation and the All Party Indian Parliamentary Forum for Tibet after the Dalai Lama's return from Washington.

The Succession of Tenzin Gyatso, the XIVth Dalai Lama

In Tibet itself, China has started planning for the post-fourteenth Dalai Lama era. In May 2007 the State Administration for Religious Affairs issued detailed regulations banning the reincarnation of '*Living Buddhas*' without the permission of the (atheist) party authorities. Only monasteries and Buddhist organizations in Tibet and Tibetan Buddhist areas in other Chinese provinces can apply for reincarnation in state religious bureaus at various levels, and only the souls of living Buddhas who meet certain political conditions – respecting and protecting the principles of the unification of the state, protecting the unity of the minorities, protecting religious concord and social harmony, and protecting the normal order

of Tibetan Buddhism – would qualify. ‘Reincarnating living Buddhas shall not [...] be under the dominion of any foreign organization or individual.’⁹⁷ All of these stipulations specifically exclude the Dalai Lama from the process, because he lives abroad and is, in China’s lingo, a ‘splittist of national unity, pandering to foreign anti-China forces’.

China’s last Imperial Dynasty, the Qing (1644-1911), had exercised similar supervisory jurisdiction over high lama reincarnations, such as the Dalai Lama and the Panchen Lama, since Tibet became a vassal-state of the Qing Empire in 1720. Interestingly, on 22 February 1940, five-year-old Tenzin Gyatso was enthroned as the fourteenth Dalai Lama at the Potala Palace after receiving the necessary certificates and seals of approval from the Chinese Nationalist government of Chiang Kai-shek, which in fact allocated 400,000 silver dollars to cover the expenses of the enthronement ceremony.⁹⁸ Paradoxically, this was at a time when Chiang Kai-shek did not exercise control over Tibet and the region was de facto – although not de jure – independent. So, the Communist Party is not usurping new powers without historical precedent. During the 1990s, controversy raged between Beijing and Dharamsala over the selection of the reincarnation of the tenth Panchen Lama who had died in 1989. Both sides found a ‘soul-boy’ containing the reincarnation of Panchen, but the five-year-old Beijing-sponsored candidate was enthroned as the new eleventh Panchen Lama in a ceremony presided over by Communist Party officials in the Jokhang Temple in Lhasa in 1995. The abbot who was assigned by the Dalai Lama to conduct his search and the resulting soul-boy disappeared. The new regulations are clearly aimed at checkmating the current Dalai Lama by terminating his lineage and probably setting up a new rival lineage, because it is difficult to believe that the Chinese regime wants the soul of Tenzin Gyatso to live on as a symbol of Tibetan nationalism for Tibetan believers.

The Dalai Lama astutely countered the new Chinese moves by proposing alternative means to the mystical, mediaeval Buddhist reincarnation system for selecting a new Dalai Lama, so as to prevent China from further tightening its grip on Tibet. He mentioned a referendum, not directly to elect a successor, but to determine whether the institution of Dalai Lama should be continued. The six million Tibetan Buddhists inside China could not possibly participate in such a referendum, but perhaps the seven or eight million Lamaist-Buddhist believers in Ladakh, Sikkim, Nepal, Bhutan, Mongolia and Russia (Buryat Mongolia, Tannu Tuva, Kalmykia), plus the Tibetan diaspora in India and worldwide, could. Among possible methods to produce a successor, he mentioned a Vatican-style

97) ‘Commentary: Reincarnation of Tibetan Living Buddha Must Follow the Rule of Law’, Xinhua news agency, in English, 25 December 2007.

98) N. Ram, ‘Future Tibet’, *Frontline*, vol. 24, no. 14, New Delhi, 14-27 July 2007.

conclave by a 'College of Rimpoches' (Lamaist cardinals). Another way is to handpick a successor outside Tibet –perhaps an adult, someone more qualified to represent Tibet on the world stage than a small boy.⁹⁹ A third option is to allow power to pass to the next most-senior lama in the Tibetan Buddhist hierarchy outside Tibet, who is the Sakya Lama, based in the United States.¹⁰⁰ Befitting doctrinaire ideologues, the Communist authorities presented themselves as defenders of the orthodox Buddhist faith. China's Foreign Ministry Spokesman Liu Jianchao said in a statement: 'The Chinese government has a policy of religious freedom and respects Tibetan Buddhism's religious rituals and historic conventions. The Dalai Lama's related actions clearly violate established religious rituals and historic conventions and therefore cannot be accepted'.¹⁰¹

While the campaign to internationalize the Tibet issue has made new advances, and the Dalai Lama's international prestige has been further enhanced by the award of the American Congressional Gold Medal with US President George W. Bush in attendance and the official reception by German Chancellor Angela Merkel, the prospects for a Sino-Tibetan settlement seem more remote than ever. China seems content to continue the dialogue of empty talks with Tibetan exile delegations for public relations purposes, while patiently waiting for the Dalai Lama to pass away and then impose its own solution on Tibet.

In the context of its 'Western Development Strategy' (WDS), which was launched in 2001, China is playing the card of economic development and sinification. Massive government investment in infrastructure and mining, a boom in tourism and a surge in Han-Chinese immigration into Tibet have resulted in annual growth rates of 12-13 per cent in recent years, higher than in inland China. One study on the nature of economic development in Tibet reveals that the 'Go West Strategy', as the WDS is popularly called, has an ethnic exclusionary dynamic in both urban and rural areas of the TAR.¹⁰² The WDS has stimulated higher growth in Tibet and Xinjiang but has also exacerbated economic polarization between Han-Chinese settlers and native Tibetans. About 15 per cent of Tibetans with secondary education and above have benefited, while the other 85 per cent without education live in poverty. According to statistics, Lhasa, the capital, has an urban population of 370,000, at least 40 per cent of

99) Randeep Ramesh in New Delhi and Jonathan Watts in Beijing, 'Dalai Lama Challenges China: With a Referendum on Reincarnation', *The Guardian*, 28 November 2007.

100) The Sakya Lama was the Vice-Roy of Tibet under the Mongolian Yuan Dynasty, 1279-1368. The current reincarnation, His Holiness Jigdal Dagchen Sakya Lama, born in 1929, left Tibet in 1960 and founded the Sakya Monastery in Seattle, where he resides. <http://www.sakya.org/Bghhjds.pdf>

101) Reuters India, 'China Condemns Dalai Lama's Ideas on Succession', 29 November 2007.

102) Andrew Martin Fischer, *State Growth and Social Exclusion in Tibet: Challenges of Recent Economic Growth* (Copenhagen: NIAS Press, 2005).

whom are Han-Chinese, many of them adventurers, gold-diggers and prostitutes from Sichuan. The Chinese economic goal is to transform Tibet's pastoral-agrarian economy towards a modern diversified economy, but the political goal is to submerge Tibet's religious identity in a flood of Chinese-style capitalism: fast-track and lawless. This 'clash of civilizations' – deeply religious, traditional Tibetan Buddhism and godless, chauvinistic, Chinese 'Mammonism' – had violently come to a head many times, and so it did again in March 2008, this time in the most dramatic fashion and on the largest scale since the failed Tibetan uprising against Chinese rule in 1959.

49th Anniversary of the 1959 Uprising: Renewed Upsurge of Violence¹⁰³

On March 10, 2008, around 500 Buddhist monks marched from the Drepung Monastery near Lhasa – one of the 'great three' scholastic centres of Tibetan Buddhist Learning (Sera, Ganden and Drepung) – to Lhasa city, to commemorate the 49th anniversary of the failed uprising against Chinese oppressive rule, which resulted in the flight of the Dalai Lama and some 100,000 followers into exile in India. They chanted 'Free Tibet' and pro-Dalai Lama slogans and demanded the release of monks who had been arrested in October 2007 for celebrating their spiritual leader's award of the American Congressional Gold Medal. According to *Phayul.Com*, the India-based Tibetan news service, eight monks were arrested. Demonstrations continued during the next few days against the earlier arrests, with police using teargas to disperse the crowds. Then on Friday morning 14 March, monks from the Ramoche Monastery staged a demonstration, joined by lay people, and by midday pandemonium had broken out with surging Tibetan crowds, many of them teenagers but also monks, rampaging through the streets, smashing Chinese-owned shops and setting them ablaze. One shop, with four young Chinese women and one Tibetan working, was torched and they burned alive. Police was so taken aback by the orgy of violence that they fled the scene and let the gangs run amok for four hours, setting fire not only to shops but to police cars and government buildings and killing people at random. The rioting continued into Saturday and police managed to restore some kind of control on Sunday. The police set a deadline on Monday for rioters to turn themselves in, in exchange for being treated leniently. Informers were offered clemency and those who did not turn themselves in would be punished severely.

103) Since I was not in China/Tibet during the early phase of the crisis, this account is based on careful reading of the international media, *The New York Times/International Herald Tribune*, the *Financial Times* and Indian newspapers.

International journalists, tourists and other foreigners were expelled from Tibet at the beginning of the crisis, except for James Miles, former BBC Correspondent in China and now working for The Economist, whose permit would expire on 19 March 2008. His testimony in an extensive interview for CNN International on 20 March gives unique insights into Chinese pre-Olympic psychology and the true course of events. Miles assumed that the Chinese authorities allowed him to stay because they were probably gambling that it would help them to get the message out that Tibetan mobs had indulged in massive, well-organized, targeted violence against many hundreds of businesses that were owned, not only by Han-Chinese settlers, but also by Hui-Chinese Muslims from neighbouring provinces, who control the meat industry in Lhasa. Businesses owned by Tibetans were marked with traditional white Tibetan scarves and left untouched. Miles reported:

Almost every other business was either burned, looted, destroyed, smashed into, the property therein hauled out into the streets, piled up, burned. It was an extraordinary outpouring of ethnic violence of a most unpleasant nature to watch. [...] It was a remarkable explosion of simmering ethnic grievances in the city.

The initial Chinese response to all of this, however, was the exact opposite of what one would have expected:

In fact what we saw, and I was watching it at the earliest stages, was complete inaction on the part of the authorities. It seemed as if they were paralyzed by indecision over how to handle this. [...] I suspect again the Olympics were a factor there. That they were very worried that if they did move in decisively at that early stage, [...] bloodshed would ensue in their efforts to control it. And what they did instead was let the rioting run its course and it didn't really finish as far as I saw until the middle of the following day, Saturday 15 March. So in effect what they did was to sacrifice the livelihoods of many, many ethnic Han-Chinese in the city for the sake of letting the rioters vent their anger.¹⁰⁴

During the next few days, the protests spread to the adjoining ethnic-Tibetan areas outside of the Tibet Autonomous Region. Some of the biggest protests occurred around Labrang in Gansu province, one of Tibetan Buddhism's biggest and most important monasteries. Unrest kept spreading for several weeks. According to The Times, eight people died during a police raid against demonstrators in Garze in the Tibetan area of Sichuan province, seat of a

104) See James Miles' interview with CNN International, 'Transcript: James Miles Interview on Tibet', <http://www.cnn.com/2008/WORLD/asiapcf/03/20/tibet.miles.interview/>.

fifteenth-century monastery. The violence started when elderly monks protested the mass confiscation of mobile phones and pictures of the Dalai Lama and demanded the removal of surveillance cameras that police had installed in their monasteries.¹⁰⁵

In the aftermath of the violence, harsh words have been exchanged between the Chinese and Tibetan leaders. At a press conference in his headquarters in Dharamsala in India, the Dalai Lama accused China of “some kind of cultural genocide, intentionally or unintentionally”.¹⁰⁶ He was referring to the marginalization of Tibetan culture and language, the repression of religious freedom, and the downgrading of Tibetans to second-class status in the urban economy because their knowledge of Chinese was not adequate. China’s Premier Wen Jiabao, usually the soft-spoken gentle face of the regime, blamed supporters of the Dalai Lama for planning and inciting what he described as the appalling violence and destruction in Tibet of the previous week: “Their hypocritical lies can’t overcome the ironclad facts”.¹⁰⁷ Wen further charged the demonstrators – in Lhasa! – with “attempts to incite the sabotage of the Olympic Games in order to achieve their unspeakable goal [of splitting the ‘Motherland’, Beijing’s lingo for Tibetan independence]”. There was no credible evidence that the demonstrations inside Tibet were remote-controlled by the Tibetan government-in-exile in India. There was a general consensus among Tibet experts that they were an outburst of rage against the beatings and arrests of monks who wanted to commemorate the 49th anniversary of the failed Tibetan uprising of 1959 on March 10. The global disruptions against the nineteen-city relay of the Olympic torch, however, clearly had the imprint of the Tibetan diaspora. Radical organizations like the India-based Tibetan Youth Congress, the Nepal Tibetan Volunteer Youth for a Free Tibet and the New York-based Students for a Free Tibet had long announced that they would use the Olympic spotlight on Beijing as their chance of a lifetime to hit China hard. They thus grabbed the limelight with dramatic disruptions of the Torch relay, and worse still was the attack by a young Tibetan on wheelchair-bound Chinese athlete Jin Jing in Paris, which led many Chinese to believe that the anti-China demonstrations in so many cities were a pre-meditated, ill-tempered, anti-China circus to put ‘rising China’ down again. Erratic French President Nicolas Sarkozy first joined the anti-Olympic chorus by threatening to boycott the opening ceremony – which falls during the French presidency of the

105) Jane Macartney in Beijing, ‘Chinese Police Kill Eight after Opening Fire on Monks and Tibet Protesters’, *The Times*, 5 April 2008, online at <http://www.timesonline.co.uk/tol/news/world/asia/article3683878.ece>.

106) Somini Sengupta and Hari Kumar, ‘Dalai Lama Won’t Stop Tibet Protests’, *The New York Times*, 16 March 2008.

107) David Laque, ‘China Premier Blames Dalai Lama for “Appalling Violence in Tibet”’, *The New York Times*, 18 March 2008.

European Union, starting on 1 July 2008 – which he had pledged to attend, and then climbed down immediately when Chinese citizens vented their anger against French interests in China, foremost the 112 stores of hypermarket Carrefour. ‘Sarko’ sent a hand-written apology to Jin Jing and dispatched three high-level emissaries to China to stop the free fall in Franco-Chinese relations.

One day after Chinese Premier Wen Jiabao’s charges against the ‘Dalai clique’, the Dalai Lama threatened to resign completely if the situation got out of control in Lhasa. Ironically, those who were ready to let the situation get out of control no longer observed their supreme religious leader’s instructions of a moderate ‘middle way’; neither were they intimidated any longer by Chinese violent repression. The Chinese News Agency Xinhua reported that one day after the violence on 14 March, the Tibetan Youth Congress (TYC), ‘a hardline organization of the Dalai clique that openly advocated Tibetan independence, had decided to set up guerrilla units to ‘infiltrate into Tibet and start armed struggle’.¹⁰⁸ On March 18, 2008 the Communist Party’s chief in Tibet, Zhang Qingli (57), launched a pre-emptive strike in the most menacing Cultural Revolution-style argot imaginable. He labelled the Dalai Lama, ‘a jackal in Buddhist monk’s robes, a demon with a human face and the heart of a beast’, according to the China Tibet News. Speaking at a teleconference of Tibet’s government and party leaders, he warned that “we are engaged in a fierce battle of blood and fire with the Dalai clique”.¹⁰⁹ Party Secretary Zhang was the latest in a line of ultra-hardliners that the Politburo in Beijing had put in charge of Tibet to cow the Tibetans, in the view of many Han-Chinese just a backward superstitious lot, into submission. Zhang beat all of his predecessors in mind-boggling obtuseness. Soon after his arrival in Tibet in 2005, he said: “The Communist Party is like the parent to the Tibetan people, and it is always considerate about what the children need. The Central Party Committee is the real Buddha for Tibetans”. Zhang reintroduced many practices belonging to the class struggle under Maoist hardline communism, which had long gone into oblivion in China proper. He ordered mass meetings at which Buddhist monks were coerced into long struggle sessions, during which they were forced to write detailed character assassinations of the Dalai Lama and listen to long *catechism* style indoctrination in ‘Han-chauvinist’ Chinese history, according to which ‘Tibet has always been part of China’. In some cases, monks were even forced to spit or trample on portraits of what is for them His Holiness the Dalai Lama, their God, their Pope and their King. The ultimate aim was destruction of their

108) Xinhua news agency, ‘Facts Exposing Dalai Clique’s Masterminding of Lhasa Violence’, 30 March 2008.

109) Juliet Macur and David League, ‘Olympic Torch will Go to Tibet as Planned, China Says’, *International Herald Tribune*, 19 March 2008.

identities, making them cogs in the giant wheel of the Chinese state's machinery, but only micro cogs. Little can be said in favour of Chinese policies in Tibet, except that unlike other imperial states – the British Empire or the European settlers in North America – the Chinese did not systematically and incessantly kill large numbers of natives to make room for their 19th century imperial expansion.

The 'Seventh Round of Talks' with the Dalai Lama

The violent riots in Lhasa, renewed wave of Chinese repression, global disruptions of the Olympic torch relay and the prolonged marathon visits of the Dalai Lama to Western capitals have internationalized the Tibet issue to new levels, but it is questionable whether this will benefit in any way a possible settlement. China has been massively humiliated and the overwhelming majority of Chinese people have unified in support of their government in opposition to the 'Dalai clique' and its supporters in the United States and Europe. Embarrassed about the torch fiasco and worried that the August 2008 Olympic Games would be upstaged by the Tibet issue, China agreed to resume the futile dialogue with representatives of the Dalai Lama. The 'sixth round' of talks in July 2007 had been unproductive for a variety of reasons. Indian Tibet expert Phuntchok Stobdan attributed the failure to recognition by the Dalai Lama's government-in-exile of Tibetan territory – claimed by China – as part of India.¹¹⁰ However, Warren Smith, Tibet expert of Radio Free Asia in Washington, said that the broader reasons for failure of the 'sixth round' were the surprising evidence of the Dalai Lama's direct influence over the people in Tibet. Central and local authorities had tried for some time to introduce environment-friendly policies and to ban people from wearing feathers and furs, but they would not listen. One apostolic message from the Dalai Lama in exile and they stopped instantly, burning all their furs and feathers. Large numbers of Tibetans had rushed to Kumbum, another major monastery in Qinghai (Amdo), on a rumour that the Dalai Lama was coming. In Ganden monastery, monks had destroyed a heretic Buddhist deity statue, Shugden, which had been outlawed by the Dalai Lama but was still patronized by some powerful Lhasa officials. More importantly, Smith elaborated that there is no reason to explain the failure of any talks, because there have been no real talks:

Even Lodi [the chief-representative of the Dalai Lama] said that they couldn't even agree on what was the issue about which to talk. The whole process is a farce, a tactic on China's part to keep the Tibetans in a perpetual state of unrealistic hopefulness and to defuse international

110) See footnote 20.

criticism. On Dharamsala's side, it is an attempt to pretend that the Dalai Lama's 'Middle Way' is working; therefore they exaggerate the success of every meeting and try to give them some substance by giving them titles like First Round, Second Round.¹¹¹

According to Smith, it is just a Chinese ploy to get world leaders to come to the opening ceremonies of the Olympics, because 'China is *talking* [sic!] to the Dalai Lama': 'The Middle Way has been a failure, at least with China. In the rest of the world it's a huge success, especially since it allows world leaders to get by with lip service to the Tibet issue'.¹¹²

On May 4, 2008 the seventh round of negotiations was held in the southern Chinese city of Shenzhen, bordering Hong Kong. After briefing the Dalai Lama back home in Dharamsala, Chief Envoy Lodi Gyari issued a statement on May 8 with some courteous clichés and an expression of willingness to meet again at an unspecified date. According to Xinhua, the official Chinese news agency, the day-long talks mostly involved finger-wagging and a warning that future dialogue would be fruitless unless the Dalai Lama ceased advocating Tibetan independence. They also urged him to stop 'disrupting and sabotaging' the upcoming Olympic Games. The foreign minister for the Tibetan government-in-exile, Mrs Kesang Yangkyi Takla, said that the weekend meeting primarily focused on ways to improve conditions in Tibet. While on a visit to Brussels, she said that negotiations will be difficult 'unless and until' the situation in Tibet improves: 'We hope that the government in China will consider this and give a concrete reply so that things improve in Tibet'. Very little is known about what is going on in Tibet at the moment. Foreign journalists have been banned since the major riots of March 14-15, and while domestic tourism has resumed, international tourists seem to have to wait for several months to return. The reasons could ostensibly be that the authorities do not want peeping toms while they are carrying out severe repression and massive 'patriotic education' campaigns, with numerous arrests and mass meetings during which the Dalai Lama is ritualistically demonized. But another plausible reason, as pointed out by the well-known left-wing Indian journalist N. Ram, could be that so many hotels have been set ablaze by the rioters that there is simply no accommodation to house tourists.¹¹³

With the Dalai Lama's '*middle way*' a failure, there is also a non-violent Tibetan hardline approach, mainly advocated by the India-based Tibetan Youth Congress. One of their eloquent spokesmen is the famous writer Jamyang Norbu,

111) Interview with Warren Smith, Washington DC, 9 May 2008.

112) Interview with Warren Smith, Washington DC, 9 May 2008.

113) N. Ram, 'The Question of Tibet: Reflections on Development, Human Rights, and Politics in China's Unique Autonomous Region', *Frontline*, vol. 25, no. 10, 10-23 May 2008.

who is not that young anymore, since he fought as a young man in the CIA-sponsored Tibetan Guerrilla during the late 1950s and 1960s for the overthrow of Chinese communist rule. He advocates for Dharamsala (the government-in-exile's headquarters) acting in a way that is bold, dynamic and totally unanticipated. In view of Chinese harshness and implacability, Tibetans must reconsider the Dalai Lama's failed 'middle way' and the cabinet and parliament-in-exile should immediately commence joint hearings to review the middle way policy. These should be attended by representatives of Tibetan organizations advocating independence, so that their testimonies can be heard and formulation of a new policy can be reached. Norbu suggested respectfully to the Dalai Lama that he make a public announcement stating that although he had genuinely and unreservedly supported China's bid to host the Olympic Games, the lives and welfare of the thousands of Tibetans – victims of China's crackdown – were far more important than a sporting event (even one as major as the Olympics). That unless China agreed to allow international agencies as the Red Cross, the UN, or Amnesty International, Human Rights Watch, Reporters Without Borders, and other such organizations, to send their personnel freely throughout Tibet to verify the conditions of these people and check on their legal situation, the Dalai Lama would be compelled to appeal to the world to boycott the Beijing Games. He would furthermore call on all of his subjects, his friends, supporters and disciples worldwide, to engage in non-violent but direct action to disrupt China's massive ultra-nationalist propaganda exercise, for which the 2008 Olympic Games is being effectively employed: 'Real negotiations might follow, for the first time', Norbu concludes.¹¹⁴ It is highly unlikely. However, that this approach will move the cold, calculating men in Beijing's command centre, or that the rest of the world will listen, and it dramatically highlights how few options the Tibetans have.

A better alternative may be some significant adjustment in the Dalai Lama's 'middle way approach', which is not that 'middle' at all. His negotiating position, as first presented in his 'Strasbourg Proposal', has one extreme demand, which has been a priori fully and totally unacceptable to China. The question is the one in the framed text at the beginning of this chapter: 'What is Tibet'? The Dalai Lama demands the reconstitution of a 'Greater Tibet' known as 'Cholka-Sum' and comprising the areas of 'U-Tsang (Outer Tibet) and the eastern Regions of Kham and Amdo (Inner Tibet), now belonging to Sichuan and Qinghai provinces, plus small portions of the provinces of Yunnan and Gansu. N. Ram describes this as a revival, in another form, of the infamous British attempt in the early twentieth century to constitute two zones – Outer Tibet (under Chinese suzerainty) and Inner Tibet (the former comprising extensive ethnic Tibetan

114) Jamyang Norbu, 'Negotiations Nightmare', *Phayul* (Tibetan news agency), 8 May 2008.

areas in several Chinese provinces and under Chinese sovereignty); weaken China's sovereignty over both zones; require Chinese 'non-interference' in the affairs of Outer Tibet; and give the Lhasa-based Tibetan administration the right to control most monasteries and even to appoint local chiefs in Inner Tibet.

In his earlier speech in 1987 for the US Congress, the Dalai Lama had demanded demilitarization of Tibet through a regional peace conference that should turn Tibet into a 'zone of peace'. If China yielded to the Dalai Lama's demand, one-eighth of China's territory with only a mixed, partly ethnic Tibetan population, that has never been under the political-administrative control of Tibet, should be transferred to Lhasa, after the break-up of four Chinese provinces. When Tibet became a vassal state of the Manchu-Chinese Empire in 1720, these Inner-Tibetan areas were under the control of monasteries (not unlike ecclesiastical fiefdoms in mediaeval Europe), satraps and even Muslim warlords. The whole idea of a Greater Tibet has been developed by the Tibetan aristocracy in exile after 1959. The new highly autonomous region of Tibet that the Dalai Lama envisions would be one-quarter of China's territory – that is, 2.4 million square kilometres of 9.6 million square kilometres. This would make Tibet by far the largest administrative sub-unit of China, with a tiny population of only 6.4 million: 2.8 million in the Tibet Autonomous Region, and 3.6 million in the eastern regions. In rejecting the demand for 'one administrative entity' for all ethnic Tibetans, the Chinese government made the perfectly sensible point that the new TAR corresponds exactly with Tibet under Qing imperial rule and the de facto independent Tibet from 1913-1950. As Indian Prime Minister Jawaharlal Nehru told the young Dalai Lama in 1959 that Tibetan independence would destroy the whole fabric of the Chinese state, N. Ram writes in 2008:

Acceptance of the demand for 'Greater Tibet' would mean breaking up the provinces of Qinghai, Gansu, Sichuan and Yunnan, where there are a large number of Tibetan autonomous counties and prefectures; doing ethnic re-engineering, if not 'cleansing'; and causing enormous destabilization and damage to China's state, society, political system, development and human rights.¹¹⁵

The term 'vested bureaucratic interests' comes to mind. Imagine what the return of the Dalai Lama, only to reign over the TAR, would mean. Much, if not all, of the communist hierarchy, both Han-Chinese and co-opted Tibetans, which has become well entrenched there over five decades, would have to be dismantled. Which central government of which large country in the world could accomplish that, without destroying the state and its own power?

115) Ram, 'The Question of Tibet'.

One wonders whether the Dalai Lama's demand was just an initial negotiating ploy from which he would descend as progress was made on other issues? So far, his envoys have not departed one inch from it.

Bhuchung Tsering of the International Campaign for Tibet in Washington admits that the collective, or pan-Tibetan identity has only emerged since the Chinese takeover of their homeland and the Tibetans' flight into exile to India and elsewhere from all regions of historical Tibet. At an international conference on the history of Tibet in Scotland in 2001, new terms were adopted: '*political Tibet*' for the territory historically under the Dalai Lama; and '*ethnographic or cultural Tibet*' for the Tibetan areas outside the purview of the pre-1950 Tibetan government. The Dalai Lama's principal objective is to ensure the survival of the Tibetan identity, and since he is talking about a framework within the People's Republic of China, the solution should address all Tibetan people. His emphasis is on the people. The Chinese give a territorial interpretation to the Dalai Lama's position and take the stand that a 'Greater Tibet' has never existed in history and that he cannot have any say in the affairs of those Tibetans outside of the Tibet Autonomous Region. Tsering then argues that the Tibetan national struggle against Chinese communism in the 1950s and 1960s was led by the Khampas and Amdowas (Tibetans from Kham and Amdo). They were the first to revolt, are inseparably linked to the pan-Tibetan cause, identify Lhasa as the epicentre of their culture and if China ignores that, there will never be a solution. Pan-Tibetan identity has become stronger in the period since the Chinese Communist takeover on account of the Tibetan people's shared feeling of a threat to their common heritage.¹¹⁶ This may all be true, perfectly understandable and deserving of sympathy, but the Khampa armed struggle was lost when the CIA and Chiang Kai-shek stopped supplying and financing it after US President Richard Nixon's historical meeting with Chairman Mao Zedong in 1972.

After several decades of relative strength in dealing with the regular upsurges of adversity over Tibet, China was at its most vulnerable during the 2008 Tibet crisis, five months before the Olympics. And then, eight days after the token talks between Chinese officials and representatives of the Dalai Lama, China got unexpected relief from the global Tibet pressures: the massive earthquake in Sichuan, ironically just on the geological fault line between the Tibetan Plateau and the Sichuan Plain. It removed the political crisis in Tibet from the front pages and changed the narrative from 'China the oppressor' to 'China the victim', alongside Tibetans, of gargantuan violence, this time of nature.

The Tibet crisis has been upstaged by the earthquake, but the question is for how long? Will the Dalai Lama's call to give China a break be heard, or will

116) Tsering, 'From Tsampa Eaters to Political Symbol'; and interview with Mr Tsering, Washington DC, 19 May 2008.

Jamyang Norbu's appeal for more confrontational tactics get more attention, or will even more radical groups such as the 'Students for a Free Tibet' in New York or the 'Free Tibet Campaign' in London (not to be confused with the more dignified 'International Campaign for Tibet in Washington') get their way, and are we on the eve of Tibetan violence, or even terrorism against Chinese targets, as some extremists have hinted?

Whether the recent Sino-Tibetan talks were theatre to delude the pro-Tibet and anti-China forces in the West, or whether some enlightened elements in the Chinese leadership are still genuinely interested in a settlement with this Dalai Lama, is anybody's guess. Whatever the real intentions of the Dalai Lama are, there is no trust between the two sides. Until 1988 the Dalai Lama propagated the idea of an independent Tibet, and from then on he shifted to a 'highly autonomous enlarged Tibet', twice the size of the quasi-independent Tibet that existed from 1912 until 1950. It would have Muslim minorities and be adjacent to the Islamic 'arc of instability': China's own Muslim region of Xinjiang, Kashmir, Afghanistan, Pakistan, and the fragile post-Soviet states of Central Asia. No Chinese leader in his right mind could ever contemplate such a radical overhaul of the political map of China, but His Holiness and his acolytes still ardently advocate the idea. He is a master politician, whose decades-long supreme gamesmanship at playing the anti-China card with humour and a big chuckle has made him into a charismatic global celebrity, adored by Hollywood, politicians (mostly on the right), votaries of a mythical Shangri-La and the whole motley array of spiritualists. The Dalai Lama despairs over Beijing's unresponsiveness and Beijing does not have the sophistication to handle him more effectively. Hardliners probably do not want any reconciliation, because the Dalai Lama's immense popularity among the flock of believers inside would threaten their power, and liberals are too weak. Hence, if prospects for real negotiations emerge after the Olympics, perhaps the Dalai Lama should facilitate meaningful negotiations by withdrawing his unrealistic proposal for a 'Greater Tibet':

In a recent interview with *The Economist*, the Dalai Lama said he is not so concerned about redrawing Tibet's political boundaries to include all ethnic Tibetan areas adjoining it (an idea he once backed to China's horror). The priority, he says, is to protect the culture and environment of Tibetans. But China wants a stronger retraction than this. It believes the Dalai Lama is still intent on carving out a single Tibetan territory covering one-quarter of China's land area.¹¹⁷

117) 'A Lama in Sheep's Clothing?', *The Economist*, 24 May 2008.

If the recent crisis is not enough of a trigger for meaningful, serious negotiations soon after a hopefully disaster-free Olympics, in which both sides show enough realism and flexibility for a new approach, what else could serve that purpose? China is getting stronger by the day as an independent economic, and increasingly also military, superpower, that will yield less and less to pressure from anyone. The Dalai Lama's recent visit to Germany and Britain has dramatically demonstrated that the willingness of major countries to incur the wrath of China for his cause is declining. After the row over the high-profile defiance of China by Chancellor Angela Merkel in September 2007 in receiving the supreme Buddhist monk at the Federal Chancery, no major German politician was willing to meet with him this time. British Prime Minister Gordon Brown followed the American model of a so-called 'drop-by' visit, to meet with the 'Lamaist-Buddhist Pope', and not at number 10 Downing Street, but at Lambeth Palace, the official residence of the Archbishop of Canterbury.

India is the most vital country for the survival of Tibetan traditional high culture as embodied by its diaspora, and it is India that has probably the highest degree of 'Tibet-fatigue'. As a democracy, India has paid a very high price for its principled support for Tibetan freedom and human rights. Its reluctant embrace of the Dalai Lama in 1959 was a major, indeed perhaps the main, cause of the ill-fated war with China and the poisoning of India-China relations for decades. India wants to reach a long overdue border settlement with China, develop its long-neglected border regions with China/Tibet and solve – with Chinese support – its own 'Tibet problem': Kashmir. In terms of the size and cost of military occupation, human rights' issues, outside support (from Pakistan) for Kashmir's independence forces, including terrorists, the burden of Kashmir on India far exceeds that of the weight of the Tibet albatross around China's neck.

If no compromise is reached between China and the current Dalai Lama, who is 72 years old, then there is going to be a serious crisis of succession and legitimacy upon his death, not dissimilar to the schism in the Roman Catholic papacy, where there were seven rival popes based in Avignon from 1309-1378. In India there will most probably be a diaspora-reincarnated Dalai Lama and in Tibet a state-reincarnated one, as reincarnations of Dalai Lamas during the last imperial dynasty were supervised by the Imperial Court in Beijing. There will be a struggle between 'rival Dalai Lamas' just like that between 'rival Popes' in mediaeval Europe, and this may weaken both of the high priests and lead to some Tibetan-style 'reformation' and eventually separation of church and state and finally secularism and even atheism.

India's attitude towards Tibet is primarily determined by the dynamics of its relations with China. Abanti Bhattacharya, a China-Tibet specialist at the Institute for Defence Studies and Analyses in New Delhi, dismisses India's Tibet policy as flawed and full of blunders. India has been gullible and naive and has

allowed itself to be outwitted, if not misled, by China at almost every turn. India has consistently failed to use the Tibet card in its difficult relations with China and most recently it has kowtowed to China in banning cabinet officials from attending a reception for the Dalai Lama. India's state interests require the development of strategic relations with China, which is no longer compatible with even minimal support for the Dalai Lama. Having visited Dharamsala in October 2007, Abanti thinks that the Dalai Lama very much wants a settlement and return to Tibet, but without making the key concessions that the Chinese want: "If there is no solution, there will be a Dalai Lama 'Made in China' and the China-installed Panchen Lama will recognize the Chinese Dalai Lama". Abanti says that the Tibetan movement in India is quite fragmented. So far, only the exiled Tibetan Youth Congress favours violent means and there is a fear that Tibetans inside China will become more violent. Only the Tibetan Women's Association supports the Dalai Lama's 'middle way'. The other groups do not and many Tibetans in India believe that an independent Tibet will not be viable. Abanti is pessimistic about the survival of Tibet as a separate (non-state) nation: "No it won't. After two generations, it will be finished. What will continue to exist is the diaspora Tibetans without land".¹¹⁸

Finally, there is an 'optimistic' sound from a Marxist, materialistic perspective. N. Ram, the prominent left-wing journalist, wrote in his lengthy article entitled 'Future Tibet':

Reality check 2007 shows that China is in firm control and 'Tibetan independence' is a hopeless cause [...] Ten years from now, a visitor to Tibet is likely to find it transformed into a region of middling prosperity. It is likely to have quite high living standards; a robust industrial base; modern agriculture and modernizing animal husbandry; a well-educated, relatively young population; a high cultural level; a strong infrastructural spine and network supporting the development of a vast region; and active linkages and contacts with the rest of the world.

Ram speculates that a significant part of 'Tibet in exile' could be back home, participating in shaping this future: 'A quarter century from now, possibly earlier, Tibet will reach the status of a developed society'.¹¹⁹

118) Interview with Abanti Bhattacharya, New Delhi, 14 October 2007.

119) Ram, 'Future Tibet', *Frontline*, vol. 24, no. 14, New Delhi, 14-27 July 2007.

4. The China–Pakistan Axis¹²⁰

Unexpected Allies

China and Pakistan are perhaps the most incongruent allies in the world. China is an atheist, authoritarian, emerging superpower; Pakistan is an Islamic, equally undemocratic, unstable, medium-sized garrison-state that in recent decades has been using Islamism, jihadism and support for terrorism to achieve its goal of becoming the dominant Islamic power in the region. From the very beginning of the Cold War, the United States has been arming and aiding Pakistan as a highly dubious ally against communism and more recently against Islamist terrorism, but Pakistan has used most of the aid for wars against India over Kashmir. India responded to the US–Pakistan alliance with a military pact with the Soviet Union. After the Sino-Soviet split in the early 1960s, and India's defeat by China in the border war in the Himalayas in 1962, China became the real ally of Pakistan. Beijing's evolving geopolitical ambition since its break with Moscow was to use Pakistan as the back door to the Indian Ocean and the Middle East and to prevent India from becoming the dominant power in South Asia. Sino-Indian

120) This chapter is an updated and amended version of a Clingendael Diplomacy Paper by Willem van Kemenade entitled *The Fragile Pakistani State: Ally of the United States and China*, March 2008.

hostility further escalated after another Indo-Pakistani war over Kashmir in 1965 and India's liberation of East Pakistan from (West) Pakistani military repression, leading to the breakup of Pakistan and the creation of Bangladesh. For the first time during the Cold War, the United States and China had been jointly supporting the losing side – the (West) Pakistani military dictatorship – while democratic India and the Soviet Union had supported the Bangladeshi people's war of liberation. From the late 1970s China played a key role in giving Islamabad the 'Islamic nuclear bomb' and ballistic missiles for China's own strategic goal of containing Soviet-allied India. China's supply of nuclear and missile technology to Pakistan was a recurrent acrimonious issue in US–Chinese relations during the 1980s and 1990s, while the US–Pakistani military alliance was moribund.

Times have changed. '9/11' and the need for military action against Osama Bin Laden's al-Qaeda and the Taliban in Afghanistan led to revival of the US–Pakistani military alliance, but after seven years of mixed results Washington still has limited illusions about Pakistan's reliability as an ally in the 'war on terror'. Pakistan has become a chronically unstable, dangerous country, ranking twelfth on the global list of failed states, and Washington's main priority has become to restabilize it by means of forceful intervention in its domestic politics. The latest such intervention, imposing a flawed deal on Pakistan's current military dictator to co-opt former Prime Minister Benazir Bhutto in a new pluralistic democratization process, collapsed after the assassination of Bhutto. Who killed her? Al-Qaeda-linked elements, Pakistan's sinister military intelligence or perhaps Musharraf's own henchmen? It may never be known.

In recent years, the US has switched its priority to India as a strategic and economic partner in the region. Even China no longer has full confidence in Pakistan's Taliban- and terrorism-sponsoring military oligarchy, and no longer supports Pakistan's military objectives against India, especially in Kashmir. Beijing's priority may have become to solve its longstanding border problems with the emerging regional power India and to expand economic ties with it.

Pakistan: Anti-Communist 'Ally' of the US but 'Not Against China'

The Chinese and Pakistanis were preordained to become special friends from the early 1950s onwards, but it took many years before their tentative relationship culminated in a fully fledged alliance and an 'all-weather friendship'. After the bloody partition of the British Indian Empire in 1947 and the communist victory in the Chinese civil war, Pakistan and the People's Republic of China were both isolated countries with powerful enemies and few friends. The religious

foundations of the state of Pakistan were expected to bring it friends among the Muslim countries, but as Javed Burki pointed out:

In 1947 Islamic resurgence was still three decades into the future. Egypt, Turkey and Indonesia, all had their own problems. Afghanistan, the Muslim country with a long border with Pakistan and historical base of the Mughal Conquerors who in the sixteenth century established a Muslim empire in the already heavily Islamicized parts of northern India, coveted some of Pakistan's territory.¹²¹

Pakistan's enemy was India; while the United States was China's. So the vague contours of US-Pakistani friendship were already on the horizon. The problem for Pakistan was that India and China were 'friends' of sorts during most of the 1950s. Pakistan was also on the American side during the Korean War and India was neutral. After the Korean War, US Secretary of State John Foster Dulles was enlisting allies for two anti-communist pacts that should block the expansion of world communism in Asia: the Baghdad Pact, in 1958 renamed the Central Treaty Organization (CENTO); and the South-East Asia Treaty Organization (SEATO). India, although a democracy, rejected any type of military alliance with the West because of its policy of non-alignment and neutralism and its ideology of socialist anti-imperialism. From the American viewpoint, Pakistan was the best second choice: West Pakistan faced the Persian Gulf, Afghanistan and Soviet Central Asia; and East Pakistan (now Bangladesh) faced China and South-East Asia. The problem was that Pakistan, as a Muslim nation, shared the anti-communist goals of the American-led alliances, but only from a religious/ideological, not a political/military viewpoint. Neither the USSR nor China, the two leading communist countries, were any threat or danger to Pakistan. Pakistan's overwhelming concern was to overcome the isolation that India had driven it into and the threat that India posed. Pakistan needed (American) arms against India – not China¹²² – to hold on to the north-western sector of Kashmir that its militias had conquered in 1947. Pakistan was thus from the very beginning only a conditional, limited US ally. Also from the American side, the early alliance was inherently unstable given Congressional conditions on military aid and the increasing US involvement in Vietnam in the 1960s.

121) Shahid Javed Burki, *Pakistan: Fifty Years of Nationhood* (Boulder CO: Westview, 1999), p. 192.

122) This was the reassurance that Pakistani Prime Minister Mohammed Ali Bogra and his successors gave to their Chinese counterpart Zhou Enlai (Chou En-lai) at the Bandung Conference in 1955. See Satyabrat Sinha, 'China in Pakistan's Security Perceptions', in Swaran Singh (ed.), *China-Pakistan Strategic Cooperation: Indian Perspectives* (New Delhi: Manohar, 2007), chapter 4.

India's logical response to Pakistan's military alliances with the United States was to move closer to the Soviet Union. In November 1955, a few months before Soviet leader Nikita Krushchev, to the great annoyance of China's Chairman Mao Zedong, denounced the crimes of Stalin, Krushchev, together with his Prime Minister Nikolai Bulganin, paid a high-profile visit to India, which basically marked the beginning of a (de facto) alliance with non-aligned India against the American military alliances in the region. It was the first crack in the 'world-threatening alliance' of the two communist giants – Soviet Russia and Red China – soon to be followed by further deterioration over Krushchev's policy of 'peaceful coexistence' with the West and issues of Marxist-Leninist ideological purity. The Soviet Union became the supplier of some 70 per cent of India's military hardware until the end of the Cold War in 1991.

The Cold War paradigm was now complete, pitting India and the Soviet Union against China and Pakistan, with the United States trying to figure out what value Pakistan had as an ally. The China-Pakistan relationship was asymmetric and not yet a full alliance. Pakistan had a congenital urge to injure India, but China never undertook to bail it out, when in distress. China was encircled by the US system of military alliances in the east and south-east: South Korea, Japan, Taiwan, Vietnam and SEATO, and it was under a trade embargo. The only back door out was the British Crown Colony of Hong Kong.¹²³

China's geostrategic position deteriorated further after the Sino-Soviet split in the early 1960s, so its link with Pakistan as a back door to the Indian Ocean and the Middle East became a vital foreign policy concern. China in return supported Pakistan's position in Kashmir so as to tie up India in South Asia and to befriend Muslim neighbours of its own Muslim-dominated and turmoil-ridden Xinjiang and the wider West Asian/Middle Eastern Muslim region.¹²⁴ As one historian notes: 'To sacrifice Pakistan would be tantamount to conceding South Asia as India's sphere of influence'.¹²⁵

123) The Chinese communists were unable to take Hong Kong by military means during the final phase of the civil war with the Kuomintang, and during the Korean War they negotiated maintenance of the status quo for practical, among others blockade-busting, purposes. See Willem van Kemenade, *China, Hong Kong, Taiwan, Inc.: The Dynamics of a New Empire* (New York: Knopf, 1997), chapter 2 entitled 'Hong Kong: From British Crown Colony to Special Administrative Region of the PRC'.

124) Singh, *China-Pakistan Strategic Cooperation*, pp. 20 and 45.

125) John W. Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (New Delhi: Oxford University Press, 2001), p. 241.

Growth towards an 'All-Weather, Time-Tested Friendship'

After India's defeat by China in the border war of 1962, neutral India finally adopted an active anti-China policy and became eligible for Western military aid. The Kennedy administration in the United States, together with the British, started shipping arms to India under the condition that they 'not be used against Pakistan, but only against communist China'. Pakistan got nervous that the West was now intent on building India into the main anti-communist bastion in Asia and felt pressured to look for alternative sources of military supplies: China willingly filled the slot. Kennedy's Defense Secretary Robert McNamara warned Pakistan that it should realize that together with India, it was threatened by the same enemy: communist China. Although India received far fewer arms from the Americans and British than it used to get from the Soviets, Pakistan realized that its flow of American arms would be curtailed and that China would be a much more compatible friend. Zulfikar Ali Bhutto, foreign minister under Pakistan's President Ayub Khan since 1963, became the architect of the almost exclusive strategic reorientation of Pakistan towards China. Prominent Pakistani historian Khalid Bin Sayeed describes the US attempt to exchange Pakistan for India as 'America's betrayal'. Meanwhile, Sayeed calls China's behaviour in the eyes of Pakistanis 'politically impeccable', especially when seen in the light of this American betrayal. But Sayeed's formulation illustrates Pakistan's antipathy towards communism, when he states that since Pakistan was surrounded by such hostile neighbours as India, Afghanistan and the USSR, and 'with her friends like the United States and other members of the Commonwealth so far away, what else could Pakistan do except to explore areas of understanding with the communist Chinese?' [italics added].¹²⁶

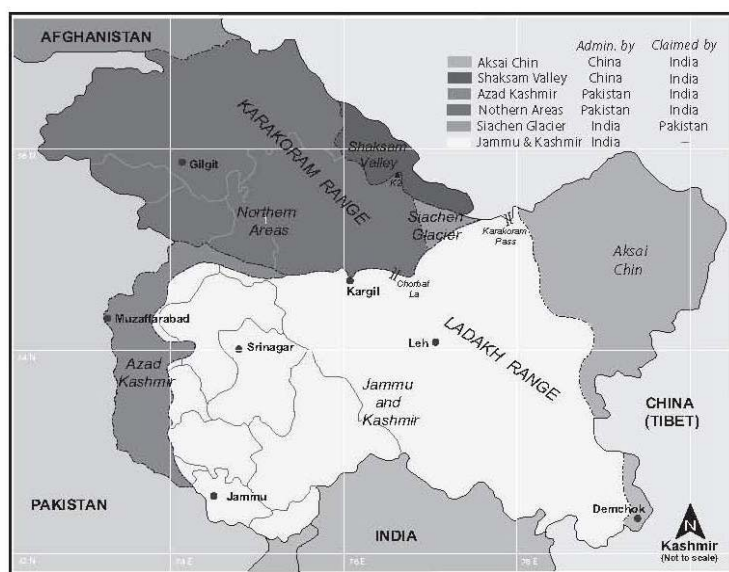
Relations between India and China deteriorated parallel to Sino-Soviet relations during the 1960s and the early 1970s as Sino-Pakistani relations improved. China excluded the Pakistani-controlled northern part of Kashmir from the border dispute with India and, to the great annoyance of India, started negotiations with Pakistan on a – provisional – border settlement, which was concluded in 1963. The Manchu-Chinese empire had spurious historical claims to some of these areas, such as the northernmost part of Pakistani-controlled Kashmir bordering Xinjiang, named Hunza, whose ruler, the Mir, had recognized the Chinese emperor as his suzerain after the Chinese conquest of East Turkestan (Sinkiang, Xinjiang) under Emperor Qian Long (Ch'ien Lung) in 1760.¹²⁷ In the

126) Khalid Bin Sayeed, 'Pakistan's Foreign Policy: An Analysis of Pakistan's Fears and Interests', *Readings in Pakistan's Foreign Policy*, vol. I (Lahore: Progressive Publishers, 1980), p. 53.

127) Peter C. Perdue, *China Marches West: The Qing Conquest of Central Eurasia* (Cambridge MA: Belknap, 2005).

Sino-Pakistani border settlement, China acquired 5,000 square kilometres of Hunza south of the Mintaka Pass, bordering Gilgit. One clause was added: that China, after a settlement of the Kashmir conflict between India and Pakistan, would renegotiate the border with the ‘relevant sovereign authority’.¹²⁸ India responded by downgrading the special status of Kashmir in the Indian Union and putting it on a par with the other union states.

The Indo-Pakistani Wars over Kashmir: 1947



The fragmentation of Kashmir

Kashmir is in some ways to India what Taiwan is to China: a peripheral area with an erratic imperial history, with mostly Muslim rulers until the Sikhs annexed Kashmir in 1820 from their newly established kingdom in Lahore, now Pakistan,

128) 'Boundary Agreement between Pakistan and China, 2 March 1963', Xinhua News Agency, reprinted in G.V. Ambekar and D.V. Divekar (eds), *Documents on China's Relations with South and South-East Asia (1949-1962)* (Bombay: Allied Publishers, 1964).

during the decline of the Mughal Empire. The Sikh ruler Gulab Singh was recognized by the British as a tributary Maharajah by the Treaty of Amritsar in 1846 on payment of 75 Lakh (Rupees 7.5 million). The Qing Emperors Kang Xi and Qian Long had completed Manchu-Chinese control over Tibet in 1720 and Xinjiang in 1760. Now, in the 1840s, this upstart minor ruler Gulab Singh was making inroads into Tibet and Xinjiang, which gave rise to one of the Sino-Indian border disputes, which remains unresolved until the present day. Singh's dynasty ruled Kashmir as the second largest 'princely state' of the British Indian Empire until independence in 1947, when Hari Singh was the reigning Maharajah.

Kashmir combined disparate regions, religions and ethnicities: to the east, Ladakh, an old separate kingdom, was ethnically and culturally Tibetan and its inhabitants practised Buddhism; to the south, Jammu had a mixed population of Hindus, Muslims and Sikhs; in the heavily populated central Kashmir valley, the population was overwhelmingly Sunni Muslim, but there was also a small but influential Hindu minority, the Kashmiri Brahmins or Pandits – of whom Nehru was one. To the north-east, sparsely populated Baltistan had a population ethnically related to Ladakh, but practising Shia Islam; to the north, also sparsely populated, Gilgit Agency was an area of diverse, mostly Shia groups; and, to the west, Punch was Muslim, but of different ethnicity than the Kashmir valley.

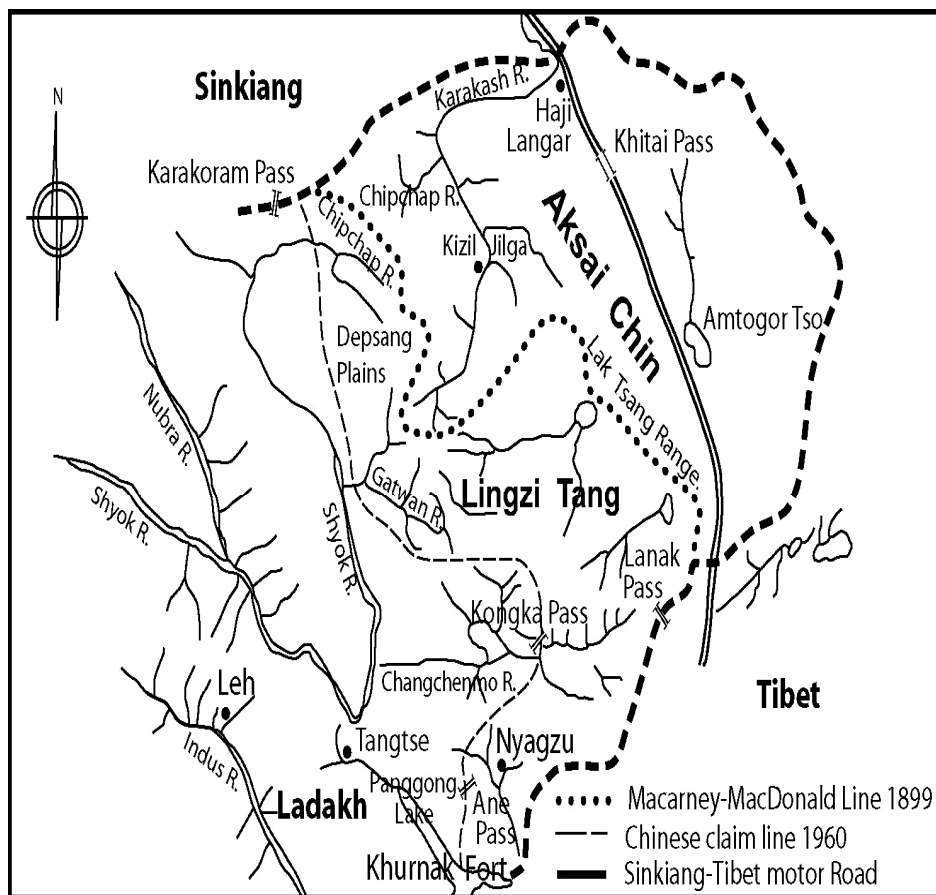
At the conclusion of British rule and the subsequent partition of the British Empire into the newly independent Union of India and the Dominion of Pakistan, both countries had agreed that the rulers of princely states would be given the right to opt for either Pakistan or India or – in special cases – to remain independent. In 1947, Kashmir's population was 77 per cent Muslim and it shared a boundary with Pakistan. For the Pakistani elite, gaining Kashmir was an issue of vital national identity. They claimed a natural right to all Muslim majority areas. Professor Phuntchok Stobdan, himself a Buddhist from Ladakh and adviser of the Indian government on Kashmiri affairs and border security, describes Pakistan's national psychology as: 'We Muslims had ruled over the Hindus for more than 500 years – the Delhi Sultanate and the Mughal Empire – until the British came by mid-seventeenth century. Now the British have left, why shouldn't Muslims rule over Hindus again?'¹²⁹ Indeed, it was anticipated that the (Hindu) Maharaja would accede to Pakistan after the British paramountcy ended on 14–15 August 1947. When the Maharaja hesitated and talks dragged on, Pakistan used tribal guerrillas to frighten the ruler into submission. Instead the Maharaja appealed to the former British Viceroy, now Governor-General, Lord Louis Mountbatten for assistance, which he agreed to on the condition that the ruler accedes to India. Once the Maharaja signed the 'Instrument of Accession', which included a handwritten clause added by Mountbatten, asking that the

129) Interview with Prof. Phuntchok Stobdan, New Delhi, 28 November 2007.

wishes of the Kashmiri people be taken into account, Indian soldiers entered Kashmir and drove the Pakistani-sponsored irregulars from all but a small section of the state. India approached the United Nations Security Council for a ceasefire and to mediate. Indian Prime Minister Jawaharlal Nehru promised a 'Plebiscite under UN supervision' – which was never held, ostensibly because Pakistan refused to withdraw its troops. In the last days of 1948, a ceasefire was agreed under UN auspices; however, since the plebiscite demanded by the UN was never conducted, relations between India and Pakistan soured, and eventually led to two more wars over Kashmir in 1965 and 1999.

The eastern region of the erstwhile princely state of Kashmir has also been beset with a boundary dispute. In the late nineteenth and early twentieth centuries, some boundary agreements were signed between Great Britain, Afghanistan and Russia over the northern borders of Kashmir, but China never accepted these agreements, and the official Chinese position did not change with the communist takeover in 1949. China obviously did not make a stand on the first Indo-Pakistani Kashmir War in 1947, simply because it was in the middle of its own civil war. After 1949 the PRC adopted a neutral stance on Kashmir in the years prior to the breakdown in Sino-Indian relations.

By the mid-1950s the Chinese army had entered the north-east portion of Ladakh. In 1957 the People's Liberation Army completed a military road through the Aksai Chin area to provide better communication between Xinjiang and western Tibet. India's belated discovery of this road led to border clashes between the two countries that culminated in the Sino-Indian war of October 1962. China has occupied Aksai Chin since 1962 and, in addition, an adjoining region, the Trans-Karakoram Tract, was ceded by Pakistan to China in 1965. India controls 101,387 square kilometres of the disputed territory of Kashmir, but the Indian sector includes the most important part – the Kashmir Valley – and this is the real source of the problem. Pakistan holds 85,846 square kilometres and China 42,555 square kilometres.



Aksai Chin, the Northeastern *bulge* of the Ladakh Region of Kashmir. The double line depicts the road that China built in 1954–1957 linking Tibet for the first time with another part of China.

The Second Kashmir War: 1965

The 1965 war started as a series of guerrilla infiltrations into the Indian sector of Kashmir by Pakistani militia in an attempt to stir up a ‘spontaneous’ uprising that would force India into negotiations. When the uprising did not happen, the Pakistanis erroneously banked on the support of their great ally, the United States. India was not able to launch an adequate on-the-spot counter-offensive and instead opened second and third fronts by crossing into West Pakistan and launching major tank- and air-force combat near the cities of Lahore and Hyderabad. While United Nations Secretary-General U Thant was negotiating a

ceasefire, tanks ran out of fuel around Sialkot, and at that moment China intervened diplomatically by summoning the Indian chargé d'affaires (relations had been downgraded) and issued an ultimatum that India dismantle all of the 56 military installations that it had erected at the border between Tibet and Sikkim within three days and that it would cease instantly all incursions across the Sino-Indian and Sino-Sikkimese border, return abducted border residents and stolen cattle and solemnly pledge to abstain from any further hostile actions across the border. At the same time, news was pouring in that China was amassing troops at the border near Sikkim and in Ladakh. Indian Prime Minister Lal Bahadur Shastri denied the Chinese accusations and expressed hope that China would not exploit the current tense situation by attacking India. Chinese Premier Zhou Enlai called on the Pakistani leadership to launch a 'people's war' against the Indian assault on Lahore and charged that 'the Indian reactionaries could not have engaged in such a serious military adventure without the consent and support of the United States'.¹³⁰

The American ambassador in Warsaw, the only place in the world where since 1955 official diplomatic talks between China and the United States were being held, had warned his Chinese colleague that China should stay out of the Indo-Pakistani conflict if it wanted to be safe from American retaliation. India accepted a UN-brokered ceasefire on 22 September 1965, followed by Pakistan. One day later China announced that India had acceded to its demands. In the end, the Americans did not play any significant role, because US President Lyndon Johnson, preoccupied with Vietnam, did not want to spend American resources on Pakistan. It was the Russians who took centre stage by inviting Indian Prime Minister Shastri and Pakistan's President Ayub Khan to Tashkent, capital of the nearby Uzbek Soviet Republic for peace talks, which were chaired by Soviet Premier Alexei Kosygin. The Tashkent Meeting took place in January 1966, but did not achieve more than a declaration on troop withdrawal on 10 January, which was denounced by Beijing as a Soviet ploy to cajole Pakistan to the side of India and Russia against China. Shastri died unexpectedly in Tashkent one day later, which gave the declaration an aureole of sacrosanctity.

Pakistan had not gained anything from the war: it had solidified national unity in India and widened the divisions between West and East Pakistan. Ayub Khan dismissed his pro-China Foreign Minister Zulfikar Ali Bhutto and moved to restore balance in relations with the West, Russia and China. However, China remained the cornerstone of Pakistan's foreign policy because it was the only country that fully identified with its anti-India goals. With Ayub Khan resigning in 1969 and Bhutto as the new president and then prime minister from 1971 until

130) 'Chinese Government Leaders Condemn Indian Expansionism and Aggression against Pakistan', *Peking Review*, no. 38, 17 September 1965.

1977, the pro-China trend was firmly consolidated. What had started as a flirtation was now a lasting relationship.¹³¹ As Pakistan's relations with China intensified, its active participation in CENTO and SEATO lapsed. Throughout the 1960s, US intelligence agencies documented the strengthening of Pakistan's relationship with China in violation of its treaty commitments to the United States.¹³²

In 1969 India became alarmed again about a planned new land link from Kashgar in Xinjiang to Gilgit in the north-east of Kashmir, the so-called Karakoram Highway, at an altitude of 4,877 metres the highest paved road in the world. This was clearly the first stage in China's 'Long March South' to the Indian Ocean. The 1,300 kilometre-long road through the Khunjerab Pass runs through disputed territory that India calls 'Pakistan Occupied Kashmir' (POK) and Pakistan refers to as the 'Northern Areas'. India considered this a new strategic route that should facilitate Chinese intervention in an inevitable new Indo-Pakistani war, be it over Kashmir or over the survival of Pakistan as a geographically anomalous, bipartite country, split by 1,600 kilometres of Indian territory.

The Bangladesh Independence War

It was not only geographical distance that divided West and East Pakistan. It was like a colonial empire, with the West Pakistani elite exploiting the East as a 'predatory foreign ruling class', most recently by imposing the Urdu language on the Bengali-speaking East. Aggravating disparities in economic development and West Pakistani opposition to opening the border between East Pakistan and Indian West Bengal had further deepened the crisis. Elections led to an overwhelming victory of the populist Awami League in the East, winning 167 out of 169 seats. This result even took Awami Leader Sheikh Mujib'ur Rahman by surprise and shocked President Yahya Khan. Mujib'ur's main demand was a federal constitution with equal power-sharing between East and West. He called a general strike, which the Yahya military regime decided to break by brutal military force. Sheikh Mujib'ur Rahman was arrested and flown to a secret location in West Pakistan. Soon, millions of East Pakistanis fled to Indian West Bengal.

On 17 April 1971, a new East Bengali state of Bangladesh was proclaimed, which India welcomed, but which West Pakistan was ready to crush if necessary

131) Sinha, 'China in Pakistan's Security Perceptions', p. 88.

132) Declassified internal CIA report dated 21 July 1995 detailing US policy problems with Pakistan, available online at <http://www.gwu/nasarchive/NSABB/NSAEBB114/chipak-1.pdf>.

by indiscriminate army violence against civilians. Confronted with an ever-escalating flow of refugees and pressed by West Bengali public opinion to support their East Bengali brethren and to recognize Bangladesh diplomatically, the Indian government, led by Indira Gandhi, had no alternative but to intervene. But since the self-proclaimed Bangladeshi government did not control any substantial chunk of territory, the basis for this in international law was shaky. The conflict was legally Pakistan's internal affair and large-scale interference by India could lead to a major war with the risk of Chinese intervention.

It is noteworthy that the Soviet Union was the only power that acted in a principled and consistent way in this particular conflict. Since its mediation in Tashkent, Moscow had kept close contact with Islamabad without alienating New Delhi, and during the new crisis it urged the Pakistani military to stop immediately its bloody repression in the East and to negotiate peacefully with representatives of the East Pakistani people.

The United States, meanwhile, took the contradictory line of condemning India, while sending aid for an estimated 10 million East Bengali refugees, and at the same time continuing arms supplies to West Pakistan's military dictatorship so as to keep the dialogue going and to exercise some influence on the regime in Islamabad. 'We were in the process of trying to convince the Chinese that we were worthy friends, who stood by their ally' said Walter Andersen, a former US State Department South Asia specialist, now Associate Director for South Asia Studies at the Paul Nitze School of Advanced International Studies of Johns Hopkins University in Washington DC.¹³³ Credibility with China was suddenly an important consideration, because American diplomats were busy preparing President Nixon's historical visit to China in February 1972.

China faced the same dilemma as the Americans. It had the option of supporting a national liberation movement with strong radical leftist elements against neo-imperialism by fellow Asians. However, it opted for traditional state interests and identified completely with West Pakistan's military regime, while scolding India as 'reactionary expansionists' and – referring to Czechoslovakia in 1968 – the Soviet Union as 'shameless hypocrites'.

The Nixon administration's policy of ignoring large-scale Pakistani atrocities was based on fear that India, after eliminating Pakistani rule in East Bengal, would invade West Pakistan, install a pro-Indian/pro-Soviet regime there and thus severely damage American and Chinese interests and pave the way for full Soviet domination of South Asia. Nixon and Kissinger not only dismissed Indian and international concerns about Pakistani genocide in the East, they also ignored what went down in the annals of diplomatic history as perhaps the most strongly worded protest of a diplomat against the indefensible behaviour of his own

133) Interview with Dr Andersen, Washington DC, 1 February 2008.

government. US Consul-General in Dhaka Archer Blood protested in April 1971 in a diplomatic telegram:

Our government has failed to denounce the suppression of democracy. Our government has failed to denounce atrocities. Our government has failed to take forceful measures to protect its citizens while at the same time bending over backwards to placate the West Pakistan-dominated government and to lessen any deservedly negative international public relations impact against them. Our government has evidenced what many will consider moral bankruptcy [...] But we have chosen not to intervene, even morally, on the grounds that the Awami conflict, in which unfortunately the overworked term genocide is applicable, is purely an internal matter of a sovereign state. Private Americans have expressed disgust. We, as professional civil servants, express our dissent with current policy and fervently hope that our true and lasting interests here can be defined and our policies redirected.¹³⁴

There was another, more immediate, reason for the United States to refrain from taking a critical attitude towards Pakistani abuses in the East. In April 1971 'ping-pong diplomacy' had started between the United States and China, and Henry Kissinger's secret July 1971 visit to China was being prepared through Pakistani channels. President Richard Nixon's opening to China was – in part – a ploy to end the doomed Vietnam War without admitting defeat.

India's concern, prior to the war in East Pakistan, was to hedge against Chinese intervention. India and the Soviet Union thus decided to make a counter-move against what was perceived as an emerging US–China–Pakistani triangle. On 9 August 1971 India's Foreign Secretary Swaran Singh signed a Treaty of Peace, Friendship and Cooperation, a nice euphemism for a military pact, with his Soviet colleague Andrei Gromyko. The diplomatic prelude to war had now clearly started. Prime Minister Indira Gandhi travelled to Moscow first, then to the major European capitals and finally to Washington.¹³⁵ The Europeans told Gandhi that they would make a last effort to persuade Pakistan's President Yahya Khan to release Sheikh Mujib'ur Rahman from incarceration; and the Americans on 8 November 1971 pledged to cut off arms' supplies to the

134) US Consulate (Dacca) Cable, 'Dissent from US Policy toward East Pakistan', 6 April 1971, Confidential, 5 pp, includes signatures from the US Department of State. Source: RG 59, SN 70-73 Pol and Def. From: Pol Pak-US To: Pol 17-1 Box 2535.

135) Nixon and Kissinger intensely disliked Indira Gandhi. According to documents that were declassified in 2005, they were deeply angered over her closeness to the Soviet Union. During the run-up to the war Kissinger said 'the Indians are bastards anyway'. Nixon added: 'We really slobbered over the old witch [...] The Pakistanis are straightforward and sometimes extremely stupid. The Indians are more devious, sometimes so smart that we fall for their line'. See the US National Security Archive at <http://www.gwu.edu/~nsarchiv/news/20050629/index.htm>.

Pakistanis. Bhutto, reappointed as foreign minister, visited Beijing from 5–8 November 1971 to seek ‘reassurance’. Behind the scenes, the Chinese tried to persuade the Pakistanis to make a settlement with the leaders of East Pakistan, but in vain.¹³⁶ The Chinese were non-committal, but what they did offer the public was a bewildering outburst of Orwellian doublespeak. They lamented that the Indians had done the same thing to China (in Tibet) as they were now doing to Pakistan in the East:

They fomented a rebellion in the Tibet Region of our country and engaged in all kinds of subversive activities. When the rebellion was crushed by the Chinese people, they [the Indian reactionaries] coerced tens of thousands of Chinese [Tibetan] residents to their country, thus fabricating the question of the so-called ‘Tibetan refugees’.¹³⁷

Full-scale war between the armed forces of India’s 980,000 troops and Pakistan’s 392,000 started on two fronts on 3 December 1971, with a massive Indian air campaign against all airports and bases in East Pakistan, destroying all of the aeroplanes that were grounded. The Pakistanis attacked in Kashmir and in the Indian Punjab, where they made some gains, but these were unsustainable after India took Dhaka, the Bangladeshi capital, on 13 December. The Pakistani commander, General A.A. Khan Niazi had vowed to fight until the last man, but on 16 December 1971 he surrendered to his Indian counterpart, General Jagjit Singh Aurora. The Chinese had, as usual, refrained from any activity on any front.

The war had been simultaneously conducted at the United Nations, where a Chinese ambassador had just two months before taken the seat that had been occupied by Chiang Kai-shek’s representative until October 1971.

On the second day of the war on 4 December 1971, the Russian ambassador to the UN, Jacob Malik, submitted a draft resolution in which Pakistan was ordered to find a political settlement within Pakistan that should lead to a ceasefire. Malik also proposed inviting a representative of Bangladesh to the United Nations’ session. The draft was immediately vetoed by China: the first Chinese veto. The Chinese ambassador, Huang Hua, engaged in mind-boggling rhetoric and wondered whether India would now use the presence of Tibetan ‘counter-revolutionary refugees’ in India as a pretext for aggression against China. He extended this logic even to the Soviet Union and asked his Soviet counterpart:

136) Wang Taiping, *PRC’s Diplomatic History 1970-1978* (Beijing: World Knowledge Publishers, 1999), p. 110 (in Chinese).

137) *Peking Review*, 12 November 1971.

Is the Soviet Union going to use the tens of thousands of Chinese citizens, which it abducted by force from China's Xinjiang in 1962 and of whom it uses some for anti-China subversive activities, as a pretext for aggression against China? And are you going to use this kind of people in the United Nations to justify your aggression and subversion?¹³⁸

Huang was referring to Muslim Uygur people who had escaped the famine in China, caused by Mao Zedong's Great Leap Forward in 1959, and had fled to Kazakhstan during the following years. During a third debate Huang Hua went as far as comparing Bangladesh with Manchukuo and the government of Bangladesh with a Quisling clique.

When the defeat of Pakistan was imminent, President Nixon sent the nuclear-powered aircraft carrier Enterprise to the Bay of Bengal, not as long has been assumed to intimidate India, but according to Walter Andersen:

[...] again to show China that we were steadfast in our support to Pakistan, an ally of both China and the United States. In fact fighting had ended before the Enterprise entered the Indian Ocean. The American nuclear carrier was faced by the Indian light aircraft carrier Vikrant. The Soviet Navy sent two task forces from Vladivostok including nuclear submarines, which trailed the American carrier group at a distance of a few hundred miles. It was all show.¹³⁹

The US Navy backed off after the Pakistani surrender in the East when India refrained from a new campaign for the dismemberment of West Pakistan. American policy was deeply flawed and led to a freeze in US-India relations until the end of the Cold War. The architect of the failed policy was no less than Dr Kissinger.¹⁴⁰

An official statement of the Chinese government in Beijing on 16 December 1971 took a more serious line than the outbursts of its UN ambassador. It asked the question: if the Indian government was so concerned about the national aspirations of the people of East Pakistan, why was it so indifferent about the national aspirations of the people of Kashmir? US proposals were vetoed by the Russians and Russian proposals were vetoed by China. It was a novel spectacle in world politics: the United States, for the first time, inadvertently found itself in partnership with China in condemning Soviet expansionism and its client-state India, and conniving at Pakistan's indiscriminate terror against the civilian people of East Pakistan (Bangladesh). On 16 December 1971, the day of the Pakistani

138) *Peking Review*, 10 December 1971.

139) Interview with Walter Andersen, 1 February 2008.

140) Jussi M. Hanhineaki, *The Flawed Architect: Henry Kissinger and American Foreign Policy* (Oxford: Oxford University Press, 2004), p. 156.

surrender, China accused India of new border violations near Sikkim in the North-East Frontier Agency (NEFA – in 1985 renamed Arunachal Pradesh) and demanded that India immediately cease its incursions. What the Chinese wanted to achieve with this diversion was unclear, because it was too late to have any impact. Bangladesh was a *fait accompli*. Pakistan as a pair of pincers around the Indian subcontinent had ceased to exist. The third and thus far most important military phase of the Indo-Pakistani conflict had ended with far less potent input from China than India had feared and Pakistan had hoped. According to Andersen, the Indians had not taken China's posturing and its diplomatic harangues at all seriously. The Indo-Soviet Treaty and possible Soviet military build-up on the Chinese north-eastern and Central Asian borders were enough deterrent for the Chinese not to get involved in the war militarily. It later transpired that Kissinger had met with the new Chinese UN ambassador Huang Hua on 10 December 1971, who assured him that China would continue fighting in support of Pakistan as long as it had a rifle in its armoury, but apart from supplying arms it did nothing. A few months later, Zhou Enlai complained to the visiting Nixon and Kissinger in Beijing that Pakistan's military ruler, General Yahya Khan, did not really lead his troops in East Pakistan. Peking's central goal had not been that Pakistan remained united, but that West Pakistan remained independent of India and friendly towards China.¹⁴¹ After the conflict, Chinese civilian and military aid to Pakistan increased in leaps and bounds. For instance, Pakistan reportedly received nearly one-third of its arms from abroad from the PRC in the period from 1966–1980, amounting to approximately US\$ 1.5 billion.¹⁴²

US–China détente after the Kissinger and Nixon visits to Beijing in 1971–1972 had a multiple impact on the China–Pakistan axis. It relaxed the American encirclement of China, reduced China's apprehension about the India–Soviet alliance and encouraged it to have a broader view of South Asia than the one through Pakistani lenses. Until the Bangladesh Independence War, China had been the main backer – with Pakistan – of the right to self-determination for the Kashmiri people. However, in July 1972 the Simla Agreement was signed by Indian Prime Minister Indira Gandhi and Pakistani President Zulfikar Ali Bhutto, binding the two countries 'to settle their differences by peaceful means through bilateral negotiations'. It also cemented the Line of Control as something close to a permanent border. The agreement has been the basis of all subsequent bilateral talks between India and Pakistan, and equally important to all Chinese official pronouncements on the conflict.

141) Sinha, 'China in Pakistan's Security Perceptions', p. 91.

142) Srikanth Kondapalli, 'Pakistan in China's Security Perceptions', in Swaran Singh (ed.), *China-Pakistan Strategic Cooperation: Indian Perspectives* (New Delhi: Manohar, 2007), pp. 53-73.

China Helps Pakistan to Develop Nuclear Weapons

Zulfikar Ali Bhutto made the first request to China to help Pakistan to develop nuclear weapon capabilities to match India's budding programme when he was foreign minister in 1965, but China at that time was non-committal. In 1976 he urged the Chinese again to oblige, and this time they agreed to supply Pakistan with blueprints for a fission weapon around or before 1983.¹⁴³ Pakistan had been the most loyal and consistent supporter of China in the international arena on all issues: the United Nations; Taiwan; Tibet; human rights; etc.¹⁴⁴ Strategic factors that led China to change its position were the amputation of East Pakistan by India's intervention in the Bangladesh Independence War in 1971 and India's first nuclear test in 1974. China was not the first and only foreign contributor. The first illicit supplier of nuclear technology came from the Netherlands in the form of the theft of nuclear blueprints by A.Q. Khan, who was to emerge as the father of Pakistan's nuclear bomb. Indirect support came from Saudi Arabia, North Korea, Syria and the United States.¹⁴⁵

China joined the International Atomic Energy Agency (IAEA) in 1984. China supplied M-11 missiles to Pakistan and maintained that this was within the Missile Technology Control Regime. In 1986, China concluded a comprehensive nuclear cooperation agreement with Pakistan. Chinese scientists began assisting Pakistan with the enrichment of weapons' grade uranium, and China reportedly also transferred tritium gas to Pakistan, which could be used to achieve fusion in hydrogen bombs and boost the yield of atomic bombs. Pakistan had been under threat of far-reaching US sanctions since the so-called 'Pressler Amendment' was adopted in 1985, which banned military aid to Pakistan unless the US President could certify that Pakistan neither possessed nuclear weapons nor was trying to develop them. Pakistan could manipulate its relationship with the United States as an indispensable ally as long as the Cold War prevailed. The US withheld

143) In 1977, after being deposed in a military *coup* by General Zia Ul-Haq, Bhutto addressed posterity in the following words from his death cell in a Rawalpindi prison, where he would be hanged two years later: 'We know that Israel and South Africa have full nuclear capability. The Christian, Jewish and Hindu civilizations have this capability. The communist powers also possess it. Only the Islamic civilization was without it, but that position was about to change'. Quoted in Brahma Chellaney, *Asian Juggernaut: The Rise of China, India and Japan* (New Delhi: Harper Collins, 2007), p. 51.

144) Arpit Rajain, 'Proliferation Concerns: An Overview', in Swaran Singh (ed.), *China-Pakistan Strategic Cooperation: Indian Perspectives* (New Delhi: Manohar, 2007), chapter 7.

145) Robert Einhorn, 'China and Non-Proliferation', *The National Interest*, 2 April 2003, available online at <http://www.inthenationalinterest.com/Articles/Vol2Issue13einhorn.html>.

military equipment from Pakistan that was contracted prior to 1990, worth about US\$ 1.2 billion, even though Pakistan had paid for this. The end of the Cold War brought further cuts, and in summer 1993 additional sanctions were imposed under the MTCR (Missile Technology Control Regime) for allegedly receiving missile technology from China.¹⁴⁶ The United States also had so much evidence of Chinese assistance to the Pakistani nuclear programme that it imposed sanctions on China in 1991, but these were already partially lifted in 1993.

France joined the Nuclear Non-Proliferation Treaty (NPT) in 1991, and China followed suit in 1992, but continued to criticize the discriminatory nature of the Treaty and reiterated that it did not view non-proliferation as an end in itself, but rather as a means to the ultimate objective of the complete prohibition and destruction of nuclear weapons. In 1992 China also agreed to abide by the MTCR. Nevertheless, Chinese supplies of missiles and nuclear materials, including M-11 and M-9 missiles, surface-to-air missiles (SAM) and highly enriched uranium (HEU) continued all through the 1990s.¹⁴⁷

Even after acceding to the NPT, China continued to assist illicit nuclear weapons' programmes, for instance in addition to supplying Algeria with a plutonium-production reactor, China has supplied Iraq with lithium hydride, in violation of the international embargo on Iraq; Iran with a research reactor and a calutron, a technology that can be used to enrich uranium to weapons' grade; and Pakistan with tritium and specialized ring magnets, used in Pakistan's uranium enrichment programme.

The United States and China had a non-stop showdown over China's nuclear arming of Pakistan throughout the 1980s and 1990s. US policy was aimed at preventing Pakistan from acquiring nuclear weapons' capability by threatening to cut off economic and conventional military aid and imposing sanctions. Once it joined the NPT in 1992, China observed its legal obligations but continued to oppose restrictions on nuclear transfers and assistance under the name of non-proliferation. While direct Chinese assistance in Pakistan's nuclear weapons' programme has ended and the scope of nuclear technology transfers also narrowed, activities that could contribute indirectly to Pakistan's nuclear weapons' programme have continued.¹⁴⁸ The US 2003 Noncompliance Report, submitted to Congress, charged that: 'Chinese state-owned corporations have engaged in transfer activities with Pakistan, Iran, North Korea and Libya that are clearly contrary to China's commitments to the United States'.¹⁴⁹

146) Maleeha Lodhi, 'The Pakistan-US Relationship', available online at <http://www.defencejournal.com/april98/pakistanus.htm>.

147) Rajain, 'Proliferation Concerns', p. 141.

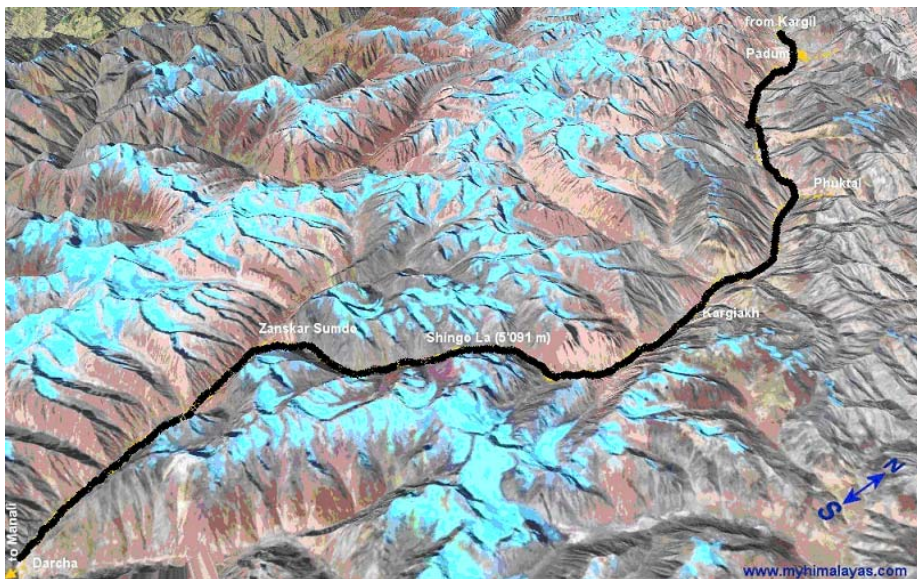
148) Rajain, 'Proliferation Concerns', pp. 142-154.

149) US Department of State, *US 2003 Noncompliance Report*, available online at <http://www.state.gov/t/vc/rls/rm/24518.htm>.

The Third Kashmir War: Kargil, 1999

Although free of war for the 28 years since the Bangladesh Independence War in 1971, Pakistan remained a deformed country, single-mindedly obsessed with only one issue: Kashmir, with India in the background. Since it had been clear for decades that its conventional armed forces were too small to be a match for India and that no outside power would support Pakistan militarily against India, the Islamist faction of Pakistan's military establishment and its notorious intelligence service – Inter-Services Intelligence (ISI) – had been practising 'Talibanization' – that is, giving fundamentalist Muslim boys, who only received some minimal education in Koran schools, military training and unleashing them on Indian targets, whether the parliaments in Delhi and Srinagar in 2001 or any non-military target or mountainous areas in Kashmir. Another option since the successful nuclear tests of 1998 was to play the nuclear card and threaten with the bomb, nothing less! That is exactly what happened in 1999: a reckless militia operation, planned and remote-controlled, according to many sources, by the Chief-of-Staff, General Pervez Musharraf himself, half a year before he launched the coup that made him Pakistan's newest military dictator.

In February 1999, Indian Prime Minister Atal Behari Vajpayee travelled by bus to Lahore to meet his Pakistani counterpart, Nawaz Sharif. They spoke about increasing trade, simplifying the visa regime and Kashmir, of course, but no progress was made on the political stalemate. But as long as they talked, everybody considered it a good sign and this measured optimism was called the 'Spirit of Lahore'. Then three months later, hundreds of Pakistani army regulars, disguised as Kashmiri insurgents, infiltrated the Kargil district of Kashmir. The idea was to occupy the mountain tops that overlooked the highway from the state capital of Srinagar to Leh, the district capital of Ladakh. The Pakistani generals apparently believed that the nuclear shield provided protection, inhibiting the Indians from repulsing the intruders. Indian artillery soon started bombarding the enemy positions while fighter planes screamed overhead with rattling heavy machine guns and foot soldiers hauled themselves laboriously up the perpendicular slopes for man-to-man combat. Dozens of peaks, each with nests of machine guns, had to be recaptured one by one. It took the Indians almost two months to clear the mountains of an estimated 5,000 insurgents, some of them Kashmiris but most of them Pathans from Pakistan. On the Indian side there were over 500 dead; on the Pakistani side close to 4,000.



Source: <http://www.myhimalayas.com>

Pakistan's Prime Minister Nawaz Sharif alleged that he was only informed of the conflict by the generals when the fighting was in full swing. The US administration was alarmed by the fighting and the danger that it would escalate into a regional war, with China and Saudi Arabia – the great global financier of Islamicization – supporting the Pakistanis and India turning to its old ally Russia and perhaps its new one Israel! US President Clinton sent Tony Zinni, the marine-general in charge of Central Command, to Islamabad to demand an immediate pullback from Sharif and Musharraf. When they did not comply, Clinton threatened to freeze an IMF credit of US\$ 100 million. Sharif then rushed to Beijing to get comfort from Pakistan's staunchest ally, but he got nothing.¹⁵⁰ By the end of June 1999, the Pakistani generals realized that their invasion had just been another ill-conceived military adventure that had produced nothing positive and not at all the American support for which they had hoped. The generals felt stabbed in the back by the civilians for making them believe that they were successfully bleeding India. Sharif made a telephone call to US President Bill Clinton on 2 July 1999, begging for his personal intervention. Clinton told Sharif in very strong terms that he would only get involved if Pakistan withdrew immediately and unconditionally from Kargil, a demand that Clinton himself simultaneously conveyed to Indian Prime Minister Vajpayee. The

150) Strobe Talbott, *Engaging India: Diplomacy, Democracy and the Bomb* (Washington DC: Brookings Institution, 2004), pp. 157 and 159.

next day Sharif called the President to inform him that he was on his way to Washington. Clinton did not instantly shrug him off, so as not to make a bad situation worse. Sharif was bringing his wife and children with him, causing the White House to wonder whether he was coming to seek an end to a crisis or for protection against a coup d'état and political asylum.¹⁵¹ What Sharif wanted was a ceasefire, followed by a 'Kashmir Peace Process', similar to the one for the Middle East that Clinton was chairing at that moment. According to US intelligence, Pakistan might on the eve of Sharif's arrival be preparing its nuclear forces for deployment. The assessment was that a missile crisis worse than Cuba in 1962 could be in the making.¹⁵² In the end Sharif had to settle for a promise that Clinton would take a personal interest in encouraging an expeditious resumption and intensification of the bilateral efforts (that is, the Spirit of Lahore) once the sanctity of the Line of Control had been fully restored. The Indian government was satisfied that Pakistan had been denied any benefit from its aggression and considered President Clinton's performance during the Kargil crisis the prelude towards a new era in US-India relations.

Sharif had paid a crippling price for yielding to Clinton in Washington. Back in Islamabad, he untruthfully stated publicly that he had not been briefed by the generals on Kargil, admitting both his weakness and the military's command over civilians rather than the other way. Soon afterwards, Sharif provoked his own downfall when he ordered the airport to refuse landing rights for an airplane with General Musharraf upon returning from an overseas trip. The army rebelled and deposed Sharif, who was sentenced to death for attempted murder (on the grounds that the plane could have crashed), thus ending another brief flirtation with parliamentary democracy. Under American pressure, Musharraf, however, lifted the death sentence on Sharif and his brother fourteen months later and allowed them to go into exile in Saudi Arabia.¹⁵³

China had started moving away from blind support for Pakistan on the issue of Kashmir after Indian Prime Minister Indira Gandhi and Pakistan's President Zulfikar Ali Bhutto signed the Simla Agreement in 1972, binding the two countries 'to settle their differences by peaceful means through bilateral negotiations'. The Agreement also cemented the Line of Control as something close to a permanent border. The Agreement has been the basis of all Chinese official pronouncements on the conflict.

When Indian Foreign Minister Atal Behari Vajpayee visited China to have his first look at post-Mao China after seventeen years of a freeze in relations (from 1962-1979), he discovered that the Kashmir issue had become an irritant in

151) Talbott, *Engaging India*, p. 161.

152) Talbott, *Engaging India*, p. 167.

153) Talbott, *Engaging India*, p. 178.

Sino-Pakistani relations that had to be addressed. As young Uygurs from Xinjiang went to Pakistan in the 1980s for military training to fight the Soviets in Afghanistan, a worrisome dimension was added to China's close relationship with Pakistan. After the Taliban seized power in Afghanistan in the mid-1990s with the full backing of Pakistan's military, China became apprehensive about Pakistan becoming a catalyst for an Islamic revival in its troubled Xinjiang region. A PRC circular of late 1999 (the same year as the Kargil War) expressed the belief that there was a strong reason to suspect that Uygur separatists received help from abroad. Explosives used by separatists in Xinjiang had Chinese markings. They were exported to Pakistan, re-exported to Afghanistan and then found their way back to terrorists in China.¹⁵⁴ The worst 'blowback' of China's decades-long build-up of Pakistan as a military and nuclear power would be if Pakistan's Islamist terrorism-sponsoring generals used nuclear weapons in Kashmir. Pakistan's military's intelligence agency, ISI, has for twenty years run a proxy war in Kashmir aimed at forcing New Delhi to amass troops in the disputed valley. If diplomatic pressure failed to resolve the Kashmir question, the ISI reasoned, Islamabad would have the option of launching a nuclear first strike that would take out half of the Indian army in one hit. Leaving the area uninhabitable for generations underlined the ISI's Kashmir strategy: if we cannot have it, neither can you.¹⁵⁵

154) Sinha, 'China in Pakistan's Security Perceptions'.

155) Mansoor Ijaz, 'Defusing the Nuclear Time-Bomb', *Financial Times*, 9 June 2002.

China's Ballistic Missile Technology Transfers to Pakistan

The Taiwan Factor in the China-Pakistani Nuclear and Missile Links

China has linked its nuclear proliferation, both for Pakistan's bomb and its supply of ballistic missiles, to the United States' long-time violations of US-China agreements in 1979 and 1981 on the reduction and eventual phasing out of arms' sales to Taiwan. According to the Washington Post, the Chinese calculus was 'to blackmail [sic!] the US into curbing arms' sales to Taiwan'.

Pakistan's security establishment was early to realize the strategic importance of ballistic missiles. In February 1989, a few months before India tested its Agni missiles, Pakistan announced the testing of two types of missiles named Hatf, meaning 'deadly and used for the sword of the Holy Prophet'. Work on the Hatf was started in 1974 when Bhutto was prime minister.¹⁵⁶ However, Pakistan needed technological improvements and North Korea and China became the suppliers. Much of China's early role in Pakistan's missile development was conjecture. US intelligence disclosed in 1990 that China's involvement in nuclear and missile proliferation is at least five times greater than what was estimated before. China used its missile relationship with Pakistan as a bargaining chip with the United States. A case in point: a 1992 US decision to sell 150 F-16 fighters to Taiwan – in violation of bilateral communiqués¹⁵⁷ – led China to withdraw from

156) Rajiv Nayan, 'Ballistic Missile Technology Transfers', in Swaran Singh (ed.), *China-Pakistan Strategic Cooperation: Indian Perspectives* (New Delhi: Manohar, 2007), chapter 9.

157) The Three Communiqués are three joint policy statements made by the governments of the United States and the People's Republic of China. The communiqués played a crucial role in the normalization of relations between the US and the PRC and continue to be an essential element in the current dialogue between the two countries. The first communiqué (28 February 1972), known as the Shanghai Communiqué, summarizes the landmark dialogue begun by President Richard Nixon and Premier Zhou Enlai during February 1972. Most important is the Taiwan issue. Essentially, both sides agreed to respect each other's national sovereignty and territorial integrity. The United States formally recognized the desire of all Chinese for a unified and undivided China. The second communiqué (1 January 1979), the Joint Communiqué on the Establishment of Diplomatic Relations, formally announces the commencement of normal relations between the United States and the People's Republic of China. In so doing, the United States recognized that the government of the People's Republic of China was the sole legal government of China. In addition, the US government declared that it would end formal political relations with the government of the Republic of China on Taiwan while preserving economic and cultural ties 'with the people of Taiwan'. In the third and final communiqué (17 August 1982) both sides also reaffirmed the statements made about the Taiwan issue in previous communiqués and the United States pledged to reduce gradually arms sales to Taiwan and eventually to terminate them without being specific.

See http://usinfo.state.gov/eap/east_asia_pacific/china/china_communiques.html.

P-5 talks on conventional arms' transfers.¹⁵⁸ Later in 1992, there were reports of the transfer of 34 complete M-11 systems to Pakistan. This was followed by MTCR-related sanctions on China by the US, a step that was denounced by China and that prompted Beijing to threaten reneging from its promise to observe MTCR.¹⁵⁹ In 1994 US agencies found that Chinese technicians were travelling to Pakistan to activate the transferred M-11 missiles. This involved completion of the missile facilities and training of military personnel. A six-monthly report of the CIA noted how Chinese entities continued to work with Pakistan and Iran on ballistic missile-related projects during the first half of 2003. Chinese entity assistance has helped Pakistan to move towards domestic serial production of solid propellant short-range ballistic missiles (SRBMs) and has supported Pakistan's development of solid propellant medium-range ballistic missiles (MRBMs). Pakistan's elite came to realize that it was futile to persist in developing indigenous missiles and admitted that the Hatf series had failed. It was replaced by the Chinese M-series. The Pakistani Shaheen series has also become Chinese M-9, M-11 and M-18 types. Pakistan relies on ballistic missiles to deliver its nuclear warheads because its air force has not developed adequately. A long period of sanctions has left the Pakistani aircraft industry quite crippled and truncated.¹⁶⁰ It has been struggling with F-16 supplies for more than a decade. Poor economic performance has prevented the Pakistan Air Force from undertaking major fleet expansion and modernization efforts by making the switch from US to European and Russian suppliers. Although India has a superior air force, it has no adequate defences at present against Pakistani ballistic missiles, but is catching up very fast. Pakistan has been using its deterrence to blackmail India. Pakistan has been supporting terrorism in India and any corrective measure by India threatens to turn into a nuclear battleground.

While India and Pakistan were once again teetering on the brink of war, after Pakistani-backed terrorists earlier in May 2002 had killed 32 civilians, mostly wives and children of soldiers in Kashmir, Munir Akram, Pakistan's ambassador to the United Nations threatened to use nuclear weapons against India on 30 May 2002. He defended Pakistan's refusal to commit to a nuclear no-first-use policy. Pakistan has small conventional forces compared to India, Akram said the day after presenting his credential to the UN Secretary-General. 'We have to rely

158) See <http://cns.miis.edu/research/india/china/mpakpos.htm>.

159) Aparna Kher, 'Pakistan in China's Arms Trade', in Swaran Singh (ed.), *China-Pakistan Strategic Cooperation: Indian Perspectives* (New Delhi: Manohar, 2007), chapter 16, p. 317.

160) The first two sets of sanctions relate to Pakistan's development and testing of nuclear weapons. The third set of sanctions was in response to the seizure of power by General Musharraf in 1999 and the ending of a 'corrupt' democracy, which he said was leading the nation to ruin. See Najam Sethi, 'Pakistan Faces a Historic Crossroads', *International Herald Tribune*, 24 September 2001.

on our means to deter Indian aggression. We have those means, and we will not neutralize them by any doctrine of no first use', he said.¹⁶¹

China has linked its nuclear proliferation, both for Pakistan's bomb and its supply of ballistic missiles, to the United States' long-time violations of US-China agreements in 1979 and 1981 on reduction and eventual phasing out of arms' sales to Taiwan. According to *The Washington Post*, the Chinese calculus was 'to blackmail the US into curbing arms' sales to Taiwan'.¹⁶² After '9/11', China became aware that Pakistan is seen more as the problem in the two most contentious issues – terrorism and proliferation of weapons of mass destruction (WMD) – than as a solution, and its 'strategic partnership' with Pakistan at the old level had become untenable. On Kashmir, which is Pakistan's chief strategic concern in South Asia, China has distanced itself from the Pakistani position. Pakistan can therefore no longer ride on China's strategic coat-tails in regional economic interactions in Central and West Asia, although China has been more than willing to use Pakistan's goodwill in the Islamic world to facilitate its economic concerns in the area.¹⁶³ China's observer status at the ineffective South Asia Association for Regional Cooperation (SAARC) is also a sign of China's encroachment into India's backyard. China continues to assist Pakistan in augmenting its military with the joint development of the F-22P frigate and JF-17 Thunder fighter.¹⁶⁴

***The Sino-Pakistan Friendship 'Karakoram Highway'*¹⁶⁵**

The grandest geostrategic scheme in Asia and perhaps the world is the 'Karakoram Highway' from China's Muslim Far West through the Himalayas into Pakistan, all the way to the Arabian Sea and the wider Indian Ocean. China's 'grand strategy' is to become the second 'two Ocean country' in the world after the United States. It only has a coastline on the Pacific Ocean but is methodically working towards the grand goal of building back doors towards the Indian Ocean

161) 'Defiant Pakistan Threatens Nuclear Use', Press Trust of India, 30 May 2002, in *Lexis-Nexis Academic Universe*, 30 May 2002, available online at <http://web.lexis-nexis.com>. See also David E. Sanger, 'Bush Intervenes in Effort to Stop a Kashmir War', *The New York Times*, 6 June 2002.

162) *The Washington Post*, 14 July 2000.

163) Madhu Bhalla, 'Geopolitics of Economic Relations', in Swaran Singh (ed.), *China-Pakistan Strategic Cooperation: Indian Perspectives* (New Delhi: Manohar, 2007), p. 258.

164) Chietij Bajpae, 'India Held Back by Wall of Instability', *Asia Times Online*, 1 June 2006.

165) 'Karakoram' is a Turkish word meaning 'black gravel', probably for the blackish rubble that covers the glaciers in the range.

through Burma and Pakistan and perhaps a third outlet through Assam and Bangladesh.¹⁶⁶

During the 1950s, Pakistan was as worried about China's demands vis-à-vis the disputed border as India was. China demanded 5,000 square kilometres of territory in Hunza in the far north of Kashmir on the border with the Chinese Muslim region of Xinjiang. In 1960, Pakistan's President Field Marshal Ayub Khan was still appealing to India to join together in common defence against the outsider, China. Referring to British colonialism, he even said:

I feel we should have a good chance of preventing a recurrence of history, which was that whenever the subcontinent was divided – which was often – someone or the other invited the outsider to step in.¹⁶⁷

India linked Ayub Khan's proposal completely with progress on Kashmir and rejected it. Work on the Karakoram Highway (KKH) had already started in 1959 by Pakistani army engineers on what was then known as the 'Indus Valley Road'. After the border agreement of 1962, China and Pakistan agreed to broaden the road to a dual carriageway and extend it to the Chinese border at Taxkorgan in the Tadjik Autonomous District of Xinjiang. Approximately 10,000 Chinese and 15,000 Pakistanis completed the road in 1986. It has 80 bridges and an average height of 4,700 metres. 300 Pakistani and 160 Chinese workers lost their lives during construction. According to the Centre for International and Strategic Studies in Geneva, Chinese nuclear and military equipment, including MH missiles, went through the Karakoram Highway to Pakistan. On 30 June 2006, a Memorandum of Understanding was signed between the Pakistan Highway Administration and China's State-Owned Assets Supervision and Administration Commission (SASAC) to rebuild and upgrade the KKH. 'The width of the highway', according to SASAC, 'will be expanded from 10 metres to 30 metres, and its transport capacity will be increased three times. Also, the upgraded road will be constructed to particularly accommodate heavy-laden vehicles and extreme weather conditions'. The decision to upgrade the KKH was taken during President Musharraf's visit to China in February 2006, when Pakistan requested that China help with the upgrading of the Karakoram Highway. Musharraf said, 'This road, when upgraded, will provide the shortest route to the sea for products

166) For the linkage of Tibet and Yunnan with the Bay of Bengal, through Assam and Bangladesh, see chapter 1; for the linkage of Yunnan with the Bay of Bengal/Indian Ocean through Burma, see chapter 6.

167) Virendra Sahai Verma, 'The Karakoram Highway', in Swaran Singh (ed.), *China-Pakistan Strategic Cooperation: Indian Perspectives* (New Delhi: Manohar, 2007), chapter 17, p. 336.

manufactured in China. The same road can serve to provide an overland route for trade between China and India, thus linking two of the largest markets in Asia'.¹⁶⁸

Gwadar and the 'String of Pearls'

The Port of Gwadar in Baluchistan, 72 kilometres from the border with Iran and the new gateway to the Persian Gulf and the Straits of Hormuz – through which 40 per cent of the world's oil passes – is destined to become China's multi-purpose strategic back door to the Indian Ocean and the Middle East. China agreed to participate in the construction and development of the deep-sea port in 2001, just before '9/11' compelled the United States to expand its military presence in the region. This was an additional nudge for China to step up its involvement. China contributed about US\$ 198 million for the first phase – almost four times the amount that Pakistan has forked out for this phase – which includes construction of three multi-purpose ship berths. China has invested another US\$ 200 million towards building a highway connecting Gwadar port with Pakistan's largest city, Karachi, which is also a port on the Arabian Sea. Gwadar provides China with 'a transit terminal for crude-oil imports from Iran and Africa to China's Xinjiang region'. The network of rail and road links connecting Pakistan with Afghanistan and the Central Asian republics that is envisaged as part of the Gwadar project and to which China will have access would provide Beijing with an opening into Central Asian markets and energy sources, in the process stimulating the economic development of China's backward Xinjiang region.¹⁶⁹

Phuntchok Stobdan, the expert on India's cross-border security at the Institute of Defence Studies and Analysis in New Delhi, is very sceptical about the prospects for building a pipeline:

I don't think there is going to be a pipeline. Eight months out of one year the Kunjerab Pass is closed because of permafrost and snow. It will cost billions and so far China has paid all the cost. The Chinese are not happy. Pakistanis don't pay. On top of that there are these Muslim problems: fundamentalists, terrorists, Bin Laden hiding in that area. Saying and doing are different things. The Pakistanis want to do a lot of things but they can't sort out their domestic problems. Chinese engineers have been killed in those tribal areas. Most of the Chinese are attacked now. Don't forget, these people, the Muslim Pakis hate the Chinese infidels.¹⁷⁰

168) See <http://www.asiancurrent.com/2007/01/21/the-amazing-karakoram-highway/>.

169) Sudha Ramachandran, 'China's Pearl in Pakistan's Waters', *Asia Times Online*, 4 March 2005.

170) Interview with Prof. Stobdan at IDSA, New Delhi, 28 November 2007.

Volatile Ally of the US, Solid Ally of China

During 2007, Pakistan descended into violent chaos in which China inadvertently became involved, despite its sacrosanct principle of non-interference in other countries' internal affairs. The largest-scale violent event was the storming of the Lal Masjid Mosque in Islamabad in July 2007 at General Musharraf's orders, in order to end the occupation by religious militants, most of them seminarians. These militants had nine days previously kidnapped the Chinese boss and six Chinese women from a massage parlour in a self-styled anti-vice campaign. Chinese technicians and businessmen had already been kidnapped and killed on several occasions previously, and China demanded – in unusually forceful language – better protection from Musharraf's regime for Chinese citizens against murder and abduction by terrorists. While 15,000 army troops were preparing to choke off the militants' supply of food, water and electricity, tension further escalated after three Chinese were executed near Peshawar in Pakistan's north-west. An enraged Musharraf abandoned his strategy of slow strangulation and ordered an all-out assault in which, according to the BBC, at least 173, and, according to Pakistani witnesses, over one thousand people were killed. Some Pakistani analysts blamed Musharraf's excessiveness at least in part on Chinese pressure.

The United States favoured a political settlement, based on reconciliation between Musharraf and the exiled former Prime Minister Benazir Bhutto, which would be legitimized by a general election. However, Bhutto was assassinated during the election campaign just twelve days before the scheduled election, leading to elections being postponed by six weeks. On 18 February 2008 the Pakistani electorate defied the worst doomsday prophecies. Although the turnout was mixed – over 50 per cent in core regions and some 20 per cent in peripheral areas – there was only limited violence and no immediate outcry, as in more peaceful emerging democracies, that the vote was rigged. The result was good news for Pakistan's civil society and the forces of secular modernity; bad news for President-cum-retired-General Pervez Musharraf and the Islamic fundamentalist forces; and mixed news for the Americans. The Bush administration had banked on a combined victory of Musharraf as their perceived 'indispensable' strongman ally in the 'war on terror' and of assassinated former prime minister Benazir Bhutto's party, the liberal-left Pakistan People's Party (PPP). Musharraf's party was trounced, with only 40 seats in the 272-member assembly, whereas the PPP got 87 and the moderate Muslim League of former Prime Minister Nawaz Sharif received 66 seats. Since it was a parliamentary and not a presidential election, Musharraf did not have to resign instantly, but the winners demanded his resignation, which he resisted with the support of the Pakistani armed forces and

the Americans. After six weeks of negotiations, a new fragile coalition government was formed by the leaders of the two major parties: Bhutto's widower, Asaf Ali Zardari; and Nawaz Sharif. The new prime minister is Yousaf Raza Gilani, a former president of the National Assembly during Benazir Bhutto's tenure as prime minister in the 1990s. The two coalition partners were split over how to deal with Musharraf, with Nawaz Sharif favouring instant confrontation over his dismissal of senior judges in 2007, while Zardari apparently had given an understanding to the Bush administration that Musharraf be granted a 'safe exit' six to nine months from now, a period that coincides with the end of President George W. Bush's term as US president. Sharif withdrew his nine ministers (out of 24) from the cabinet over the issue in May 2008, highlighting the weakness of the new civilian government. The Americans are determined to use their links with Musharraf and the armed forces to escalate military operations in the north-western tribal areas, while the civilian government wants to give priority to negotiations and social and economic development to pacify and integrate the areas.

In May 2008, US Deputy Secretary of State John Negroponte chose the National Endowment for Democracy (NED) – an organization known for its covert support and funding of politicians in Latin America and more recently of '*colour revolutions*' in the former Soviet Union – as a forum to deliver a major speech on the centrality of Pakistan in US national security: 'More than ever, our [US] national security depends on the success, security and stability of Pakistan [...] We recognize that our fate – that is, our security, our freedom, our prosperity – is linked to the fate of the people of Pakistan', Negroponte said.¹⁷¹ The people of Pakistan, however, have spoken in reasonably free elections and they have rejected the American agenda. If election results do not please the United States, Washington will use the NED. How reliable a weakened Musharraf still is for the United States is a big question, however. During a recent visit to China, Musharraf desultorily invited the China/Russia-led Shanghai Cooperation Organization to help to stabilize the situation in Afghanistan, thus highlighting what a flux the situation in Pakistan and in the region is.

While the US–Pakistan alliance (dating from 1954) was an unstable, intermittent Cold War marriage of convenience, the China–Pakistan link is, in Huntingtonian terms, a 'Confucian–Islamic inter-civilizational brotherhood', variously described as 'an all weather friendship, [...] sweeter than honey [...] and as high as the Himalayas and as deep as the Indian Ocean'. Negroponte's posturing is just another paragraph in an increasingly outdated '*hegemonic manifesto*'. Despite improving relations with India, China maintains a strong commitment to its vital long-term friendship with Pakistan. Apart from

171) Quoted in: M.K. Bhadrakumar, 'US Tightens its Grip on Pakistan', *Asia Times*, 10 May 2008.

economics, the ethnic and religious peace of its far western Muslim region Xinjiang heavily depends on close cooperation with its south-western neighbour, Pakistan. Hu Shisheng, a Chinese specialist in South Asian politics at the China Institute for Contemporary International Relations in Beijing, summed it all up:

We will contribute to its stabilization. A stable Pakistan is essential for building a stable Xinjiang. A disintegrated or dismantled Pakistan will be a disaster for us. We know that during the American campaigns in Afghanistan and operations in Pakistan, Uygurs were caught. There are huge tribal areas there which have run themselves for centuries. Without close cooperation with Pakistan, how can China ensure stability there?¹⁷²

To quote Lord Palmerston: 'Nations have no permanent friends or allies; they only have permanent interests'. China and Pakistan have their unique version of this famous dictum. They have vowed to be permanent friends and have regularly updated their solid common interests. Meanwhile, the United States may have to readjust its volatile relations with Pakistan again soon.

172) Interview with Hu Shisheng, Beijing, December 21, 2007. Quoted in: Willem van Kemenade, 'China and Pakistan: New Friends Can't Compare; Common Strategic Interests Make Them All-Weather Friends', *YaleGlobal*, 12 March 2008.

5. A Russia–India–China Triangle: 'Primakov's Triangle'?

The Search for a Multi-Polar World

Apart from the Indian and Pakistani nuclear tests, another major event made 1998 a watershed year: the Anglo-American bombing campaign on Iraq to punish Saddam Hussein for obstructing U.N. inspections of his alleged development of weapons of mass destruction elicited a much more dramatic response from Russia than international criticism of India's nuclear tests. Russian President Boris Yeltsin's Prime Minister Yevgeny Primakov called for the establishment of a '*strategic triangle*' among India, Russia and China to ensure peace and stability in the world. Primakov strongly criticized the air strikes by the United States and the United Kingdom on Iraq as being conducted without the mandate of the United Nations Security Council. Primakov's 'triangle' was variously described in US media as 'a coalition of the weak great powers pitted against its one superpower' or the '*Anti-NATO Axis*'.

China immediately rejected Primakov's call, saying that China pursues an independent and peaceful foreign policy, and furthermore kept a low profile. However, Russian diplomats said that China and Russia both feared that the US attacks against Iraq would become a model for unilateral action taken and carried

out by Washington against the Democratic People's Republic of Korea and other countries.¹⁷³ The Clinton administration had been close to attacking North Korea in 1993 and peace was saved only by the surprise self-styled mission of former US President Jimmy Carter.¹⁷⁴

Within one year of the bombing of Iraq, the Clinton presidency had set the trend for unilateral action in disregard of the United Nations with two large-scale aerial bombardment campaigns: first in Iraq; and then in Kosovo. Russia, and particularly Primakov himself, had strong links with Iraq, whereas China, having just entered into a 'Strategic Partnership' with the United States during Clinton's July 1998 visit to China, had no specific interest to defend there. However, Kosovo was to Serbia/Yugoslavia what Taiwan was to China and thus China went all the way in criticizing US and NATO policy in further dismembering the Yugoslav Federation. Russia had multiple interests in Kosovo, foremost in Huntingtonian terms as the core nation of Slavic-Orthodox civilization and secondly as the erstwhile leader of the Communist bloc to which Yugoslavia had once belonged. The weakened Russian military wanted to show that it still had some muscle and guts, and had taken a short cut to the airport of Pristina, Kosovo's capital, which stirred NATO Supreme Commander General Wesley Clark into ordering the British local commander, Lieutenant-General Michael Jackson, to evict the Russians with American air support. Jackson refused and the showdown between the American four-star and British three-star generals is recorded on dozens of websites. Jackson asked Clark: "What is your authority, Sir?". Clark smugly said: "Me, I am a four-star general, Michael". "I am a three-star general", Jackson thundered, "but I am not going to start World War III for you". Although a direct US-Russian confrontation was avoided, bilateral ties never recovered. After appointing five different Russian prime ministers in 1998 and 1999, and in failing health, Yeltsin abruptly resigned at the turn of the millennium. His chosen successor, Vladimir Putin, decided to await the outcome of the 2000 American presidential election before re-engaging with the United States.¹⁷⁵

The Chinese suffered even more dramatically from American transgressions in Serbia/Kosovo, when US B-2 bombers under NATO's command 'erroneously' dropped five guided bombs on the Chinese Embassy in Belgrade, killing three Chinese and injuring twenty. US President Clinton telephoned China's President Jiang Zemin to make an instant apology, but Jiang refused to take the call. A spate of presidential, ministerial and ambassadorial apologies followed during the next

173) SANA (Saudi Arabia News Agency), in <http://www.arabnews.com>, 23 December 1998.

174) Leon V. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton NJ: Princeton University Press, 1998).

175) James M. Goldgeier and Michael A. McFaul, *Power and Purpose: US Policy toward Russia after the Cold War* (Washington DC: Brookings Institution Press, 2003).

few days, but no Chinese could believe that the bombing had been accidental. The whole episode is described in detail in a book by Susan Shirk, who as US Deputy Assistant Secretary of State for East Asian Affairs was then directly in charge of US–China relations. She writes that at the time of the bombing, the Chinese leadership was in a state of high alert because two weeks earlier, Zhongnanhai, the main compound of the ruling elite, had been surrounded by a surprise peaceful sit-in of Falun Gong, a Buddhist-inspired sect of yoga-type meditation and health exercises. Shirk quotes an insider source as saying that President Jiang stayed up on the night after the bombing to write a long memo, not on how to deal with the United States, but how to crush Falun Gong by means of ludicrous over-reaction.¹⁷⁶ Media reporting about the bombing demonstrated how much control the Communist Party had lost over Chinese society since the proliferation of semi-independent commercial newspapers and the internet, which both sensationalized dramatic news events for higher circulation figures and profits, adding extra pressure on the government to adopt a hardline stance towards the United States. An investigation coordinated by Susan Shirk blamed the ‘*horrific blunder*’ of the bombing, as she called it, on the CIA, using the wrong method to locate a targeted Yugoslav military agency and using outdated databases. Still, very, very few Chinese believed the Americans could make such a stupid mistake. In the minds of many, it must have been some lower-level anti-China conspiracy.¹⁷⁷ Anyway, the Chinese domestic pandemonium had further complicated US–China relations: China no longer only perceived itself as an on-and-off adversary or ‘enemy of the future’ of the United States, but also the victim of today. In New Delhi, an academic security consultant with access to military intelligence also dismissed any American account of errors or blunders as a cover-up and is absolutely convinced that it was a premeditated attack on Chinese electronic devices and technicians, hidden in the embassy to help the Milosevic regime’s air defences against American bombing:

Why did they, the Americans, bomb the embassy? Only those two rooms were targeted. I have very concrete information [about] what these two rooms were doing, what the people in those rooms were doing. The Yugoslavs brought down a B-117 stealth bomber and transferred it to the Chinese. The Chinese were developing a stealth bomber. Stealth technologies you get nowhere. Russians refuse to part with any of these

176) Susan L. Shirk, *Fragile Superpower: How China’s Internal Politics could Derail its Peaceful Rise* (Oxford: Oxford University Press, 2007), pp. 212–218.

177) Shirk, *Fragile Superpower*, p. 217.

technologies. There is no way they can get it from the EU because of the arms' embargo. So the only way to get it is through 'stealth!'¹⁷⁸

So, after eight years of volatility but with regular improvements, US–China relations under President Clinton ended on a sour note, and it would get worse. US President George W. Bush and his coterie of neo-con warriors were in no mood to continue the sweet-and-sour tactics that Clinton had played with the Chinese – and the Russians. Bush downgraded America's tentative 'strategic partnership' for the 21st century with China – agreed by Presidents Clinton and Jiang Zemin in 1998 – to one of '*competition*', and talked of upgrading Taiwan and supplying it with any arms that it needed to defend itself.

Before '9-11' the Bush administration's policy towards China was one of 'conengagement' – a blended strategy that transcends both containment and engagement and should embrace neither but should contain elements of both.¹⁷⁹ The Bush administration continued Clinton's policy of ending India's isolation by lifting the remaining sanctions for its 1998 nuclear tests. This conformed to the administration's de-emphasis of non-proliferation in favour of 'counter-proliferation' by means of the National Missile Defense. Interest in India had grown considerably in the US Congress against the backdrop of the 'rise of China', the spy-plane crisis and new escalating tensions over giant arms' sales to Taiwan. The Bush administration's public assertion that its new fervour for India had nothing to do with any anti-China strategy was dismissed by most observers as just diplomatic talk.¹⁸⁰

Nevertheless, Chinese Foreign Minister Tang Jiaxuan rejected the 'Primakov Triangle' and said that time had not yet come for a strategic alliance between the three countries: 'We are for discussion on issues of mutual interests, but it is premature to set up any mechanism at the government level'. By May 2001, China had just gone through its first crisis with the Bush administration over the EP 3 spy-plane incident near Hainan and the rearmament of Taiwan, but it chose to avoid confrontation with the new US president. A senior scholar, Sun Shihai, Deputy Director of the Institute of Asia-Pacific Studies under the Chinese Academy of Social Sciences, said that the trilateral partnership should not become a strategic triangle with military components that could be aimed at a

178) Interview with Professor Srikanth Khondapalli, Jawaharlal Nehru University, New Delhi, 11 October 2007.

179) The term was crafted in 1999 by Afghan-born Zalmay Khalilzad, then Director of the Strategy and Doctrine Program for Project Air Force at the Rand Corporation: see Zalmay Khalilzad, 'Sweet and Sour: Recipe for a New China Policy', <https://rand.org/publications/randreview/issues/rr.winter.00/sweet.html>.

180) Nayan Chanda, 'Seeing China Grow, Washington Warms to India', *International Herald Tribune*, 3 September 2001.

third country, especially the United States. But he did emphasize the countries' convergence of interests on issues like the establishment of a multi-polar world, a just and equitable international political and economic order, as well as opposing neo-interventionism in the name of human rights.¹⁸¹

The most important factor that kept the idea of an 'India–Russia–China triangle' alive was the broader *'Bush Doctrine'* – the embodiment of neo-conservative determination as divulged in their bible, the 'Statement of Principles' of the The Project of the New American Century. The manifesto advocated a 'Reaganite' foreign policy of military strength and moral clarity, more specifically a significant increase in defence spending and the need to strengthen ties with democratic allies and to challenge regimes that were hostile to American interests and values.¹⁸² Translated into action at the outset of the Bush administration, this meant a series of unilateralist priorities such as missile defence, withdrawal from the Anti-Ballistic Missile (ABM) Treaty, creation of a high-tech rapid-reaction military with overwhelming scope and power and a revitalization of the American nuclear weapons' industry. Bush first made his intentions firmly clear and then expressed willingness to talk, but as consultations, not as negotiations – in other words, you can express your opinion and we will listen but it will not affect our plans.

Renewed Russia–China Friendship Treaty

After US President Bush met with Russian President Putin in Slovenia on 16 June 2001, Russia and China signed a fully fledged bilateral friendship and cooperation treaty in July 2001, which stressed that its aim was not to recreate the old Cold War military alliance while also insisting that it was not directed against any country. Since the Mao–Stalin Pact of 1950, which had so scared the West, had quietly lapsed in 1979, it was the first time that Russia and China had concluded a major bilateral treaty. Yet analysts on both sides acknowledged that they saw the current relationship as a counterweight to the United States' status as the world's only superpower. Liliya F. Shevtsova, an analyst at the Carnegie Moscow Center think tank, viewed Moscow's recent moves towards Beijing – at least in part – as a message to the Bush administration: 'The Kremlin is sending Washington a warning that if there is no change for the better in relations between Moscow and Washington – now at their coolest in years – Russia is quite

181) Anil K. Joseph, 'China Nixes Strategic Triangle with India, Russia', *rediff.com*, Beijing, 3 May 2001.

182) 'Statement of Principles', Project of the New American Century, 3 June 1997, http://www.newamericancentury.org/statement_of_principles.htm.

ready to strike a closer alliance with Beijing', she said.¹⁸³ India was not part of the project at that time because it had shown early enthusiasm for Bush's 'new concepts of deterrence, moving beyond the constraints of the 30-year-old ABM treaty and work[ing] toward deploying a ballistic-missile-defense system'.

According to one analysis, Putin mulled over China during his visit: whether to strike some kind of loose alliance with Beijing – and India? – to counter US supremacy. 'There was a month or two when it could have gone either way', one senior US official said during the negotiations about a new treaty to be signed by Putin and Bush on 24 May 2002, 'until Putin figured out that the Chinese didn't have a lot to offer'.¹⁸⁴

After the airborne assaults on the World Trade Center and the Pentagon on '9/11', Putin was the first foreign leader to get through to Bush on the telephone. Condoleezza Rice, then National Security Adviser, conveyed to Washington Post columnist Jim Hoagland that there had been a steady evolution towards a strategic Russian choice that this crisis seems to have confirmed: 'That Russian choice is seen at the White House, as I understand it, to be one of pursuing alliance with and integration into the West rather than flirting with a Third Way strategy built on partnership with China and others who want to reduce American influence abroad'.¹⁸⁵ The US design was clearly to bring Russia into a unidirectional – that is, subservient – partnership with the United States so as to lessen China's leverage on global questions, including missile defence. Sensing that Russia had a special role to play in Bush's 'war on terror', Putin seized the opportunity to recast US–Russia relations after ten years of decline and succeeded in reclaiming Russia's place at the big table. When Bush formally abrogated the ABM Treaty on 13 December 2001, Russia's response was to state pragmatically that it was no longer bound by the 1993 accord known as Start II, which outlawed multiple-warhead missiles and other especially destabilizing weapons in the two nations' strategic arsenals.¹⁸⁶ Putin realized that it was better to accept grudgingly, rather than to resist NATO expansion as Yeltsin had done, and then later to back down.

183) John Saniszewski, 'Russia, China Gear Up for Pact to Seal "Strategic Partnership"', *Los Angeles Times*, 4 May 2001.

184) David E. Sanger, 'Détente's Odd Couple: Putin and Bush Amicably Seal a Deal', *The New York Times*, 25 May 2002

185) Jim Hoagland, 'The Bush Script for his Talks with Putin and Jiang', *The Washington Post*, October 2001.

186) The 1972 treaty, signed by US President Nixon and Soviet General-Secretary Brezhnev, banned systems that could effectively shoot down incoming missiles, preserving the strategic balance of nuclear deterrence during the Cold War. Washington says that the accord is outdated and that it needs a shield to protect itself against feared missile attacks by terrorist nations.

Beijing responded in a very different way to Bush's ABM announcement. The Chinese considered it as targeted at them, not at the Russians. The Russians would under any subsequent missile agreement always retain enough warheads to overwhelm any future US National Missile Defense, whereas the Chinese only had a very small nuclear arsenal. China said that the US plans to develop a multi-billion dollar defence system that would shoot down incoming missiles would undercut the deterrent value of its own small nuclear arsenal – about two dozen missiles capable of reaching the United States – and a successful missile umbrella could be stretched to protect arch-rival Taiwan. The United States, however, has told China repeatedly that it is developing the missile shield to counter surprise attacks from 'rogue states' like North Korea and Iraq [sic!] and that the policy was not being pursued with China in mind. Beijing also feared that the Bush administration's action will mean that nations will no longer agree to any nuclear disarmament control treaties. This could push China into a regional arms race with India and Pakistan. "We have enough domestic concerns. An arms race is only a rich man's game. A poor man cannot play", said Professor Niu Jun, US foreign policy expert at Beijing University's Institute of International Studies.¹⁸⁷ In the end, China's muted response showed that it had decided that there was nothing that it could do and that it was intent on maintaining stable relations with the United States.

While Russia's new Friendship and Cooperation Treaty with China, which was signed in July 2001, seemed to set both on a new strategic course, '9/11' had clearly turned Russia's priorities around. Despite Bush's initial ABM shock, Presidents Putin and Bush in May 2002 opened an entirely new relationship with the signing of a treaty that committed both countries to reducing their nuclear arsenals from about 6,000 warheads each to no more than 2,200 by the end of 2012. With the renewed Russo-American rapport, China appeared to be the loser, as reflected in Chinese President Jiang Zemin's reminder of the first anniversary of the new Sino-Russian strategic partnership, which should have paved the way towards a multi-polar world. China was the leading member in the newly founded Shanghai Cooperation Organization (SCO), and now in the wake of '9/11' US military bases were at China's doorstep in Uzbekistan and Kyrgyzstan, with Russia's approval.

187) Ray Cheung, 'Scrapping Nuclear Deal Spells Trouble for Beijing', *South China Morning Post*, Hong Kong, 15 December 2001.

‘China–Russia Relations Remain Better than Russia–US Ties’

In December 2002 Russian President Vladimir Putin visited China to reassure the Chinese about the relevance and validity of the Russian–Chinese strategic partnership (first agreed in 1996 and consolidated by their Friendship Treaty in 2001). Despite recurrent frustrations about US hegemony, Putin wanted to maintain good relations with the United States while disagreeing with US President Bush’s approach to terrorism. On the day of Putin’s arrival in Beijing, the People’s Daily published an article under the headline ‘China–Russia Relations Remain Better than Russia–US Ties’. The Pravda newspaper explained that Putin himself had complained to Chinese journalists about NATO expansion, which under the current global situation of terrorism and nuclear issues was a negative development.¹⁸⁸ Another new cloud above the US–Russia relationship was the imminent Anglo-American invasion of Iraq, which Russia energetically and China ephemerally tried to block.

After Beijing, Putin went to India where he again tried to sell the idea of a strategic partnership or ‘strategic triangle’ in Asia for Russia, China and India – with Moscow taking the lead. Putin tried to convince India of the compatibility of the triangle with good bilateral cross-relations between all involved, defining the triangle not as an anti-US coalition but just as a ‘*counterpoint*’ to the US. Putin’s aim, analysts say, is traditionally Russian – to centre Moscow solidly between East and West, Atlantic and Pacific, NATO and China.¹⁸⁹

Putin defined terrorism’s main danger as secessionist movements that challenge state sovereignty. While Russia’s main concern was Chechnya, China viewed the Muslim separatists in its western Xinjiang region as terrorists, and India maintained that the core problem of Kashmir was Pakistani-based terrorism. Putin supported the Indian view, but the United States viewed Pakistan as an indispensable ally in its wider ‘war on terror’ and China would also never renege on its key geostrategic alliance with Pakistan. From its defeat of India in the 1962 Border War, Pakistan was China’s tool for keeping Soviet ally India off-balance and, more recently, China’s back door to the Indian Ocean, Arabian Sea and the Persian Gulf.

The heart of Indo-Russian relations is defence cooperation and it embraces the joint production of Brahmos cruise missiles and the joint manufacture of advanced submarines. The SU-30 project is engaging almost all of the production capacities of Hindustan Aeronautics. Consequently, the aviation industries in

188) Andrei Krushinsky, ‘Russia and China to Counterbalance American Supremacy’, *Pravda*, 2 December 2002.

189) Robert Marquand, ‘Putin Pushes “Strategic Triangle” with China, India’, *Christian Science Monitor*, 6 December 2002.

both India and Russia have acquired the capacity to undertake the joint development, production and marketing of medium-range transport aircraft.

After the Anglo-American invasion of Iraq there were – not surprisingly – renewed calls for a ‘Moscow–Beijing–New Delhi triangle’, a potential alliance of three nuclear-armed countries of some 2.5 billion people that would theoretically be able to balance US power in coming years. Indian Prime Minister Atal Bihari Vajpayee had just concluded a successful visit to China and the two countries had expressed similar views on the American war on Iraq. All three countries were disturbed by the blatant disregard of the United Nations and protested against what they viewed as a rejection of the rules of the international game.

Russia, China and India still back the primacy of the United Nations Security Council in solving crises, and support the principle of non-intervention in the internal affairs of sovereign states. Apart from shared concerns over US dominance, the three have other common interests and mutually reinforcing needs. All three are weary of militant Islamic groups and want stability in Central Eurasia. The main weakness in the triangle, however, comes from China’s and India’s competitive relationship, with both holding conflicting visions of regional dominance, with China so far the winner. While Russia and China are opposed to US Theatre Missile Defense (TMD), which is in clear violation of the ABM Treaty, India offered its enthusiastic support to the United States. China, too, has a stake in Kashmir in the areas bordering Xinjiang and is a major arms’ supplier to Pakistan. In short, Sino-Indian relations would continue to remain a stumbling block for materialization of the strategic triangle for which Russia had been canvassing.

But the arms’ sale relationship between Russia and the two Asian countries was growing steadily. The trade provides Moscow with billions of much-needed dollars and important arms’ export markets, while Beijing and New Delhi get sophisticated armaments ranging from combat aircraft to submarines. In 2003, Russia and India held their first joint naval exercises in the Indian Ocean, when a large task force of Russian surface ships and nuclear attack submarines simulated attacks on aircraft-carrier groups. The naval exercise was coordinated with a mission by long-range bombers. On 13 May 2003, several Russian strategic bombers – Tu-95 Bears and Tu-160 Blackjacks – flew from a base in Central Russia to the Indian Ocean to simulate an attack by long-range cruise missiles.¹⁹⁰

It has, however, been argued that the trilateral axis could hardly be feasible because the Indian nuclear and missile programme is not so much aimed at Pakistan, but is in fact deterrence against Chinese nuclear warheads. The would-be triangle is also seen as implausible because India and China also happen to be competing economies. Moreover, Russia and China have already solved their

190) Sergei Blagov, ‘Russia, China, India: An Axis of Denials’, *Asia Times*, 3 July 2003.

border disputes, while China and India are still divided by a chunk of barren terrain and the granting of asylum to the Dalai Lama and thousands of his followers. There have also been warnings that a well-armed and strong China may one day not just make Russia its junior partner, but even pose a threat to Russia's resource-rich Far East.

The 'Trialogues': No 'Equilateral' Triangle

On 3 September 2003 the first 'trialogue' of the foreign ministers of Russia, China and India took place in New York. The three countries together represent the vast majority of the global population and theoretically could be able to balance US power in coming years. After the US invasion of Iraq, there was again more shared opposition to US policies than in previous years. India had new doubts about a closer relationship with the United States. As a counterweight to Islamic terrorism and at the behest of the United States, India had growing military ties with Israel, which were a very divisive issue in a country with the second largest Muslim population in the world after Indonesia. Bush had failed to condemn or even to mention terrorism in Kashmir in his UN speech earlier in the week. At the official level 'the dialogue between Moscow, Beijing and New Delhi will continue', said Russian Foreign Minister Igor Ivanov, adding that the three nations have a shared interest in a 'multi-polar and just world'.

Russian President Vladimir Putin had been particularly insistent upon the triangle during his December 2004 visit to India. But China had so far resisted, and it is unlikely that India will be a party to overt anti-American actions in Central or South Asia, even though it will clearly collaborate more with China on trade and energy issues and for anti-terrorism purposes may even liaise with the Shanghai Cooperation Organization (SCO) now that China has offered it such an opportunity.

'India and China can together reshape the world order.'

Indian Prime Minister Manmohan Singh, 2005.

In April 2005, when China's major cities were shaken by violent anti-Japanese demonstrations, Chinese Premier Wen Jiabao was on an official visit to New Delhi. Wen used the occasion to pledge Chinese 'support for India's aspirations to play an active role in the UN and international affairs'. Part of the Indian media 'over-interpreted' this as Chinese support for Indian permanent

membership of a reformed United Nations Security Council.¹⁹¹ Wen and his Indian counterpart Manmohan Singh signed a broad-based 'India-China Strategic and Cooperative Partnership for Peace and Prosperity', of which the main content was a five-year pact for cooperation in five high-tech sectors, in which these two fastest growing 'elephant economies' (that is, mammoth versions of 'tiger economies') have optimal synergy: India in software; China in hardware. The hope of China's Prime Minister Wen Jiabao was that an India-Russia-China axis will 'democratize international relations', a pointed indictment of US hegemonism. India, for its part, wanted improved cooperation with the dynamic economies of East Asia, a bigger regional role and a counterweight to Chinese and US sponsorship of Pakistan. Indian Prime Minister Manmohan Singh observed: 'India and China can together reshape the world order'.¹⁹²

The April 2005 Sino-Indian strategic partnership followed less than one decade after the establishment of the Sino-Russian strategic partnership, which was triggered by the United States dispatching two carrier-led task forces to the Taiwan Straits in 1996 in response to Chinese missile tests, and as a warning to the Taiwan electorate not to vote for independence. (Then) Chinese Premier Li Peng stated that the strategic partnership between the two countries would help to correct the 'balance of forces' in the world.¹⁹³ This went in tandem with the 'Shanghai Declaration', to set up a security body of China, Russia and three former Central Asian Soviet republics, initially named the 'Shanghai Five', which aimed to counter further inroads by the US and NATO into the region and which in 2001 was renamed the Shanghai Cooperation Organization.

India and Russia had also concluded a strategic partnership in 2000. Under the accord, the two countries agreed to develop a common strategy in dealing with Afghanistan. Both New Delhi and Moscow were concerned that the radical Islamic agenda of the Taliban was having an impact on areas such as India's Kashmir and Chechnya in Russia. President Putin stressed Russia's unqualified support for India's bid for permanent membership of the UN Security Council, something that China was ambiguous about in 2005 and explicitly opposed in subsequent years as India moved closer to the United States. Nevertheless, China, India and Russia were now tied together by three bilateral strategic partnerships, of which two, Russia-China and Russia-India, had a robust arms' supply relationship as the strongest component, and the third, the Sino-Indian, had the least military-strategic content.

191) During the media debate, Xinhua issued a reconfirmation. See 'China Confirms Backing India on UN Seat', *The Hindu*, 15 April 2005. For the joint communiqués for 2005, 2006 and 2008, see B.S. Raghavan, 'Sino-Indian Vision: Bloated, Sugar-Coated Candy-Floss', *rediff.com News*, 17 January 2008, <http://www.rediff.com/news/2008/jan/17guest.htm>.

192) Joseph Nye, 'An Asian Plot against America? Hardly', *South China Morning Post*, 16 April 2005.

193) Ralph A. Cossa, 'A Mild Russian-Chinese Affair', *International Herald Tribune*, 14 January 1997.

Vladivostok: Russia's Far Eastern Metropolis

Soon after this promising improvement in India–China relations, the new Russian Foreign Minister Sergei Lavrov met with his Chinese and Indian counterparts, Li Zhaoxing and Natwar Singh, in June 2005 in Vladivostok, their first meeting outside of a multilateral forum. They discussed security and this time also energy security and especially regional stability, considering the waves of instability that were engulfing Uzbekistan and Kyrgyzstan, which were allegedly instigated by Western-inspired ‘orange revolutions’. The symbolical event, the signing of a China–Russia border agreement that had been negotiated for four decades and that concerned two per cent of the 4,300-kilometre border, should set an example for China and India. China and Russia had fought a short border war on an island in the Ussuri River in 1969 but were reaching a final settlement now. Why couldn’t China and India ? In terms of concrete results, the meeting produced a communiqué that did not mention the term ‘strategic triangle’ but stressed that it is in the interests of the three countries to strengthen their trilateral partnership, and that the mutually beneficial cooperation will contribute to the consolidation of peace and stability in Asia and the world at large.¹⁹⁴ The selection of Vladivostok as the venue can be viewed as emphasizing Russia’s status as an Asian power along with India and China.

A commentator in the Russian magazine *Kommersant* wrote that former Russian Prime Minister Yevgeny Primakov’s dream had come true, as his 1998 ‘triangle’ was designed to curb US influence, specifically the 2005 fight against ‘colour revolutions’ in former Soviet Republics:

In fact, yesterday’s meeting in Vladivostok witnessed that Russia and China agree to create their own alliance to fight ‘colour revolutions’ in Central Asia. Lavrov stated that the uprising in Andijan was nothing else than ‘the operation of Islamic extremists, Taliban leftovers and some Chechen terrorists’. [...]

By putting responsibility for the Andijan events on international terrorists, Lavrov expressed solidarity with Beijing’s official position. China is a most ardent supporter of Uzbek President Islam Karimov’s ‘fight with terrorism’, including the slaughter in Andijan. This means that Russia is ready to share responsibility with China for everything that goes on in the region. [...] This would be the first step to create a joint military bastion of Moscow and Beijing, which would be

194) Xinhua news agency, ‘China, Russia, India Issue Joint Communiqué after Informal FMs’ Meeting’, 3 June 2005.

protecting Central Asian regimes from 'colour revolutions' and excessive American penetration into the region.¹⁹⁵

It would soon be clear, however, that Lavrov's and the commentator's rhetoric were too premature and way over the top. India was improving its relations with China, but far more substantially with the United States. The US is a huge trading partner for India and China, and Russia will not be able to compete at this point, at least not for the foreseeable future. Moreover, the Bush administration had in the meantime lifted restrictions on arms' deliveries to India, which was going to cause problems for Russian defence exports to India, and Washington did not have intentions of making such a concession to China. In addition, Sergei Karagonov, the Chairman of the Presidium of the Russian Council for Foreign Defence Policy, was convinced that Primakov's idea was not viable. He emphasized that none of the three countries would want to join a coalition in direct opposition to the United States.¹⁹⁶

Nevertheless, the 'Vladivostok Trio' had given some other substance to Primakov's triangle. The trio stressed the primacy of the United Nations, which the United States is sometimes inclined to bypass, and the need to reform it. The demand for 'consistent, sustained and comprehensive opposition to terrorism without any double standards' was a warning that India, Russia and China consider murderous secessionists in Kashmir, Chechnya or Xinjiang as dangerous as the US considers Osama Bin Laden and al-Qaeda. They also wanted the global oil economy to recognize Russia as one of the world's largest fuel producers, and India and China among the biggest consumers. To that end, India, which has put US\$ 1 billion in Russia's Sakhalin-I project and might invest more, would host a meeting in October 2005 of Asia's principal oil producers and buyers. This would be another feather in the cap of India's Minister of Oil, Mani Shankar Aiyar.¹⁹⁷

In the energy sector, China and India for a long time seemed to become rivals that might get into armed conflict over oil and minerals. In January 2006, India and China put aside their energy rivalry. The two states' oil majors – CNPC and ONGC – signed a mega-pact for joint bidding in Central Asia, the Caspian Sea Region, Africa and Latin America. Indian Minister of Oil M.S. Aiyar explained that fierce Sino-Indian competition had driven prices up further: "Wherever the Indians have gone, the Chinese are already there", wrote Madhu Nainan, chief editor of Petrowatch, a market intelligence newsletter in India. "Mostly, it is India that needs cooperation with China – and not the other way

195) Mikhail Zygar, 'The Third Among the Equals: Moscow, New Delhi and Beijing are Creating Counter-Revolutionary Union', *Kommersant*, 3 June 2005.

196) 'India, China and Russia to Create New Alliance to Challenge USA's Supremacy', *Pravda*, 12 April 2005.

197) Sunanda K. Datta-Ray, 'Can a New Trio Shoulder America's Burden in Asia?', *International Herald Tribune*, 25 June 2005.

around.”¹⁹⁸ The biggest energy issue between the US and India is the construction of a 2,775 kilometres (or 1,725 miles), US\$ 7.5 billion gas pipeline from Iran through Pakistan to India, which has already been under negotiation for fifteen years. India adamantly rejects any US pressure over its millennia-old relations with another ancient Asian empire: Persia, or Iran.

When Indian Prime Minister Manmohan Singh announced in March 2006, with the visiting US President George Bush at his side in New Delhi, that the two had reached agreement on a ‘historic’ civilian nuclear pact, China and Russia felt that their reluctant triangular partner was compromising its ‘independent foreign policy’ and that India felt that it had to reinforce its credentials that it was not a second Japan and would not subordinate its foreign policy autonomy to Washington. The countries’ three leaders – Manmohan Singh, Hu Jintao and Vladimir Putin – met in a so-called ‘outreach session’ during the G8 summit in St Petersburg in July 2006, which underlined that the latter two had now been accepted as crucial players in the world. But the three also held their first trilateral summit, the first of its kind among the three countries.¹⁹⁹ The current G8 have 45 per cent of the world’s GDP, whereas inclusion of China and India would move this to the 60 per cent level, thus enhancing the forum’s ability to influence global political and economic relations. “Our approaches to key international problems are very close or, as the diplomats say, they practically coincide”, Putin said in his opening remarks. Putin threw his support behind proposals to expand the G8 by including India, China and other outreach countries that Russia had invited to attend the summit: “Without such countries as India and China it is impossible to solve global economic and financial problems”, he said. Putin outlined a new political agenda for the G8 to help mould a new multi-polar world. “Our world has not become safer after the collapse of the bipolar world”, he said. “On the contrary, it has become less predictable. [...] We do not have the tools and instruments to address the challenges of today”. An expanded G8 may become such a tool: “What mankind is concerned with today, what we are doing in G8 is to try and work out a new architecture of international relations”, Putin concluded.²⁰⁰

198) Sarita Rai, ‘China and India: Bidding Partners, At Least on Paper’, *International Herald Tribune*, 20 January 2006.

199) ‘China, India, Russia Hold First Trilateral Summit’, 18 July 2006, available online at <http://www.chinaview.cn>.

200) Vladimir Radyuhin, ‘Resurgent Russia’, <http://www.flonnet.com/fl2315/stories/20060811001704600.htm>.

New Delhi

The foreign ministers of the three (re-)emerging giants met again in Delhi in February 2007 to further discuss ways to build a more democratic 'multi-polar world'. The three – Pranab Mukherjee, Li Zhaoxing and Sergei Lavrov – emphasized that 'they were not setting up an alliance against the United States, but on the contrary, intended to promote international harmony and understanding', a joint communiqué stated. The latter was a euphemism for blocking the launch of another US war against Iran. 'The key to building a multi-polar world order based on the principles of equality of nations – big or small – respect for sovereignty and territorial integrity of countries, international law and mutual respect', the communiqué routinely stated, required a 'democratization of international relations'. Thus the United Nations represented the 'appropriate instrument' for dealing with world problems.²⁰¹ One Indian commentator, N.V. Subramaniam, compared the India–China–Russia triangle with the Six-Party Talks on North Korea: "Because the US wouldn't talk directly to North Korea, their bilateral [meeting] had to be upgraded by including four other parties, with China hosting it".²⁰²

The 'Triangular Three' all had long agendas to discuss with the United States, but since they would not get far bilaterally, they conveyed their common demands trilaterally to Washington, foremost on Iran. Russia and China were vehemently opposed to Bush's war-mongering in the Gulf and so was India, but India was also negotiating a civilian nuclear deal with Washington. It did not want to anger Washington bilaterally, but through the triangle it could convey its opposition in a more circumspect way. Subramaniam referred to the Cold War game of the US, playing off China against the Soviet Union. At the 43rd Munich Conference on Security Policy from February 9-11, 2007, Russia's President Vladimir Putin attacked US unipolarity and NATO's eastward expansion with a clear intimation of the emerging importance of the India–China–Russia 'strategic triangle'. Putin found himself still too weak to take on the US alone, but splitting Europe and pushing the triangle with India and China might, according to his logic, have more chance of registering with Washington.

201) 'Briefing of the Indian Ministry of External Affairs',
<http://meaindia.nic.in/declarestatement/2007/02/14js01.htm>.

202) N.V. Subramaniam, 'Don't Overdo: The Trilateral with Russia and China could Boomerang on India', <http://www.newsinsight.net>, 16 February 2007.

Harbin

In October 2007, the three foreign ministers of the triangle met once again – for the first time in China – in the north-eastern (Manchurian) city of Harbin, built as a Russian railway hub on Chinese soil in the early twentieth century and acting as a sanctuary for White Russian émigrés after the Bolshevik revolution and for Jews during the Second World War. The Harbin Communiqué reiterated the principal elements of Delhi that: “the development of China, Russia and India is a major contribution to peace and development of the region and the world and is beneficial to the process of global multi-polarity”. But the reality was that India had been increasingly veering away from Russia and China and closer to the United States and Japan. It was participating in a ‘strategic dialogue’ with a new ‘military-political triangle’ in the Asia-Pacific region involving the US, Japan and Australia. In September 2007 India held a large-scale naval exercise with them in the Bay of Bengal – its first-ever military exercise in a multilateral format – involving US aircraft carriers and submarines. It was named the *‘Quadrilateral Initiative’* and described by analysts and commentators as a ‘democratic coalition to contain China’. The exercise had been preceded by an appeal by former Japanese Prime Minister Shinzo Abe to the Indian Parliament during his August 2007 visit to create a ‘broader Asia’ or ‘the arc of freedom and prosperity’, based on common values of democracy, which would eventually incorporate the United States and Australia and specifically exclude China. Before Abe’s departure, Japan’s Defence Minister Yoriko Koike and the Commander of US Pacific Command, Admiral Timothy Keating, arrived in Delhi to finalize the details of defence cooperation and the Malabar 07-02 manoeuvres.²⁰³ Ironically, one day after the manoeuvres ended, Abe resigned as prime minister after just one year in office. Difficulty in passing the special bill – which allows Japan to refuel US and other allied ships in Afghanistan-bound operations – was the ostensible reason for Abe’s surprise resignation, but the sudden resignation called into question the ability of Japanese leaders to pursue what Mr Abe called ‘assertive diplomacy’, a stance welcomed by Washington, which wants Japan to shoulder more of a global burden.²⁰⁴ Abe, a right-wing nationalist, was succeeded by Yasuo Fukuda, a moderate with a non-ideological and far more accommodating stance towards China.

Lavrov strongly criticized the emerging ‘East Asian NATO’ without any direct reference to India, although the import of his statements could not be lost on New Delhi. Never before, perhaps, in the saga of India–Russia relations had

203) ‘New Strategic Partnership against China’, online at http://news.bbc.co.uk/2/hi/south_asia/6968412.stm.

204) David Pilling, ‘Abe Exit Plunges LDP into Turmoil’, *Financial Times*, 12 September 2007.

such a serious contradiction appeared in their respective perceptions over Asian security. In recent years, India had also been critical of US policy towards Iran, both on sanctions and a multi-billion dollar gas pipeline, linking Iran with India, but during late 2007, India had calculated that finalization of the long-stalled nuclear deal with the US was more advantageous to India. So, when the Bush administration announced a regime of unprecedented sanctions against Iran immediately after the Harbin meeting, branding Iranian security bodies as sponsors of international terrorism and virtually making Iran an enemy country under US law, Russia and China lost no time in criticizing Bush's move, but India kept mum.²⁰⁵ Later, at a joint press conference with his Russian and Indian counterparts, Chinese Foreign Minister Yang Jiechi criticized US plans for deployment of the missile defence system in Central Europe, saying that this would not only not ease global security concerns, but would undermine the global strategic balance. In contrast, Indian Foreign Minister Pranab Mukherjee simply maintained that India had no plans for cooperation with the US missile defence system. He stonewalled. He would not be drawn into any criticism of US plans.

China was obviously concerned about India's drift into the US camp, but the Chinese still liked to believe that 'India's DNA doesn't allow itself to become an ally subordinate to the US, like Japan or Britain'. And they were right. Left-wing opposition against the deal in India had reached a climax and many on the right accused the left of doing China's bidding. Then, in October 2007, Ai Ping, Director-General of the Chinese Communist Party's International Liaison Department, stated that China had nothing to do with this and that the nuclear deal was entirely India's internal matter. Ai said that China highly cherishes its sovereignty and independence, "so we must respect other people's sovereignty and independence".²⁰⁶ India's leftist parties oppose the deal because they see it as a way of bringing India into the US strategic orbit and of compromising sovereign decision-making on foreign policy, security and nuclear matters. Even the Hindu nationalist BJP, which has been traditionally pro-American and which negotiated a nascent alliance with the Bush administration in early 2004, says that the nuclear deal sacrifices national sovereignty. "A strategic partnership is not a synonym for strategic subservience, and that's why we are opposed to it", said Jaswant Singh, chief nuclear negotiator with the Clinton administration from 1998–2000, foreign minister in the last BJP administration and now a Member of Parliament (see also chapter 6).²⁰⁷

205) M.K. Bhadrakumar, 'A Velvet Divorce in China', *Asia Times*, 31 October 2007.

206) 'N-Deal is Internal Matter of India: China', *Times of India*, 1 October 2007.

207) Somini Sengupta, 'Improving Ties with US Create Political Anxiety in India', *International Herald Tribune*, 23 August 2007.

Yekaterinburg

Interestingly, the ‘Triangle’s’ foreign ministers held their most recent trilateral meeting on 15 May 2008 in the Russian city of Yekaterinburg (from 1924–1991 named Sverdlovsk) in the Urals, on the border of European Russia and Siberia, again emphasizing Russia’s dual nature as a Eurasian country. The focus this time was on the need to fight terrorism and the drug threat. The three foreign ministers – Sergei Lavrov, Pranab Mukherjee and Yang Jiechi – ‘supported the international community’s efforts to improve the situation around Afghanistan and believe that in addition to these efforts, the establishment of drug security belts around the country would be useful’.

The ministers also focused on economic and military cooperation, touching on topical international matters, including the unilateral declaration of independence by Kosovo in February 2008. Lavrov said that Russia, India and China insist that talks between Serbia and its breakaway province, Kosovo, should be resumed. Unilateral secession is a common concern that the three share with Serbia, the common analogy being: China’s Taiwan question; Russia’s Chechnya; and India’s Kashmir.

‘Primakov’s Arms’ Sales Triangle’

Parallel to the triangular volleys of the Sino-Indian-Russian troika and the marathon dance around the Indo-US nuclear deal, another showdown was looming between the two biggest military export machines in the world: the battle between the ‘Bear and Eagle’ for the Indian arms’ market. American arms’ dealers made no secret of their desire to break Russia’s domination of the Indian market, one of the most lucrative in the world, because India still imports much more of its hardware than China. Russia’s Vladimir Putin working assiduously and methodically to rebuild Russia’s position as a top player in the so-called ‘Near Abroad’ and the world at large during his final years in office as president. After the loss of so many rounds of arms’ contract negotiations in East Europe, the Caucasus and Central Asia to the US and NATO, Putin and the Russian generals are in no mood to let India end up in the American orbit. William Cohen, former US Defense Secretary under President Clinton, who was leading a large delegation of American arms’ dealers to India in February 2007, said that India was a US\$ 30 billion opportunity over the next five years. American nuclear power companies hope that they will also get US\$ 30 billion of a total market of US\$ 100 billion, but there are many competitors.

The supreme prize for which all of the world’s fighter aircraft manufacturers will contest is a replacement deal for 126 planes for the Indian Air Force. Will

India buy Russian MiGs (or Sukhois) again as it has done for decades, or will it go for US, French or other European planes. Putin was the guest of honour on Indian National Day in January 2007 and he signed a deal for the Indo-Russian co-production of MiG engines and joint development of a transportation plane.²⁰⁸ Whether India in the end opts for US F-16s, F-18s or Russian MiG-35s or Sukhois is a step that will have long-term implications for the strategic orientation of India as a potential partner in the newly emerging regional economic-strategic triangle of Russia, India and China and the possible accession of India to the Shanghai Cooperation Organization.

Russia has a long history as the main arms' supplier of both India and China – to India from 1962 all the way through the Cold War and to China (re-)starting in the early 1990s. The two giant Asian nations bought 70 per cent of Russia's global arms' sales throughout the 1990s.

New Delhi has managed to purchase everything from tanks to fighter aircraft, to submarines. The biggest, but still incomplete, deal is the transfer of the Soviet-era aircraft carrier '*Admiral Gorshkov*' (launched in 1982) 'for free' (!) but on the condition of major refitting and additional aircraft deals. Under the deal, worth US\$ 2 billion, the 'Gorshkov' is currently being refurbished by Russian shipbuilders. India would also take updated versions of 50 Mikoyan MiG-29K naval fighter aircraft, along with a training package for Indian sailors and aircrews. India would have to pay US\$ 700 million for a refit of the vessel, plus it would have to purchase the MiG-29Ks and eight naval helicopters for another US\$ 800 million. India was also offered options for upgrades to Indian port facilities in order to dock and service the 'Gorshkov' for a total of another US\$ 1.5 billion.²⁰⁹

In order to accommodate the upgraded MiG-29K, the 'Gorshkov' requires an extension to its flight deck, installation of an arrested landing system like that used on US and French carriers, plus a replacement of its maintenance-intensive steam propulsion system with a diesel power plant. All of this has proven to be too much to do for the originally agreed price. The Russian naval shipbuilder Rosoboronexport (ROE) is now demanding an additional US\$ 1.2 billion to finish the job. The Indian naval command is appalled by this 'blackmail', but hardly has an acceptable alternative. This is where the United States came in.

208) 'India Strikes Arms Deal with Russia Ahead of Putin Visit', *Dow Jones Newswire*, 24 January 2007.

209) Reuben F. Johnson, 'The Carrier Cold War: The US Tries to Shut Russia out of India's Defense Market', *The Weekly Standard*, 22 February 2008.

America's 'Gift' for India: 48-year old 'Kitty'?

According to reports in the Indian and US media – apparently based on official leaks – US Secretary of Defense Robert Gates, on his visit to New Delhi in February 2008, carried with him a letter from US President George W. Bush offering a better deal for India than the one that it has now been struggling to get out of Moscow for four years. The Indian Navy will reportedly be offered the soon-to-be decommissioned USS *'Kitty Hawk'* aircraft carrier – also for free – provided that the Indian Navy will foot a big refitting bill and agree to purchase 65 of the newest model Boeing F/A-18E/F Super Hornets to be operated off the 48-year-old carrier, which is 22 years older but twice as big as the *'Gorshkov'*. The *'Hawk'* has made its last voyage and is waiting to be decommissioned, but the rumours that India is still interested in buying it persist on the internet.²¹⁰

The US is unlikely to win this 'dumping-contest' with the Russians. The Indian defence establishment has serious complaints over US equipment and unsatisfactory sales' methods. The Indian Navy recently bought the 36-year-old landing ship dock (LSD) *'Trenton'* for US\$ 50 million, the first-ever Indian naval ship purchase from the US. According to Indian navy standards, the service life of an aircraft carrier is 40 years and twenty for an LSD. A report to the Indian Parliament by the Comptroller and Auditor General (CAG) of the Indian Navy asserts that the USS *'Trenton'*, built in 1968 and rebaptized INS *'Jalasha'*, was purchased without undertaking a proper physical assessment, but with only a 'visual inspection' and an 'over-reliance' on – inadequate – information supplied by the US Navy. Furthermore, the ship was only delivered in a 'safe-to-steam' condition and would require upgrades and modifications, aspects that the Indian Navy kept hidden from competent financial authority. In February 2008, six Indian Navy sailors died aboard the *'Jalasha'* following a toxic gas leak. In more alarming revelations, the CAG says that New Delhi had signed restrictive clauses assuring Washington that it would not deploy the INS *'Jalasha'* for offensive purposes and would allow regular US inspections of the ship. Observers say that this is against established policy and bound to raise a political stink and accusations of New Delhi buckling under US pressure and possibly financial muscle.²¹¹

While in New Delhi in February 2008 at the head of a large delegation of defence contractors, US Secretary of Defence Robert Gates welcomed the recent Indian decision to buy six Lockheed Hercules C-130J cargo aircraft, valued at US\$ 1 billion. His main purpose was to help Lockheed Martin sell 126 F-16s and/or Boeing its F/A-18 Super Hornet, worth US\$ 10 billion. The importance of

210) See Johnson, 'The Carrier Cold War'.

211) Siddharth Srivastava, 'India All at Sea over US Defense Ties', *Asia Times*, 26 March 2008.

the deal is not only commercial, but that the new-generation aircraft will be in use with the Indian Air Force for the next 40 years, and clinching the deal therefore becomes absolutely vital for the US if it is to aim at 'inter-operability'. Gates knew that it is the sort of deal that will ensure that US-India military-to-military cooperation will become irreversible and will pin India down as the US's strategic ally in the region. Stung by the strong opposition against the US-India nuclear deal and the Jalasha scandal, Gates modestly said: "We're not looking for quick results or big leaps, but rather a steady expansion that leaves everybody comfortable".²¹²

Russia (and the United States) Favour India and 'Discriminate' against China

The US and Russia have been engaged in a cut-throat competitive bidding spree in India. This had already started with talks on the purchase of P-8i Poseidon long-range maritime reconnaissance patrol aircraft with anti-submarine war capabilities to replace Russian-made Tu-142M bombers. The deal could be worth US\$ 2 billion, the biggest defence deal so far between Russia and the United States.

Some of the Russian transfers to India include weapons and technology that Moscow refuses to supply to China. Moscow and Delhi agreed to begin the joint development of a new, so-called fifth-generation fighter. This aircraft would be a potential rival in performance to the US F-22 Raptor, defence analysts in New Delhi said. India also agreed in 2007 to buy another 40 Su-30MKI fighters from Russia for US\$ 1.5 billion, in addition to an earlier order for 140 of these aircraft. Some military experts say that this versatile, twin-engined jet is probably the best fighter and strike aircraft in the world. But Russia has not offered it to China while Moscow is also offering to sell India its latest fighter: the MiG-35. In nuclear submarine technology, Russia has also been more generous with India than with China. The unspoken rationale behind this is obvious: Russia – not unlike the United States – considers China an emerging '*global peer rival*' and potential long-term threat, while India – at best – is deemed a secondary regional power.

China has become a top importer of Russian military equipment and systems, which is ironic given the historic antagonism between Beijing and Moscow from the late 1950s until the Soviet demise. Nevertheless, Russia, out of frustration with the United States' 'winner-takes-all triumphalism' and humiliation of the Yeltsin presidency by the Clinton administration, and for cash,

212) Srivastava, 'India All at Sea over US Defense Ties'.

during the 1990s agreed to sell China its sophisticated Sovremenny-class destroyers (now the flagships of the Chinese Navy), ‘Sunburn’ anti-ship missiles, and advanced Sukoi Su-30 MKK fighter aircraft.²¹³ Both nations have also agreed to cooperate on the joint development of new military technologies, including so-called ‘asymmetrical’ warfare (cyber-warfare) technology aimed at curbing US dominance in this area. During the 1980s, Israel was – dodging US objections – a ‘covert’ supplier of advanced military technology to China, estimated at US\$ 4 billion. When Israel wanted to supply the Falcon, an airborne radar system equipped with advanced Israeli-made aeronautics on board a Russian-made plane, to China in 2000, the US Congress threatened sanctions against Israel. Only when Congress moved to cut the US\$ 2 billion aid that it gives Israel annually did Israel buckle and had to pay US\$ 350 million in compensation to China. The US did not, however, oppose Israel’s supply of the Falcon to India.²¹⁴

Russia’s arms industry is suffering a near collapse in exports to China as the Russian top brass agonizes over which technology can safely be sold to China, as well as Beijing’s desire to receive licences to do the work itself, the independent newspaper *Nezavisimaya Gazeta* reported on 28 January 2008. The main issue is indecision: ‘Russians feel genuinely concerned, in the medium to longer term, that Russian and Chinese interests may collide again’, said Alexey Muraviev, a strategic analyst at Curtin University of Technology in Perth, Australia. ‘There is this debate about whether we should arm the Chinese when they may eventually turn against us’.²¹⁵ *Nezavisimaya* further reported that Moscow’s willingness to deliver cutting-edge technology to India – another major importer of Russian weapons – had ‘embittered the Chinese generals’. After orders peaked at more than US\$ 2 billion a year earlier this decade, Chinese arms’ deals with Russia shrank to almost nothing in 2006, and no major new contracts are in the pipeline, according to Russian, Chinese and US defence experts. Still, with the EU–US arms’ embargo on China still in place, most analysts expect that Moscow and Beijing will eventually negotiate compromises that clear the way for future contracts: ‘Russia still provides what the US and the EU will not supply’.²¹⁶

213) For one of the best analyses of the United States’ complete failure in dealing maturely with Russia after the Cold War – that is, treating it as a defeated nation like Germany and Japan after the Second World War – see Stephen F. Cohen, ‘The Missing Debate’, *International Herald Tribune*, 2 May 2008.

214) Sudha Ramachandran, ‘US Up in Arms over Sino-Israel Ties’, *Asia Times*, 21 December 2004.

215) David Lague, ‘Russia and China Rethink Arms Deals’, *The New York Times*, 2 March 2008.

216) ‘Newspaper: Russian Arms Exports To China In Collapse – AFP (WSJ)’, *Dow Jones Newswire*, 29 January 2008.

Russia 'Strong-Arming' India

As a logical next phase in its ambitions as a major power, India in 2002 undertook to establish its own military outpost in Tajikistan and spent over US\$ 1 million to renovate a former Soviet airbase, Ayni, 10 kilometres from the Tajik capital Dushanbe. Ayni's value to India stems from Tajikistan's geographic location, as it shares borders with China, Afghanistan, Uzbekistan and Kyrgyzstan. A narrow strip of Afghan territory – the Wakhan corridor – separates Tajikistan from Pakistan. The Russians recently started to pressurize the Tajiks to deny India deployment and even access to Ayni, allegedly because of increasing Russian unease about India's new closeness to the United States. The Russian message was that if India wanted to have a strategic beachhead in Central Asia, it has to keep its distance from the US. It also served as a warning to India to decide in Russia's favour in a host of big-ticket defence deals that are on the agenda: 'Don't buy too much American, or else!' There is another irritant in India-Russia relations, for which Russia itself is at fault: the endless delay in delivery of the aircraft carrier 'Admiral Gorshkov' and the steep hike in costs of the Sukhoi fighter aircraft.²¹⁷

On top of that, there is the China factor. What impact will the US and Russian arming of India have on Sino-Indian relations, while the United States maintains its arms' embargo on China and maintains pressure on the divided European Union to fall in line. The US has in recent years rejected a policy of containment of China, at least publicly. Only the short-lived former Japanese Prime Minister Shinzo Abe openly advocated 'value-based diplomacy' (democracy and human rights) and containment, and appealed in a speech to the Indian Parliament in August 2007 for India to join, which India never did. Under its former inward-looking Prime Minister John Howard, however, Australia did, but the new Prime Minister Kevin Rudd, a Chinese-speaking former diplomat, cancelled Australia's participation in the 'Quadrilateral Dialogue', a coalition of democracies aimed at 'furtively' containing China, immediately after taking office.²¹⁸ Indian Prime Minister Manmohan Singh, on his January 2008 visit to China, also reiterated the theme that India will not be part of any 'contain China scheme'.

217) Sudha Ramachandran, 'Russian Turbulence for Indian Airbase', *Asia Times*, 1 February 2008.

218) Greg Sheridan, 'Asia Fears Rudd's China Fixation', *The Australian*, 3 May 2008.

Does the Triangle have a Future?

The 'Trio' of Russia, China and India was triggered by three events:

- The American sanctions against India over its May 1998 nuclear tests;
- The December 1998 Clinton–Blair bombing campaign against Iraq, a country with which Russia maintained close relations;
- The 'erroneous' US bombing of the Chinese Embassy in Belgrade in May 1999.

The three countries had deeply shared grievances about – perceived – American/Western neo-colonialist arrogance, hypocrisy, double standards and deception, etc. US unilateralism provided a basis for continued – but just intermittent – solidarity, as the three of them had their own national bilateral agendas in pursuing better relations with each other and with the United States. While Russia and China shared opposition against the US-sponsored democratic 'colour revolutions' in former Soviet republics in 2005, India was more interested in expanding its relations with the United States. In 2006 the themes of their consensus were the democratization of international relations, multi-polarity, respect for the United Nations, which the United States often tended to bypass, and opposition to Bush's sabre-rattling against Iran. In 2007 the focus was on joint opposition against an emerging 'East Asian (!) NATO' – four democracies, including Australia and the United States – for the containment of China. After some confusion about its orientation, India dropped out this time, and in 2008 Australia as well. India would also not participate in the US-sponsored missile defence, at least not now, and the Indian communists succeeded in derailing the US–India nuclear deal. In 2008, the 'Triangle' also expressed opposition against the unilateral declaration of independence of Kosovo, but it remains to be seen whether they can hang on to this against the United States and the European Union. Opposition against further NATO expansion will probably be more effective, because the European Union itself is divided over this. China is neutral on the issue of Ukraine's and Georgia's accession to NATO and still resists Russia's request for closer military cooperation, such as in the Shanghai Cooperation Organization (SCO). Russia advocates collective security for SCO, but China advocates only cooperative security – anti-terrorism, anti-extremism and special dialogues on energy security.

The question is, will the Russia–China–India triangle survive as a viable grouping in Asian and global diplomacy, or will the inherent contradictions in the triangle render it marginal or irrelevant? There is a vast asymmetry in the countries' actual and potential power. The US design was to strengthen India against a much stronger China and to lock the fellow democracy into the position

of an ally and military client state with restrictions on its sovereignty, similar to the formerly defeated Asian great power of Japan. It is now clear, however, that this is not going to work as Washington envisioned. India practises democracy, not based on crusading Bushist ideological zealotry but out of sheer pragmatism: it is the natural way to manage the internal dynamics of such a culturally diverse country. But India will never base its foreign policy on an agenda of spreading democracy or show prejudice against countries that are not Western/American-style democracies.

An accumulation of factors – foremost of which is the realization that negative relations with the United States during the Cold War have held India back, plus the recognition that China's normalization of relations with the United States in 1972, combined with Deng Xiaoping's reforms from 1978, have facilitated and accelerated China's rise – have convinced India that it must optimally expand its relations with the United States for reasons of geopolitics, economics, trade and investment, particularly high-technology integration. For reasons of history and internal divisions, however, it cannot do so on American terms. India needs stable relations with China and in recent years it has achieved significant improvement in its relationship with China, but this is not sustainable without a broader Asian 'balance of power' with outside participation of the United States and, perhaps in the longer term, the European Union/OSCE. At the same time, India wants to continue its close relationship with its Cold War ally Russia, perhaps in a diluted form but still substantial. As Sujit Dutta, a senior analyst with the Institute of Defence Studies and Analyses in New Delhi, puts it:

India is not going to be a junior partner of China. No question. [...] If Russia accepts to be a junior partner of China because of this vast asymmetric power relationship and its contradictions with the West, then the only way that scenario will play out is India becomes a junior partner with China or alternately that China accepts an equal status for India. [...] Much will depend on whether China's nationalism becomes what it says: accepting multi-polarity as a basis for the new world order. Multi-polarity doesn't seem to be the essence of it, though, as we observe Chinese foreign policy.²¹⁹

In other words, India will need the United States and Japan to balance against China, and in the longer term something similar may apply to Russia. It is interesting to note what former US National Security Adviser Zbigniew Brzezinski said about this: 'In the longer run, I happen to think that Russia really has no choice but to become gradually more associated with the Euro-Atlantic

219) Interview with Sujit Dutta, IDSA, New Delhi, 11 October 2007.

community. Because if it isn't, then it's going to find itself essentially facing China all by itself'.²²⁰

The 'trio' was not an alliance and will not be one, but just a *ménage à trois* of intermittent 'one-night stands', with the three countries taking common positions on selected, but not the most important, issues.

The endgame for the three countries in the mid- to long term may very well be that China will enter into a bipolar superpower relationship with the United States; India will become one pillar in an Asian and global multi-polar balance of power, underpinned by the United States; and Russia will return to Europe for the fourth time in its history, after three failed precedents since Peter the Great.

220) Zbigniew Brzezinski in a trilateral debate with Henry Kissinger and Brent Scowcroft, 'The Charlie Rose Show', 15 June 2007.

6. A New Era in India–US Relations

From Estrangement to Engagement

The end of the Cold War, dissolution of the Soviet Union, improving but still unpredictable relations between India and China, and China's continuing alliance with Pakistan, were all (new) realities and complexities that offered the foundation for a growing strategic relationship between India and the United States at the end of the twentieth century. Former US President Bill Clinton and his wife Hillary had had a special interest in India from their student days, because the whole South Asia region seemed to be a laboratory for experiments in grass-roots democratization and social entrepreneurship, such as micro-credit banks and women's self-help organizations. For a variety of reasons – and not least because India had been a Soviet ally in the Cold War and the 50-year US rivalry with the Soviet Union was now over – revitalization of relations with India became a US priority after all these years of high-handed neglect. After his visit to China in 1998, Clinton wanted to put US relations with China on a new footing and to visit the other Asian giant before he left office.

India had been a nuclear pariah state, under sanctions since its first nuclear test in Pokhran in Rajasthan in May 1974, the so-called '*Buddha's Smile*'. Clinton's second-term administration now wanted to ponder ways to end Delhi's pariah status, but on US terms – that is, that India submit to the disarmament and non-proliferation regimes. For India, with its long tradition of neutrality and non-alignment, it was anathema to bend to a dictate from Washington. The rationale for India's nuclear ambitions was China, which after conducting its first test in 1964 had been allowed to join the Nuclear Non-Proliferation Treaty (NPT) – signed in 1968 by the three Western nuclear powers plus the Soviet Union – and India was not. China was 'legalized' because its tests pre-dated the

promulgation of the treaty, an approach that India found neither logical nor fair.²²¹

In March 1998, the Hindu-nationalist BJP soundly defeated the more moderate Congress Party's coalition and vowed to 'induct' nuclear weapons into India's arsenal. The United States' priority now became even more so to dissuade India from conducting nuclear tests, but the BJP was unstoppable. Also in March 1998, Pakistan – with Chinese and North Korean aid – tested its Ghauri missile, named after the first mediaeval Muslim conqueror of northern India. On 11 May 1998, India conducted its series of Pokhran-II tests. India met with US and universal condemnation for 'increasing the danger of nuclear war on the subcontinent, dealing a body blow to the non-proliferation regime and extinguishing hopes for improving US-India relations'. Indian Prime Minister Atal Behari Vajpayee sent personal letters to 177 heads of state around the world, explaining the reasons for the test:

China, 'an overt nuclear weapons' state on our borders, a state which has committed armed aggression against India in 1962'; and Pakistan, 'a covert nuclear weapons state', that had committed aggression against India three times and that continued to sponsor terrorism in Kashmir.²²²

US diplomacy, which was already aimed at putting US-India relations on a new footing, now changed to crisis-control mode. Strobe Talbott, a renowned former Time Magazine correspondent and Soviet specialist, and since 1994 US Deputy Secretary of State, became President Clinton's trouble-shooter for South Asia. Talbott's first assignment was to go to Pakistan to persuade the Pakistanis to refrain from a 'retaliatory' nuclear test. In this he failed. "It is only a matter of time before they pop one off", he reported to Clinton. And this indeed happened on 27 May 1998. India had made its point, and rather than giving way to BJP ultra-nationalists to defy the United States further, Vajpayee reached out to Washington and assigned his personal friend and adviser Jaswant Singh to mend relations with a country that was the key to India's integration in the world economy.

President Clinton himself was so dismayed by India's 'terrible mistake' that he proposed to Russian President Boris Yeltsin, during the Birmingham G8 Summit on 17 May 1998, to work out a joint approach to India and Pakistan, together with Chinese President Jiang Zemin. Yeltsin loved the prospect of playing a key role in handling a global issue, but US and Russian senior officials dismissed the idea as unrehearsed presidential shooting from the hip. A week after

221) Strobe Talbott, *Engaging India: Diplomacy, Democracy and the Bomb* (Washington DC: Brookings Institution Press, 2004), p. 13.

222) Talbott, *Engaging India*, p. 53.

the sanctions were announced in June 1998, Clinton was on a state visit in China and issued a joint statement with President Jiang Zemin, lambasting India and Pakistan and threatening further action. This statement was perceived as a bombshell in New Delhi. Jaswant Singh appealed to Talbott to organize a high-profile meeting very soon, both to counter the perception that US-India relations were in free fall and that the dialogue that he had launched with Talbott was a mistake. The meeting was held from 9-10 July 1998 at Frankfurt Airport in Germany.²²³

The Strobe Talbott-Jaswant Singh Talks

Over the next two years, Talbott had fourteen meetings in seven countries with Jaswant Singh, with the goal of making India a signatory to the Nuclear Non-Proliferation Treaty, which he did not achieve. Singh's mission was to see an end to the sanctions – termination of humanitarian aid, cessation of all military supplies and an end to all loans by multilateral institutions, except for food supplies – in which he succeeded. The fact that the dialogue became a reality was proof for the Indians that the Americans finally took them seriously and, as such, vindication of the Pokhran-II test.

Jaswant Singh was a Rajput, Hindi for *aristocrat*, born in 1938 in Rajasthan. He started his career as an army officer and rose to the rank of major, when at the age of 28 he resigned his commission to become a politician. Only fourteen years later he joined the Hindu-nationalist Bharatiya Janata Party (BJP) where he became an outspoken opponent of violence against other religions, such as the RSS²²⁴-instigated practice of burning down mosques and Christian churches. Identifying himself as a 'liberal democrat', he stated: 'I believe that this country cannot be constructed by demolitions'. Jaswant Singh developed a close personal friendship with his American counterpart Strobe Talbott, who was viewed as the closest thing to an American aristocrat.

The dialogue was basically a test of wills between the sole superpower, which was adamant about protecting the nuclear monopoly of the five NPT-approved nuclear- weapon states (the United States, Russia, the United Kingdom, France and China), and India, which resented being denied a place at the big table and even more so being treated as a power of the same status as Pakistan, which in the words of Jaswant Singh was "a relatively small, incurably troubled country that

223) Talbott, *Engaging India*, pp. 68 and 92.

224) *Rastriya Swayamsevak Sangh* (National Volunteers Association), or RSS, which was founded in 1925, advocates a Hindu-supremacist state rather than a secular, pluralist state as favoured by Gandhi and Congress.

dreamed of parity with India, which it would never attain or deserve". Moreover, Pakistan was a real nuclear rogue state and a proliferator whose nuclear programme had been aided by India's main antagonist China and its missile programme by North Korea. Whenever Talbott brought up Pakistan, the Indian negotiator would either sigh or shake his head and shrug it off as neither pleasant nor germane for lengthy discussion between representatives of 'two major powers'.

Jaswant Singh insisted that the United States accepts India's nuclear weapons as facts of life and admits India in the major league. The United States was adamant about not doing anything that diluted the NPT, about not granting India exemption that gave it the privileges of NPT membership, and because India would remain outside the NPT, it would be ineligible for certain forms of assistance that are available to non-nuclear member states, principally help in developing nuclear power for peaceful purposes, primarily the generation of electricity.²²⁵

India had outlawed itself by testing and the first step towards mending the situation would be a pledge not to test again and to sign the Comprehensive Test Ban Treaty (CTBT). For Jaswant Singh this meant formalizing the moratorium that Vajpayee had offered in his letter to 177 heads of government immediately after the test. However, for many BJP politicians, accepting US attempts to protect the monopoly of the permanent five NPT-approved nuclear-weapon states was anathema. The Indians had to worry about both China and Pakistan, even if they claimed to take only China seriously. China had a head start as a nuclear power and if India tried to catch up, the Chinese would do whatever it took to maintain their lead. Unlike the balance of nuclear terror between the United States and the Soviet Union, the nuclear triangular dynamic of China, India and Pakistan would be inherently unstable.

Part of Jaswant Singh's negotiations with Strobe Talbott were energetic and eloquent efforts to persuade the Americans to abandon the folly of considering Pakistan an ally.

India, he said, had suffered the effects of radical Islam for 50 years, starting with the 'vivisection of our country' [that is, Partition] in 1947 and continuing through decades of Pakistani-backed incursions and acts of terror. [...]

For all those years when India was under attack from Pakistan, the US based its policy towards that country on 'a grave error about its very nature': Pakistan had never really been a cohesive nation or a viable state and never would be; it was 'an artificial construct, structured out of hate, a stepchild of

225) Talbott, *Engaging India*, p. 86.

Uttar Pradesh' [the Indian state where the pro-partition Muslim League had its roots].²²⁶

Jaswant Singh further quoted (then) Russian Foreign Minister Yevgeny Primakov: 'The globe cannot live with a Talibanized Pakistan that has the bomb'.²²⁷ Talbott firmly rejected Singh's diatribes against Pakistan with the rationale that regarding Pakistan as no better than Afghanistan would increase the chances of it becoming so. But Singh insisted that unlike Pakistan, a democratic, socially cohesive, politically confident India could be trusted with the bomb. A nuclear-armed India was a natural ally of the United States in the struggle against Islamic fundamentalism, while a nuclear-armed Pakistan was a threat to both countries. Jaswant Singh used another card to induce the Americans towards more understanding for India's dilemmas: the campaign by Republican senators in the United States to thwart the Clinton administration's desire to get the CTBT ratified. In other words: why push India if the Republican right was not missing any chances to rock the treaty at home? In August 1999, Jaswant Singh had brought a letter from India's Prime Minister Vajpayee for US President Clinton, but it did not contain a promise of signature of the CTBT.

Why push India if the Republicans want to kill the CTBT?

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On 13 October 1999, the day when Vajpayee's government took office with a renewed mandate and the day after the Pakistani coup that deposed Sharif and brought Musharraf to power, the US Senate rejected ratification of the CTBT that had been languishing for three years. After all of the efforts that Strobe Talbott and Jaswant Singh had made to find common ground and move India – and Pakistan – towards signing the treaty, the US had now lost all credibility on non-proliferation because of a petty partisan vendetta of the Republicans against Clinton personally. Although Clinton was livid at the Senate, he almost considered sidelining the treaty as a blessing in disguise for US–India relations. There was no longer a need to use the sticks of sanctions with India or to pressurize it to sign the treaty. A great practitioner of personal diplomacy, Clinton could now improve relations with a 'decent' country like India without solving the

226) Talbott, *Engaging India*, pp. 118–119.

227) Talbott, *Engaging India*, p. 119.

nuclear issue, and he notified Vajpayee that he wanted to make the long-postponed trip to India before he left office. Clinton visited India in March 2000 and although no tangible progress was made on the two big issues – non-proliferation and the US's close relations with Pakistan – the visit was a historical turning point and a stunning success, dispelling the mistrust that had accumulated over half a century. India would continue testing until it had perfected the technology of the hydrogen bomb, no matter what. Clinton took the message on Pakistan. He spent five days in India and five hours in Pakistan, to which Jaswant Singh objected, but “as irritated and disappointed as we are with Pakistan, we can't turn them into a pariah”, Madeleine Albright rebuked.²²⁸

As to the CTBT, the Democratic presidential candidate Al Gore was committed to trying to resurrect it, whereas the Republicans stuck with the party's decision to kill it.

Bush: 'China is Not a Strategic Partner India a Democratic Counterweight'

During the 2000 election campaign, the Republican candidate George W. Bush repeatedly criticized Bill Clinton for failing to see that China was a competitor and not a strategic partner, which was well received in India. His National Security Adviser-to-be, Condoleezza Rice, put Bush's anti-China sentiment in a pro-India context in an article in *Foreign Affairs*:

There is a strong tendency conceptually to connect India with Pakistan and to think only of Kashmir or the nuclear competition between the two states. But India is an element in China's calculation, and it should be in America's too. India is not a great power yet, but it has the potential to emerge as one.²²⁹

With its grand ideological scheme of spreading democracy and freedom across the world, if necessary by force of arms, the Bush administration had been flirting with the idea to court India as a 'democratic counterweight' to China. One of Bush's first steps as US president was the downgrading of the 'strategic partnership' with China that Clinton had agreed to with his counterpart Jiang Zemin in 1998 to 'strategic competition'.

Contrary to China, India had been one of the first countries in 2001 to welcome the American plans for a missile shield and Bush subsequently lifted the

228) Talbott, *Engaging India*, p. 201.

229) Condoleezza Rice, 'Promoting the National Interest', *Foreign Affairs*, January–February 2000, pp. 45-63.

sanctions that the US had imposed on India for its nuclear tests.²³⁰ The '9/11' attacks on New York's twin towers provided a new opportunity for the US and India to bond. Pakistan-based Kashmiri terrorists, ostensibly aided by ISI (Pakistan's military intelligence service), struck in October 2001 at the Kashmir State Assembly in Srinagar, and more spectacularly on Parliament in New Delhi in December 2001. India's Prime Minister Atal Bihari Vajpayee made an official visit to Washington in November 2001 and both India and the United States issued a statement, describing both countries as 'targets of terrorism'.

During the Clinton years, the glossary concerning terrorism in India had usually focused on 'addressing the causes' – that is, occupation in Kashmir – rather than the terrorist acts themselves. Washington had now acknowledged that terrorism in India was no different from terrorism anywhere, thereby initiating a new era in US–India relations: one of sympathetic understanding.

India's 'Pre-emptive Hedging'

India was also committed to a completely new relationship with the United States, but not exactly on US terms. Half a year before his visit to Washington, Vajpayee had demonstrated India's autonomous foreign policy by visiting America's long-time adversary Iran and had concluded a strategic partnership with Tehran, which was based on a common view of history of two major historical Asian empires and mutual geopolitical interests defining the future.²³¹

230) US President George W. Bush could not have forgotten 'the irrational exuberance' – the expression used by *The Times of India* – of New Delhi's response to his declaration on 1 May 2001 that the United States needs 'new concepts of deterrence' and to create these it needs to 'move beyond the constraints of the 30-year-old ABM [Anti-Ballistic Missile] treaty' and work towards deploying a ballistic-missile defence system.

231) For civilizational solidarity and historical background about how these two proud empires were humiliated and stripped of their high status by Western powers in modern times, see John Garver, *China and Iran: Ancient Partners in a Post-Imperial World* (Seattle WA: University of Washington Press, 2007).

India accepts no US 'Diktat' on Iran

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Iran was still under the presidency of moderate liberal Mohammed Khatami and India hoped that it could play a mediating role between America and Iran. When Khatami was succeeded by the menacing firebrand Ahmedinejad in 2005, this proved to be a stillborn idea and at best something for the longer term, but perhaps sooner rather than later as from early 2008 Ahmedinejad's power seems to be declining. Apart from global and regional issues such as terrorism, the Middle East and Kashmir, India and Iran signed several agreements and gave fresh impetus to enlarging bilateral cooperation in spheres such as energy, information technology, transport and transit. With Iran serving as a gateway for enlarging economic cooperation with Central Asia and the Russian Federation, a trilateral transit agreement had already been signed involving India, Iran and Turkmenistan in 1999 and another comprising India, Iran and Russia in 2000 for a North–South corridor.²³²

After his visit to Washington in 2001, India's Prime Minister Vajpayee first visited India's old ally Russia, which was most troubled by Delhi's growing ties with the United States. From Moscow, Vajpayee moved on to two unusual destinations – Tajikistan and Syria – which was at first viewed by the US with dismay, but it was meant as rearguard protection to signal that India would be moving closer to the United States and Israel without abandoning its old friends. Both India and Russia 'confirmed their opposition to the unilateral use or threat of use of force in violation of the UN charter' and expressed support for a multi-polar world. Both expressed full support for their respective 'dismantling of terrorist infrastructures' in Kashmir and Chechnya. With the signing of ten agreements, the two old Cold War allies demonstrated that Russia would continue to be a key partner of India in fields such as armaments, space technology, aerospace, satellite navigation and energy and earthquake research. India would also buy the Soviet aircraft carrier 'Gorshkov'.²³³

232) T.R. Ramachandran, 'India, Iran to forge Strategic Partnership', *The Tribune* (Chandigarh), 9 April 2001.

233) Sudha Ramachandran, 'India Revels in New Diplomatic Offensive', *Asia Times*, 22 November 2003.

India's steadily expanding engagement with Tajikistan (the only non-Turkic but linguistically Indo-Iranian republic in Central Asia) must be seen in the context of Tajikistan's proximity to Afghanistan, Pakistan, China and the energy-rich Central Asian republics. Reports in the Indian media that India had set up a military base in Tajikistan were denied, but defence ministry sources later confirmed that 'India would upgrade the infrastructure of the base and has plans to station troops and air platforms there in the near future'.²³⁴

More importantly, India will also extend the highway from the Iranian port of Chabahar on the Persian Gulf into Tajikistan. Since Chabahar is close to the Pakistani Persian Gulf port of Gwadar that China is helping Pakistan to finance and build, Pakistan views the Indian presence in Tajikistan as 'encirclement'. The India-Iran engagement is said to have irked the US and Israel, even two years before Ahmedinejad came to power. An Indian think tank pointed out that India's role with the proposed highway seeks to balance Chinese engagement in Central Asia, particularly in the Kazakh oil sector and the construction of a gas pipeline from Turkmenistan: "While China tries to engage the Central Asian region and its hydrocarbon resources through Kazakhstan, India's strategy is to engage the region through Iran, Afghanistan and Tajikistan", said the think-tank analysis.²³⁵ Sino-Indian competition and rivalry in Central Asia is like a twenty-first century version of the nineteenth-century 'Great Game' between Tsarist Russia and the British Empire, with the difference that the game was then played by secret services and is now pursued by oil and construction companies.

The Syrian leg of Vajpayee's trip was the most sensitive, as it came two months after Israel and India had finalized several defence deals during a visit of Israel's Prime Minister Ariel Sharon to India. Vajpayee reassured the Syrians that there would be no change at all in India's full support for the Palestinian cause, India's demand for full Israeli withdrawal and India's strong opposition to the US invasion and occupation of Iraq.

Vajpayee's three-country trip had been a clear assertion of India's role as an emerging great power that acts independently, based on its own interests, and balancing the broad spectrum of conflicting groups in its domestic politics. One of many fiercely independent newspapers commented editorially: 'India's foreign policy must be principled and guided by its own interests, rather than shaped by fears of upsetting the Americans. The interaction with the Russians and Syrians was a step in that direction'.²³⁶

234) Ramachandran, 'India Revels in New Diplomatic Offensive'.

235) Happymon Jacob, Observer Research Foundation, New Delhi, quoted in *Asia Times*, 22 November 2003.

236) Deccan Herald, quoted in *Asia Times*, 22 November 2003.

A US-China-India Triangle?

During 2001, the Bush administration's first year, US relations with India had a clear new dynamic, and, while ever volatile, partisan relations with China had somewhat stabilized after the EP3 spy-plane crisis (the forced landing of a US spy-plane on Hainan island after a Chinese jet had rammed into it and knocked its nose off).

The Bush administration had a dualistic, contradictory policy towards the two Asian giants. US-China relations were handled cooperatively and pragmatically by the US State Department, the economic branches of the administration and the private sector. The Pentagon, to the contrary, however, had become a bastion of neo-con anti-China hardliners, set on challenging and provoking China. After the spy-plane incident, US Defense Secretary Donald Rumsfeld had frozen military relations with China, expanded the surreptitious but close relations that already existed with Taiwan and embarked on defence cooperation with India. According to a classified 130-page analysis that was prepared for Rumsfeld, 'China represents the most significant threat to both countries' security – India and the US – in the future as an economic and military competitor'.²³⁷ The analysis quoted an unidentified US admiral saying that a positive relationship with India was a 'hedge' against future Chinese ambitions: 'The USA and India both view China as a strategic threat and share an interest in understanding Chinese strategic intent, though we do not discuss this publicly', the admiral said. The report noted that Indian and US views of China were 'strikingly similar', predicated to keeping China out of the Indian Ocean region where, over the past decade, it has been making swift inroads. US officials, it said, think that a 'strategic engagement' with India could become a 'future investment' of growing value if Asia became hostile and dangerous to a continuing US military presence in the region. If the US's relations with its traditional allies – Japan, South Korea and Saudi Arabia – become more fragile (which may be the case), India 'should emerge as a vital component of US strategy', the report maintains.²³⁸ Ironically, the classified report was leaked in April 2003 at the very moment when Indian Defence Minister George Fernandes, in previous years the loudest anti-China hardliner in India's BJP-led government, was making a historic visit to China. In 1998, Fernandes had branded China as the 'Number One Threat to India' and the reason why India had become a declared nuclear-weapon state. In April 2003 a contrite Fernandes braved the SARS epidemic and visited Beijing to mend fences. According to experts, his visit indeed 'injected

237) 'Indo-US Alliance to Contain China', *Press Trust of India*, 6 April 2003.

238) Quoted by *Press Trust of India*, April 6, 2003.

positivity' into the troubled relationship. For the first time since 1998, the Indian Defence Ministry's annual report to Parliament did not identify China as the biggest threat to national security. India also revealed that it has begun cooperation with the armed forces of China.²³⁹

Neither India nor China want an Asia that is dominated by the United States. Both see themselves as great powers that fell on bad times centuries ago, but that are well on their way back to reclaiming their rightful places as pre-eminent nations. If they settle their differences and deepen cooperation and engagement they can perhaps establish a multi-polar world in which US power in Asia is moderated – a stated goal of both countries. India definitely wanted stronger relations with the United States, but the Bush administration was conveniently assuming that India would become an obedient vassal like Britain under Tony Blair or Japan under Koizumi. The Indians made it clear on numerous occasions that this could not be the case, if only because there would not be sufficient support for this across India's very diverse political spectrum. India had its own agenda in its relations with China: parallel improvement of relations with both the United States and China. Any impression in Beijing that New Delhi was ganging up with Washington in containing China would severely set back these relations. A new irritant became the United States' revival of its defunct military alliance with Pakistan after '9/11'. Since 1999 Pakistan was again under military rule and had now become an indispensable base for the war on the Taliban and al-Qaeda in Afghanistan. The US military had developed close cooperative relations with its Pakistani counterparts over the decades, a precedent that was lacking with the Indian military, who had worked for all these years with the Soviet military establishment. US President Bush's first Secretary of State, General Colin Powell, enjoyed good personal understanding with another general, Pakistan's President Pervez Musharraf. This was reflected in Powell's announcement in Islamabad in March 2004 that the US would designate Pakistan 'a major non-NATO ally', a status that qualified Pakistan for another US\$ 1.3 billion in military aid. India expressed 'deep disappointment'.²⁴⁰

The main difference between the Clinton and Bush administrations regarding India was that the Clinton administration had a strong desire to integrate India in the non-proliferation regime but not at the expense of it, and the Bush administration, after abandoning the CTBT and introducing its Missile Defense System to replace it, could not care less.

239) S.N.M Abdi, 'India Drops China as Biggest Threat', *South China Morning Post*, 2 June 2003.

240) Talbott, *Engaging India*, p. 222.

The Iraq War

Another resounding sign of India's determination not to subordinate itself to the United States, and even less to George Bush's world, was its refusal to send troops to Iraq. India, like China had considered US military action in Afghanistan as in its national interest, but unlike China, India welcomed the US military presence in Central Asia because it acts as a buffer against Islamic fundamentalism and terrorism and holds 'Taliban-friendly' Pakistan in check. However, when General Richard Myers, the Chairman of the US Joint Chiefs-of-Staff, visited Delhi in late July 2003 to pressurize India to supply 17,000 troops for Iraq, India made it clear that it would only consider the request if a UN resolution legitimized the US-led occupation of Iraq. "If the US wants Indian peacekeepers in Iraq, perhaps General Myers should visit Paris first", one Indian official said.²⁴¹ The Indian Cabinet rejected supplying Indian troops for Iraq outright on 14 July 2003: "Our longer-term national interest, our concern for the people of Iraq, our long-standing ties with the Gulf region as a whole, as well as our growing dialogue and strengthened ties with the US have been key elements in this consideration", said Indian Foreign Minister Yashwant Sinha. The fundamental reasoning was much simpler: the war was very unpopular among the public at large, Hindus and Muslims alike. Even as US troops were approaching Baghdad in early April 2003, the Indian Parliament overwhelmingly passed a resolution condemning the war as unjust and calling on the United States to withdraw.²⁴²

Nevertheless, security ties and technology exchanges between the 'two largest democracies in the world' are expanding and joint US-Indian naval manoeuvres in the Indian Ocean are a regular phenomenon now.²⁴³ But the manoeuvres of the 'two democratic navies' had been preceded by joint Indian-Chinese naval search-and-rescue operations in November 2003 off Shanghai. One week earlier, China's navy was involved in a similar drill – its first ever – with ships from Pakistan, which has fought three wars with India and which Indians accuse of sending Islamic terrorists into Kashmir.²⁴⁴ These seemingly divergent developments towards multilateral accommodation reflected the voices of the various interest groups within the political spectrum.

241) Edward Luce, 'US Presses India to Supply Iraq Peacekeepers', *Financial Times*, 28 July 2003.

242) John Kifner, 'India Says "No" to US on Troops for Iraq: Analysts Say the Reason is Clear; the War is Highly Unpopular', *The New York Times*, 15 July 2003.

243) Jay Solomon, 'India and US to Improve Ties: Countries Take Steps toward Cooperation on Defense, Technology', *The Wall Street Journal*, 19 January 2004.

244) Sunanda K. Datta-Ray, 'Global Village: India and China Sailing Closer', *South China Morning Post*, 18 November 2003.

Although George Fernandes' Defence Ministry has softened its tone on China, its Annual Report 2003 noted that: 'every major Indian city is within the reach of Chinese missiles, including ballistic missiles which can be launched from submarines'. It also observed: "The asymmetry in terms of nuclear forces is pronouncedly in favour of China and is likely to be accentuated as China responds to counter the US missile defence programme".²⁴⁵

In January 2004, US President Bush announced an agreement with India to expand cooperation in space, high-technology and nuclear energy programmes, as well as dialogue over missile defence. Indian Prime Minister Atal Bihari Vajpayee responded: "The vision of the strategic partnership between India and the US, which President Bush and I share, has become a reality. [...] Our relationship is increasingly based on shared values and interests".²⁴⁶

The US will 'Help India Become a Major World Power in the 21st Century'

In May 2004 the BJP was against all expectations voted out of office, ending the flourishing of Hindu nationalism and exclusivism as the dominant streak in Indian politics in favour of the moderate secular pluralism of a new Congress-led coalition. In January 2005 it was changing of the guard in Washington as well, although still under President Bush, but with hardline ideologue Condoleezza Rice replacing Colin Powell as US Secretary of State. During her maiden trip to Asia, Rice made her first stop in India and announced that it was now the policy of the United States to '*help India become a major world power in the twenty-first century*'. Bush's India strategy was announced on the same day – March 25, 2005 – that Washington decided to sell an undetermined number of F-16 fighter jets to Pakistan under a plan to prop up Pakistan on the political, military and economic fronts. Rice's aim was to take US-India ties 'to another level', but Brahma Chellaney, a leading nationalist strategic analyst in New Delhi, was sceptical: "If Washington really wants to help India become a major world power in the twenty-first century, [...] it should be willing to demonstrate that this is not just an attempt to mollify India over the rearming of Pakistan".²⁴⁷ In any case, Washington was now making an effort to 'legalize' India as a nuclear power, but not Pakistan. During the visit of Indian Prime Minister Manmohan Singh to

245) S.N.M Abdi, 'India Drops China as Biggest Threat: The Annual Defence Report Even Says the Former Foes' Forces are Mending Fences', *South China Morning Post*, Hong Kong, 2 June 2003.

246) Edward Luce, 'India Hails New Partnership', *Financial Times*, 14 January 2004.

247) Brahma Chellaney, 'India Can Be America's Best Friend', *International Herald Tribune*, 1 July 2005.

Washington in July 2005, President George W. Bush called India a '*responsible*' nuclear country. He also recommended a deal that would allow India to buy fuel and parts for civilian nuclear reactors if it opened its nuclear sites to inspection. Regardless of how soon uranium would flow to India, Singh's visit signified the United States welcoming a new type of 'benign superpower' – militarily potent, economically dynamic, independently minded, but still non-threatening to the United States. India's image is starkly different from that of China, the other fast-developing country, which is seen as a menacing rival by many on the right in both the US and India.

During his return visit to New Delhi in March 2006, President George W. Bush, together with his host Prime Minister Manmohan Singh, announced that agreement had been reached on implementing what Bush called a 'historic' nuclear pact, a '*123 Agreement*' that would help India satisfy its enormous civilian energy needs while – controversially and ambiguously – allowing it to continue to develop nuclear weapons.²⁴⁸ In the plan, India agreed to classify permanently fourteen of its 22 nuclear-power reactors as civilian facilities, meaning that those reactors will be subject for the first time to international inspections, or safeguards. The other reactors, as well as a prototype fast-breeder reactor in the early stages of development, will remain military facilities and thus not subject to inspections. India also retained the right to develop future fast-breeder reactors for its strategic programme, a provision that critics of the deal called '*stunning*'. In addition, India was guaranteed a permanent supply of nuclear fuel. Furthermore, the International Atomic Energy Agency (IAEA) in Vienna would draft new India-specific rules that would recognize India as a new nuclear state in a class of its own. Bush acknowledged that the deal was only a first step and now faced a difficult battle for approval and a change in US law by the US Congress.²⁴⁹ The deal was universally criticized as high risk: bending the rules for a country that the US was courting as a prospective ally, with ominous implications for other candidate nuclear states such as North Korea and Iran. According to Mark Fitzpatrick, a former US non-proliferation official now with the International Institute for Strategic Studies in London, convincing China would 'likely prove to be the most problematic task'. China would seek a similar arrangement in future for its ally Pakistan, India's rival.²⁵⁰ The price that the Bush White House had in mind for its 'help' in making India a global power in 2005, when neo-con

248) Such a pact is called a '123 Agreement' since it is based on Section 123 of the 'United States Atomic Energy Act' of 1954.

249) Elisabeth Bumiller and Somini Sengupta, 'Bush and Singh Reach Nuclear Deal', *The New York Times*, 3 March 2006.

250) Stephen Fidler, 'Views Differ on US Energy Deals with New Delhi', *Financial Times*, 3 March 2006.

thinking was still prevalent, was just as unrealistic a pipedream as establishing democracy in Iraq by armed invasion.

Bringing India into the NPT through the Back Door

The deal ran into a number of snags within months of being signed. First, the United States Congress – since the mid-term elections in November 2006 again led by the Democrats – rose in opposition, charging that US Secretary of State Condoleezza Rice had led the drive for the deal on geopolitical grounds in disregard of the non-proliferation regime. Special legislation, the so-called ‘Hyde Act’, had to be drafted to create an exception to the US policy of not cooperating on nuclear issues – that is, denying sensitive nuclear technology and material to countries that have not signed the 1968 Non-Proliferation Treaty.²⁵¹ The most contentious clause of the ‘Hyde Act’ was Section 106, which stipulated that civilian nuclear trade with India must cease if India conducted another nuclear test. India balked at this condition and had opposed its inclusion in the ‘123 Agreement’ that it had negotiated with the US. The ‘123 Agreement’ was vague about the retaliatory actions that the US would take if India tested again, which New Delhi had interpreted as ‘creative ambiguity’, meaning: ‘If new situations emerge in which we deem it necessary to test, we test and we assume the US will keep quiet’.

Despite the deficiencies and ambiguities, the ‘United States–India Peaceful Atomic Energy Cooperation Act’ was passed by an overwhelming 359 : 68 votes in the US House of Representatives on 26 July 2006 and by 85 : 12 in the US Senate on 16 November 2006 in a strong show of bipartisan support. The Act was signed into law by President Bush on 18 December 2006, but Indian Prime Minister Manmohan Singh immediately stated that the ‘extraneous’ conditions were unacceptable to India. The most sensitive condition was the requirement that the US administration report annually to Congress on India’s ties with Iran’s nuclear programme. This condition was added at the insistence of the Democratic Party in the US Congress and President Bush refused to commit himself to doing this. The American chief negotiator, Under-Secretary of State Nick Burns, dismissed this issue in a briefing to Members of the Indian Parliament as a ‘non-binding’ condition, but at the same time Burns hailed the deal as helping to “alter the strategic advantage in Asia and South Asia to the benefit of the US”.²⁵² This was a typical Bush administration vintage display of triumphalism, conveying that the United States had India in its pocket now as ‘a

251) See ‘Hyde Act’, 27 July 2006, <http://www.theorator.com/bills109/hr5682.html>.

252) Caroline Daniel, ‘Bush Signs India Nuclear Pact’, *Financial Times*, 18 December 2006.

card it could play against China'. This was a major irritant to the Indian left and was bound to backfire.

The Backlash

The backlash in India was building. Politicians on the right said that the Act constrained Indian sovereignty, and some on the left objected to the rapprochement with the United States as a matter of principle.²⁵³ India's atomic scientists were among the most influential critics of the deal, consistently protesting that it would nip India's ability to advance its strategic programme, for instance, by being unable to carry out more nuclear tests.

The ensuing fuel dispute only added to tensions. The fuel dispute is as symbolic as it is practical, tinged with historical memory, as in 1974, after India's first nuclear test, the United States cut off its supply of nuclear fuel for a reactor at Tarapur in western India.²⁵⁴ India is demanding an explicit right to reprocess spent fuel, a privilege that the US has already granted to the EU and Japan, and is also seeking guarantees over the security of fuel supply, without giving a binding legal commitment not to test nuclear weapons. According to people close to the talks, Indian negotiators are contesting a clause in the law that states that the US would withdraw civil nuclear fuel supplies and equipment if India breached its unilateral moratorium on nuclear testing. India is also insisting that it be given the explicit right to reprocess nuclear fuel – again, in contradiction to US law. At the moment, India has a self-imposed unilateral moratorium on further nuclear weapons' tests.²⁵⁵ 'Testing is the pivot on which the whole thing rests', argued Bharat Karnad, a hawk at the Centre for Policy Research (CPR) in New Delhi. "It's the symbol of our strategic independence".²⁵⁶

Tension between Delhi and Washington further escalated on another hot issue of India's foreign policy autonomy in April/May 2007, again where democracy is most assertive: Capitol Hill. A consortium of Indian companies, led by ONGC, had discovered a large new gas field in Iran, 90 kilometres from the port and nuclear industry centre of Bushehr. Exploitation of this field requires sizeable expansion of India's presence in Iran, just at the sensitive time when the draft treaty for the nuclear deal was being discussed by the US Congress. Five Members of Congress wrote a letter to Indian Prime Minister Singh in the tone of

253) Brian Knowlton, 'Democrats Assail Bush over Handling of Indian Nuclear Pact', *The New York Times*, 21 December 2006.

254) Somini Sengupta, 'US-India nuclear deal runs into trouble', *The New York Times*, April 22, 2007.

255) Jo Johnson, 'Cloud over US-India Nuclear Deal', *Financial Times*, 3 June 2007.

256) Interview with Bharat Karnad at the Centre for Policy Research, New Delhi, 5 October 2007.

an ultimatum, demanding that India break off all energy and military relations with Iran. Bush intervened directly in the confrontation and tried to calm the situation. Indian politicians were outraged by this encroachment on their sovereignty, but they have to weigh what comes first: access to US nuclear technology and fuel; or gas imports from Iran.²⁵⁷ ‘The Iran–Pakistan–India pipeline will be a test of the sustainability of the strategic partnership’, said Lieutenant-General Satish Nambiar, a former deputy chief of the Indian Army’s staff, “this must be a partnership, not an ‘alliance’. No blind allegiance, nor subservience”. Rajiv Sikri, a former Indian diplomat and leading energy analyst, said: “If the Indian government were not to go ahead, politically that would be a very hot issue and would send a signal that India has adjusted its foreign policy to suit the US”. With the share of gas in energy consumption set to treble to 20 per cent by 2025, securing new sources is a priority for India, which has repeatedly insisted that it will take a decision on the pipeline solely in line with its national interest.²⁵⁸

In August 2007, leftist opposition against the deal reached a new climax in India. Prakash Kharat, General Secretary of the Communist Party of India (Marxist), warned the government in *People’s Democracy*, the party organ, not to go forward with the deal. India’s leftist parties oppose the deal because they see it as a way of bringing India into the US strategic orbit and of compromising sovereign decision-making on foreign policy, security and nuclear matters. The Indian right wing was accusing the communists of doing China’s bidding, but in October 2007, Ai Ping, Director-General of the Chinese Communist Party’s International Liaison Department, stated that China had nothing to do with this and that the nuclear deal was entirely India’s internal matter. Ai said that China highly cherishes its sovereignty and independence, ‘so we must respect other people’s sovereignty and independence’.²⁵⁹

Even the Hindu-nationalist BJP, which has traditionally been pro-American and which negotiated a nascent alliance with the Bush administration in early 2004, says that the nuclear deal sacrifices national sovereignty. ‘A strategic partnership is not a synonym for strategic subservience, and that’s why we are opposed to it’, said Jaswant Singh.²⁶⁰ There have also been major reservations about the economic viability of nuclear-generated electricity, which the deal seeks to promote in a big way. For another Hindu-nationalist hawk such as Brahma Chellaney, also of the CPR, it is ‘not just about importing nuclear reactors for electricity’, but will “determine what kind of India emerges in the years to come –

257) Siddharth Srivastava, ‘Indian Energy, a Delicate Balancing Act’, *Asia Times*, 11 May 2007.

258) Jo Johnson, India backs civil nuclear pact with US, *Financial Times*, 25 July 2007.

259) ‘N-Deal is Internal Matter of India: China’, *Times of India*, 1 October 2007; see also chapter 5.

260) Somini Sengupta, ‘Improving Ties with US Create Political Anxiety in India’, *International Herald Tribune*, 23 August 2007.

a major independent power or a middling power trimming its sails to the American winds and still relying on imports to meet its defence needs”.²⁶¹

By October 2007, the United States was busy setting deadlines for negotiations with the IAEA on a safeguard agreement and approval from the 45 member countries of the Nuclear Suppliers’ Group (NSG) on a nuclear materials’ supply deal, and wanted the whole business finished before the year’s end. The agreement must then go to the US Congress for a final vote. Crucial senators have already warned that the next US president may seek to renegotiate the agreement, making it urgent for the current Congress to vote on it.

This angered Indian sovereignty hawks even more. ‘Securing exceptional exemptions for India from the NSG might prove even more difficult’, argued Achin Vanaik, Professor of International Relations and Global Politics at the University of Delhi:

Several members of the group have reservations about making a special, indeed unique, exception for India because that will damage the global non-proliferation regime. Some, such as New Zealand, Ireland and the Nordic states, have expressed their opposition. [...] Even countries like Germany, the Netherlands and Japan seem inclined not to grant an unconditional exemption to India. [...] If the NSG negotiations get significantly delayed because of opposition or reservations, the deal might get jeopardized. The US Congress will soon get preoccupied with domestic issues as the presidential election approaches. And it is far from clear if Bush will have the political capital or the ability to push the deal through once he becomes a complete lame duck.²⁶²

Prime Minister Singh’s Retreat

Then, on 12 October 2007, Prime Minister Manmohan Singh for the first time admitted that he would not enter into an all-out confrontation with his communist coalition partners or risk early elections for the sake of the nuclear deal: “What we have done with the United States – it is an honourable deal, it is good for India, it is good for the world”, he said at a conference in Delhi. “I do attach importance in seeing this deal come through, but if it doesn’t come through that is not the end of life”.²⁶³

Commentators said that India has sufficient resilience to stand up to any superpower to protect its national interests. Many governments regretted that

261) Jonathan Soble, ‘Sing Underestimates Anti-US Feeling’, *Financial Times*, 22 August 2007.

262) Praful Bidwai, ‘Nukes Wrangle Threatens Indian Government’, *Inter-Press Service*, 26 September 2007.

263) ‘India PM Rules Out Snap Poll over US Nuclear Deal’, *Agence France Press*, 12 October 2007.

India had secured what they believed were indefensibly generous terms. Now India itself was walking away. The reasons were no longer the antique ideology or pro-China opportunism of the Indian communists, but also real concerns among the left, as well as among Hindu nationalists that India would have to accept limitations on its sovereignty – no more nuclear tests, no right to reprocess nuclear fuel, no expansion of domestic uranium production, no gas supplies from Iran, etc.

China does not have any such restrictions because it was a nuclear power before the 1968 NPT came into force in 1970. China's '123 Agreement' is not governed by a domestic US law as India's '123' is governed by the 'Hyde Act'. As such, China only has to live by whatever was agreed in its '123 Agreement', which is not to proliferate its nuclear technology (in practice, however, China's honouring of this commitment has been dubious, as is well known).

New Delhi insisted that the Bush administration rewrites elements of the 'Hyde Act', and by the end of 2007, the deal seemed to be either dead or in a protracted coma. The resignations in early 2008 of the US chief negotiator, Under-Secretary of State Nick Burns, and the Indian Ambassador to the US, Ronen Sen, who had been at the centre of controversy over his earlier criticism of Indian parliamentary opposition to the deal, was another ominous sign that the coma was permanent and that death was imminent.

Had the China factor been in play? Prime Minister Manmohan Singh's visit to China in January 2008 had kept the positive momentum in problematic, but unmistakably improving, relations going. On the return journey, Singh told the Indian press corps on the plane that he did not think that China was an obstacle to the US-India deal, given China's and India's new relations. On China's prominent role in the 45-member NSG, Singh added:

I cannot say I have got a firm, definite answer but my own feeling is that the relationship of trust and confidence is now establishing, and we are succeeding in that. When the issue comes before relevant agencies, I do not think China will be an obstacle. I can't say I have an assurance today.

When asked whether he thought that the Indian Communist Party (CPI-M) would now give up its opposition because of the expressions of Chinese support for the deal, he answered as any politician would: 'Ask them!'²⁶⁴

The White House has been careful not to exert pressure publicly. But privately, American officials, who admit to being shocked by the Indian hesitation, have made it known to New Delhi that its reluctance to advance on the deal could cost India dearly, from the kind of defence cooperation that it wants from the United States to support for its bid for a permanent seat on the

264) 'India Seeks China's Help at NSG', *The Hindu*, 17 January 2008.

UN Security Council. It is even conceivable that the next US administration will not resume negotiations with India on the same generous terms.

India's Foreign Minister Pranab Mukherjee announced on 24 March 2008 during a visit to Washington DC that India rejected the US timeline (the end of May 2008) for finalization of negotiations on the landmark deal. This meant that the deal could not be concluded before the end of the Bush presidency. Mukherjee once again made it clear that India's minority government, which depends on the votes of leftist parties for its survival, cannot risk its downfall over the issue, because the next Indian government may be even less able to ensure implementation of an agreement that has broad international ramifications.

The fast momentum of the US-India relationship during the Bush era seemed passed and the disarray might even spill over in the defence relationship. "The full blossoming of the strategic partnership, missile defense and supply of a new generation of fighter planes may take a decade", said Ashley Tellis, an India-born American with the Carnegie Endowment in Washington DC and an adviser to the US State Department and to Senator John McCain.²⁶⁵ But Indian defence analysts in New Delhi are assured that the US design to sideline Russia as a major arms' supplier is not very likely to work. The hope of Indian anti-China hardliners that the US is cultivating India as a military ally to contain China is a chimera, because any attempt by Washington to hurt China can result in hurting itself and the world economy. It is significant in this context that US Defense Secretary Robert Gates, before going to Delhi in February 2008, travelled first to Beijing in November 2007. "China's increasing political and economic stature calls for this country to take on a greater share of responsibility for the health and success of the international system", Gates said at a press conference in the Chinese Ministry of Defence. Pentagon officials described China as a '*peer competitor*', hardly an adversary, often a partner, yet not a reliable close ally.²⁶⁶ The US will in the end get some Indian defence contracts, but not necessarily large fighter plane orders, and some systems will probably be supplied by Europeans.²⁶⁷

The Nuclear Deal Resuscitated ?

During late June 2008, renewed attempts by the Congress Party to persuade its Communist coalition partners to ease their adamant opposition to the nuclear

265) Interview with Ashley Tellis in Washington DC., March 26, 2008.

266) Tom Shanker, 'US Defense Secretary Takes Measure of Surging China', *International Herald Tribune*, 5 November 2007.

267) Interviews with Srikanth Kondapalli, Mohan Guruswamy and M.K. Bhadrakumar in New Delhi, October/November 2007.

deal with the United States ended in deadlock again. Spokesmen for the Communists stated categorically that they would not allow the Congress Party to reach a deal with international nuclear regulators, the IAEA and the NSG, a necessary component of any agreement before it can be voted on in the United States Congress.²⁶⁸ The Communists formally withdrew from the Coalition on July 8 and asked the Indian President Prathiba Patil to call a vote of confidence.

Then, Indian Prime Minister Manmohan Singh surprised the world with a decisive countercharge. He lined up support for his coalition from a small regional party, the Samajwadi Party, with 39 seats in Parliament, 20 less than the combined communists and flew to Japan for the G8 summit, where he reassured US President George W. Bush that the delayed deal would still go ahead. The government needed 44 votes to reach a majority and hoped to lure in another five from minority swing parties. After nearly two weeks of horse-trading, wheeling and dealing and getting a few MP's out of jail on temporary parole, the government won the crucial vote on July 22 by an unexpected margin of 19. Highlight of the acrimonious debate that preceded the vote was an unseemly scene of opposition MP's waving bundles of currency notes that were allegedly offered to them by pro-government MP's to make them abstain, which eleven of them did. According to India's hydra-headed media, both sides were going to multi-million dollar heights per head in a scramble for votes.

Whatever the merits of '*democracy with Indian characteristics*' the Manmohan Singh Cabinet now had a minor chance to get the deal still navigated through the national political processes in India and the United States and the multilateral processes of the non-proliferation regime before the demise of the Bush administration. Walter Andersen, the former South-Asia specialist in the State Department and now a senior-scholar in the South-Asia Program at the Johns Hopkins School of Advanced International Studies in Washington estimated the chances for a successful conclusion of the deal before the confidence vote 50-50. After the vote he upped the ante for conclusion under the Bush administration to 55-45 and for an eventual grand-finale in the early months of the next US administration to 80-20.²⁶⁹

First the board of the 35-nation International Atomic Energy Agency in Vienna has to approve India's inspection plan for its nuclear facilities and then approval is needed from the 45 member Nuclear Suppliers Group aimed at insuring that fuel and technology supplied by foreign powers for energy development is not diverted to military use, either in India or towards third countries. Then the final step will be approval by the United States Congress.

268) Heather Timmons, Impasse in India on nuclear pact with the US, International Herald Tribune, June 26, 2008.

269) Interview with Dr. Andersen, Washington, July 22, 2008.

Once the deal is finalized and ratified, it will make a real difference in regional and global politics. It will be an important boost for India's *rise* as a major power and another giant step forward in the transformation of India towards a major power centre in the evolving global economy. Generation of electricity is lagging way behind India's overall economic growth of 8 per cent. Hydro-carbons are one source of generating power and for meeting energy requirements but both India's oil and gas are far short of growing requirements and make it heavily dependent on imports with all the uncertainty of supplies and of prices of imports.

In his response to the confidence vote, Prime Minister Manmohan Singh wrote:

All over the world, there is growing realization of the importance of atomic energy to meet the challenge of energy security and climate change. But there are handicaps which have adversely affected our atomic energy programme. First of all, we have inadequate production of uranium. Second, the quality of our uranium resources is not comparable to those of other producers. Third, after the Pokharan nuclear test of 1974 and 1998 the outside world has imposed an embargo on trade with India in nuclear materials, nuclear equipment and nuclear technology. As a result, our nuclear energy programme has suffered. The nuclear agreement that we wish to negotiate will end India's nuclear isolation, nuclear apartheid and enable us to take advantage of international trade in nuclear materials, technologies and equipment. It will open up new opportunities for trade in dual use high technologies opening up new pathways to accelerate industrialization of our country. The essence of the matter is that the agreements that we negotiate with the USA, Russia, France and other nuclear countries will enable us to enter into international trade for civilian use without any interference with our strategic nuclear programme. I confirm that there is nothing in these agreements which prevents us from further nuclear tests if warranted by our national security concerns. All that we are committed to is a voluntary moratorium on further testing. Thus the nuclear agreements will not in any way affect our strategic autonomy. The cooperation that the international community is now willing to extend to us for trade in nuclear materials, technologies and equipment for civilian use will be available to us without signing the NPT or the CTBT.²⁷⁰

Thus, India would become a recognized nuclear power, not as a result of its full compliance with the non-proliferation and testban regimes, but primarily based on Condoleezza Rice's geopolitical consideration of making India a major worldpower and a quasi-ally of the United States.

²⁷⁰ Advani called me *nikamma* (gutless) PM: Manmohan. [Prime Minister Manmohan Singh's Reply to trust vote motion. Its copy was submitted to Speaker Somnath Chatterjee]. *Times of India* 22 July 2008.

Hardline Hindu-Nationalists and Indian Communists have been total rejectionists, based on the belief that India would become a subordinate player in US global schemes. Non-proliferation hardliners in the US Congress have legislated conditions that clearly encroach on Indian sovereignty, such as draconian sanctions in case India would conduct a nuclear test again and annual reporting to Congress on India's relations with Iran. The Indian government quietly dismisses these issues as domestic American laws and arrangements with which India has nothing to do and the Bush administration discreetly goes along.

The major gain for the United States will be that it will have a reliable strategic partner in stabilizing the notorious *arc of instability*, stretching all the way from the Middle East through Central Asia, including Afghanistan, towards Southeast Asia and in guarding the sealanes from the Persian Gulf to the Malacca Straits. Furthermore it will strengthen the prospects for the US defense industries to get the major, perhaps the dominant share in India's multi-billion dollar arms market. It will also enhance the chances for a significant boost in Indo-US high tech trade, including in the civilian nuclear field, although the huge contracts for the supply of nuclear plants will go to Russia and France, because American corporations have been absent for too long from this line of business.

Above all, the US-India nuclear deal will go down into history as the single biggest, foreign policy success of the Bush administration. For all the failures and blunders of his diplomacy, George W. Bush will be the American president who completed the reintegration of India in the global order and solidified its rise as a major power, a process that was started by his predecessor Bill Clinton.

US Relations: Global with China; Regional with India

Since former US Defense Secretary Donald Rumsfeld left the Pentagon in 2006, the term and idea of containment have been removed from US-China relations. US relations with China, unlike those with India, are of a global strategic dimension. But unlike the relationship between the United States and the Soviet Union during the Cold War, the current relationship between the incumbent sole superpower and the rising superpower China is no longer about missiles with hydrogen warheads, but about money. The strongest weapon in China's arsenal is the more than one trillion dollars of foreign exchange, of which it has invested about US\$ 400 billion in US treasury notes and bonds. If China would start withdrawals or even stopped buying more US securities, US interest rates would

soar and the value of the dollar would plummet further.²⁷¹ The US trade deficit with China was US\$ 232.5 billion in 2006, well over the annual cost of the war in Iraq.

China has the capacity to inflict a severe financial first strike on the US, but it does not do so. Why? Because it is deterred! US retaliation would also devastate the Chinese economy, dragging the US and the world economy along, potentially similar to the magnitude of 'The Great Depression' in 1929. Former US Secretary of the Treasury (and former President of Harvard University) Larry Summers coined this phenomenon at the AFL/CIO Trade Summit in 2006 as a "*Balance of Financial Terror*": *a situation where we rely on the costs to others of not financing our current account deficit as assurance that financing will continue*". Any miscalculation by either side, he said, could lead to *MAED* (*mutually assured economic destruction*). Any containment, even disguised, or 'conengagement' (sweet and sour) is inoperable. The two are interdependent and, according to British economic historian Niall Ferguson, coexist as two super regions of one trans-Pacific economy, 'Chimerica':

Their relationship isn't necessarily unbalanced; more like symbiotic. East-Chimericans (Chinese) are savers; West-Chimericans (Americans) are spenders. East-Chimericans do manufactures; West-Chimericans do services. East-Chimericans export; West-Chimericans import. East-Chimericans pile up reserves; West-Chimericans obligingly run deficits, producing the dollar-denominated bonds that the East-Chimericans crave. As in all good marriages, the differences between the two halves of Chimerica are complementary. [...] Chimerica, despite its name, is no chimera.²⁷²

Russia: Again the (New) Adversary of the US? Cold Peace, New Cold War?

It was former US Secretary of Defense Donald Rumsfeld and his neo-con coterie who designated China as the main future adversary of the US so as to justify astronomical investments in space technologies for the air force and futurological warships, while neglecting the land army and marines. Given the advancing economic interdependence, the improvement in Sino-Japanese and cross-Straits relations, as a result of the Kuomintang's landslide defeat of the pro-

271) Charles Horner, 'What Will China Do With All That Money?', *Washington Post*, 16 January 2007.

272) Niall Ferguson, 'Not Two Countries But One: Chimerica', *Sunday Telegraph*, 4 March 2007.

independence DPP in the recent presidential election in Taiwan, this is no longer realistic or justifiable.

In response to former Russian President Vladimir Putin's sustained efforts to restore Russia's influence in the former Soviet space, Rumsfeld's successor as US Defense Secretary, Robert Gates, is refocusing on Russia – Putin's 'imperial restoration' – as the main challenge to US global dominance. US priority in Asia is to marginalize Russia's influence as a historic strategic ally and main arms' supplier from India and to dilute Sino-Russian strategic cooperation. This year's US Annual Threat Assessment indicates that US–Russia relations will become more confrontational. US–Russian relations are worse today than they have been for twenty years. The relationship includes almost as many serious conflicts as it did during the Cold War – first among them Kosovo, Iran, the former Soviet republics of Ukraine and Georgia, Venezuela, NATO expansion, missile defence, access to oil, and the Kremlin's internal politics – and less actual cooperation, particularly in essential matters involving nuclear weapons. It is unclear how Russian foreign policy will evolve under the '*dyarchy*' of dyed-in-the-wool '*imperial*' Prime Minister Putin and novice President Dmitry Medvedev, and it is equally premature to make clear predictions about the positions the next US administration, be it John McCain with a Democratic majority in both Houses of Congress or Barack Obama.

Is There a US–China–India Triangle?

After the historic meeting of US President Richard Nixon with Chairman Mao Zedong in 1972, relations between China and the Soviet Union were at an all-time low and the operational principle of US policy became to have better relations with either of the two than they had with each other. Interactions among the three were tantamount to a 'US–Soviet–China triangle'. Almost every action of two of the three towards each other had a significant impact on the third. Both China and the US benefited enormously from their covert strategic coalition. The US succeeded in its unwritten goal of bringing down the Soviet '*Evil Empire*' and China's opening to the world transformed the PRC from a Stalinist outcast into a pragmatic, neo-authoritarian economic superpower, which sooner or later may evolve towards political liberalism as well.

Many in India – politicians, academics and journalists – advocate that India 'play a China on China' – that is, forge a strong high-tech partnership with the United States, not to bring down China, but to pull itself up, as China has done through its trading partnership with the US (and Europe and Japan). Analysts in both the United States and China say that the US–China–India triangle already exists. Harry Harding, a China specialist at George Washington University and

co-editor of a book on India-China relations, says that India has played the China card with the US very effectively since 1998.²⁷³ After a while China asked: ‘Why don’t you talk directly to us?’, so since 2003 there have been four top-level visits and relations have improved significantly without a border settlement.²⁷⁴

Ma Jiali, an India expert at the China Institute of Contemporary International Relations in Beijing, echoes Harding:

We have an essentially triangular relationship with China, India and the US although we deal with each element of it separately. [...] The minimum that Beijing expects from Washington is that US-India strategic cooperation will not be directed against China.²⁷⁵

When US Secretary of Defense Robert Gates visited Delhi in February 2008 he said: ‘I don’t see our improving military relationship in this region in the context of any other country, including China’. His talking points in Delhi related primarily to the defence trade. Analysts were unanimous: “The US is not trying to make India a military ally against China, just a ‘hedging partner’”.

273) Francine R. Frankel and Harry Harding (eds), *The India-China Relationship* (Oxford: Oxford University Press, 2004).

274) Interview with Harry Harding, Washington DC, 26 March 2008.

275) Interview with Ma Jiali, Beijing, January 3, 2008.

The triangular interplay between the United States, China and India
What do they want from each other?

1. *The United States needs China:*

- a. For the final settlement of the North Korean nuclear issue
- b. For solving other complex multi-faceted global issues: Darfur, Burma, Iran
- c. For deficit financing and the stabilization of the dollar and the global economy

2. *The United States needs India:*

- a. As a major player in a new balance of power in Asia, e.g. to help safeguard the vital Indian Ocean sealanes and choke points.
- b. As a client for its nuclear-power industry
- c. As a partner in missile defence and a client for its arms industries

3. *China needs the United States:*

- a. To maintain and stabilize the status quo in the Taiwan Straits
- b. To maintain the regional and global balance of power
- c. As a market for its giant industrial exports

4. *China needs India:*

- a. For a final settlement of the Tibet question
- b. For the stabilization of Pakistan and Kashmir
- c. For a final border settlement and trade and economic development in the border regions

5. *India needs the United States:*

- a. For maintaining the balance of power particularly vis-à-vis China and Pakistan
- b. For supporting its candidacy for permanent membership of the UN Security Council
- c. For high-tech integration

6. *India needs China:*

- a. For supporting its candidacy for permanent membership of the UN Security Council
- b. For restraining Pakistan in general and in particular in Kashmir
- c. For a border settlement and acceleration of economic development and integration in the border regions

7. China, India and the Coming 'Transition' in Burma ²⁷⁶

The Saffron Revolution of 2007: Religious Storm Troopers

During summer 2007, Burma experienced its second explosion of popular discontent with its backward, inward-looking military rule, which has held the country in a suffocating grip of isolation and economic stagnation since 1962. It was the first mass protest movement since the major uprising of democracy forces against the military junta in 1988, which was suppressed by brute force with an estimated 3,000 people killed, leading to the semi-retirement of Burma's ageing whimsical, xenophobic dictator Ne Win and his replacement by senior General Than Shwe. This time the movement was led by the country's revered Buddhist clergy, the only organized force that the country still has besides the army. The monks joined the surviving leaders of the '8888 generation' – named after the date of the earlier uprising, 8 August 1988 – to take on Than Shwe's junta.

The demonstrations had grown from several hundred people protesting a fuel price rise in mid-August 2007 to as many as 100,000, led by tens of thousands of

276) After the military *coup* in 1989, the junta controversially renamed Burma Myanmar. In the

Burmese language, the country is known as either *Myanma* (the written, literary name of the country) or *Bama* (the oral, colloquial name of the country) – both names have been used for centuries. The junta's aim was to discard spellings chosen by colonial authorities, and to adopt spellings that were closer to Burmese pronunciation. The military also felt that the name *Myanma* was more inclusive of minorities than *Bama*. The use of Burma, however, has remained widespread internationally, largely because of doubts about the legitimacy of the unelected military regime, its right to change the country's name, and to show support for the government elected in 1990 but denied power by the junta.

monks in September. Although the rise in fuel prices was the spark that set off the demonstrations, the real underlying causes were decades of dissatisfaction and despair.

The post-Ne Win junta had promised to return Burma to some kind of military-dominated parliamentary government, but when elections in 1990 produced an overwhelming majority for the National League for Democracy (NLD), led by the charismatic Daw Aung San Suu Kyi, the generals refused to accept the outcome and arrested political development until the present day.

Initial indications in summer 2007 were that the junta was determined to crack down on the challenge against its rule as mercilessly as it had done in 1988. However, the interactions of the junta with internal political forces – that is, the timing of the ‘All Burma Monks Alliance’ – led to a different outcome this time. The monks had timed their protests to coincide with the completion of the draft of a new constitution on 3 September 2007, which would fill the vacuum left by the abrogation of the previous constitution in 1988 and perpetuate military control over the country. The drafting convention was, however, a farce, since the party that had won an overwhelming majority of seats in 1990, Aung San Suu Kyi’s NLD, was excluded. After it had vetoed a Western-sponsored resolution of the UN Security Council in January 2007 that called for freedom and democracy in Burma, China had been playing a discreet but important role in the broadening and effectiveness of this convention. Chinese and American officials had been meeting in the Sino-Burmese border region and the leaders of the four ethnic armies that are fighting the Burmese junta were meeting in July 2007 with Chinese officials in Kunming, capital of the neighbouring Chinese province of Yunnan. China had also been putting pressure on the junta to include the NLD in the national political process.²⁷⁷

The junta’s unexpected reluctance to crack down harshly on the monks and demonstrators was attributed by diplomats to China’s influence. Beijing is showing increasing sensitivity to assert itself as a responsible stakeholder in global politics, partly because in the run-up to the Olympic Games a backlash against China is building over its ambiguous policy towards Sudan and the Darfur crisis and, in the case of Burma, because of its close relationship with ASEAN, which is losing patience with the truculent Burmese junta. Thanks to the efforts of the most liberal member of the junta, General Khin Nyunt, ASEAN reluctantly admitted Myanmar as a member in 1997 in the hope that constructive engagement would lead to national reconciliation, political reform and transition. It was Khin Nyunt who undertook ‘confidence-building’ talks with Aung San Suu Kyi during 2000–2002, responding to international advice. When Khin Nyunt

277) Htet Aung Kyaw, ‘China’s Role in Burma’s National Convention’, *The Nation* (Bangkok), 18 July 2007.

tried to broker the NLD's participation in the National Convention in 2004, Than Shwe refused to approve the deal. Khin Nyunt was arrested within months and sentenced to 45 years of imprisonment.²⁷⁸ After nine years there had been no progress and in 2006 ASEAN pressed Myanmar to postpone assumption of ASEAN's rotating presidency until such progress was made. Worse, ASEAN is increasingly concerned that the presence of an impoverished, lawless pariah state will undermine its prospects to become a more rules-based, EU-style organization.

China's State Councillor Tang Jiaxuan, a former foreign minister often acting as a special envoy of President Hu Jintao, told Myanmar's Foreign Minister U Nyan Win on 13 September: "China wholeheartedly hopes that Myanmar will push forward a democracy process that is appropriate for the country".²⁷⁹ While keeping up pressure on the junta for stability and reconciliation, China also prepared for the possibility that the junta could be brought down and maintained contacts with opposition groups in the Chinese border city of Ruili in Yunnan, where some of them maintain offices. China's main criticism of Myanmar's junta is not that it is undemocratic, but that it is incompetent in developing the economy and unable to stem the flow of illicit drugs across the border.²⁸⁰ In May a statement was posted on the website of the Chinese Foreign Ministry, mocking the junta's outrageously expensive scheme to move the capital from coastal Yangon (Rangoon) to an isolated location in the centre of the country, called Naypyidaw (Royal City).²⁸¹ The rationale for this mega-project consisted of three concerns:

- to return to royal tradition, since the city of Rangoon was the creation of the British colonial regime;
- to prevent Myanmar being paralysed by another popular uprising like that of 1988 in Yangon/Rangoon; and
- to shelter the regime from possible United States aggression. The US invasion of Iraq in 2003 turned the strategic imperative to relocate the capital from the coast to the interior into an obsession. And Senior General Than Shwe's astrologers persuaded him to accelerate the move.²⁸²

278) Priscilla Clapp, *Burma's Long Road to Democracy*, Special Report 193 (Washington DC: United States Institute of Peace, November 2007), p. 4.

279) Rowan Callick, 'China Holding Regime in Check', *The Australian*, 24 September 2007.

280) David Lague, 'China Makes Contingency Plans for Junta's Fall', *International Herald Tribune*, 26 September 2007.

281) See <http://www.fmprc.gov.cn/eng/wjb/zwjg/zwbd/t199231.htm>.

282) André Boucaud and Louis Boucaud, 'A Relocated Capital and a Wild Frontier Zone', *Le Monde Diplomatique* (English edition), November 2006.

As protests continued and soldiers fired into the crowds, four people, including a Japanese national were killed during late September 2007, UN Secretary-General Ban Ki-moon sent his Special Envoy Ibrahim Gambari to Myanmar.²⁸³ At the same time, the United States and the European Union issued a joint statement urging China, India and the Association of South-East Asian Nations (ASEAN) to use their influence in support of Myanmar's people to press for dialogue between the regime and the political opposition led by detained pro-democracy leader Aung San Suu Kyi.

Burma's History of Isolationism, Neutralism and Xenophobia

Independent Burma's post-war history is one of democracy and isolationist neutralism (1948– 1962), and insecurity and military dictatorship under General Ne Win (1962– 1988), officially named 'The Burmese Way to Socialism', marked by severe isolationism, enforcement of a state-sanctioned form of Buddhism, expulsion of foreigners, discouragement of tourism and closing off of the economy. The only advantage was that it kept Burma out of the Cold War, unlike for instance Pakistan, but it led to total impoverishment and economic disaster.

At independence in 1948, Burma refused to become a member of the British Commonwealth, which it considered a post-colonial imperialist tool, hampering its full independence and neutrality. In 1979, it left the Non-Aligned Movement for similar reasons, but it applied for readmission in 1992 in search of friends to alleviate its almost total isolation. Nevertheless, Burma remains one of the most isolated countries in the world – partly by its own choice, partly through outside forces.

The history of Chinese invasions and domination since the Mongolian-Chinese Yuan dynasty, Burma's patron–vassal relationship with late-imperial China, the subsequent incorporation of Burma into the British Empire in the early nineteenth century and Burma's early secession from British India in 1937 have all contributed to, or are expressions of, the uniquely xenophobic mindset of the Burmese.

During the revolutionary era of the early Communist People's Republic, Mao's China financed and trained long-running insurgencies over the whole of South-East Asia. In Burma, it supported the now defunct Burmese Communist Party, which several times came close to winning power. Over the years, the Chinese came to dominate Burma's trade in many sectors, and local resentment

283) Gambari had already visited China and Myanmar's other neighbours in July 2007 for 'consultations on efforts to promote positive changes in Burma'; see Lalith K. Jha, 'Gambari Holds Consultations with China on Burma', *The Irrawaddy*, 10 July 2007.

regularly culminated into anti-Chinese riots, giving China a pretext to invade Burma in 1968, an undeclared war that went unnoticed internationally because it coincided with the Tet offensive in Vietnam. But the effort to spearhead Maoist world revolution across the region and the cost of supporting insurgencies like that in Burma had exhausted Maoist China – itself struck by famine and on the verge of bankruptcy. The death of Mao in 1976 signalled the end of the era of ideological crusades and forced industrialization. China needed a break, to rethink its role in the world and its development strategy. Its new motto became: ‘Taking a low profile, develop the economy through reform and opening up to international trade and foreign investment’.

The Burma–China ‘Special Relationship’

U Chit Tun, a well-known Burmese journalist, wrote in 1973 in the Far Eastern Economic Review that:

Burma has had many ‘firsts’ with China: it was the first nation outside the Communist bloc to recognize the new People’s Republic (1949), the first to conclude a Treaty of Friendship and Mutual Non-Aggression, the first to achieve a boundary settlement with China (1961), and one of the first to patch up relations with Beijing after the Cultural Revolution.

There have been numerous exchanges of visits between China’s and Burma’s leaders. The late Chinese Premier Zhou Enlai visited Burma nine times, while the late Burmese President, General U Ne Win, despite several crises in relations, made twelve state visits to China. Burma was shunned by the West, first by its own choice as it experimented for decades with a brand of xenophobic socialism during the Ne Win era (1962–1988), while China had its own spell of self-imposed isolation and Maoist autarky until the dust settled after Mao’s death in 1976.

China and Burma remained partners in adversity after both regimes cracked down savagely on democratization movements: Burma in 1988; and China in 1989. Both were hit by Western sanctions, which in the case of Myanmar are still in force, but those against China were mostly lifted for – what one commentator calls – reasons of ‘arrogance and hypocrisy’ on the part of the European Union. Columnist Philip Bowring points out that:

Europe has an uncanny ability to try to create causes célèbres in countries which mean little to it – such as Burma – but allow former colonial governments to exercise ‘saviour’ instincts on behalf of oppressed Asians [...] But once political or commercial advantages loom large – as in the case

of China – the liberal instincts are too often quickly forgotten. [...] More than that, they [the Europeans] focus largely on the person of Aung San Suu Kyi rather than on the many other evils of the regime – drug dealing, corruption, oppression of minorities, economic failures. She may be a Nobel Prize-winning heroine. But former Prime Minister Zhao Ziyang of China has been under house arrest for a lot longer [sixteen years until his death in 2005] without a squeak from the Europeans although he arguably did more for liberalization than Aung San Suu Kyi could ever do.²⁸⁴

As early as 1990, Rolf Carriere, then UNICEF's Director in Yangon, argued that there was a desperate need for humanitarian and development aid in Burma, and that it could not wait for democratic change. His call went largely unheeded. The military regime pleaded for assistance to reform the economy, especially from the World Bank and the International Monetary Fund, but Western governments had just begun to impose sanctions in the hope of nudging the junta towards democracy, and nearly all aid – including through the UN – was cut off. Burma is one of the poorest nations in the world, with millions living in extreme poverty. But the average Burmese citizen receives less than US\$ 2 per year in international aid – about one-tenth of the per capita aid to Vietnam and one-twentieth of the per capita aid to Laos and Cambodia.²⁸⁵

Isolated and impoverished, Burma turned to Beijing for military and economic aid during the 1990s more than ever before, and China was ready to comply. In 1989 the first Burmese military delegation arrived in Beijing to negotiate a US\$ 1.4 billion arms' deal, which included helicopters, attack aircraft, trucks, artillery, anti-ship cruise missiles, patrol boats, tanks, rockets, mortars and assault rifles, etc. The Chinese government was more determined than ever to strengthen ties, because Burma is situated at a strategic 'tri-junction' between South-East Asia, the Indian Ocean and China. By developing Myanmar's infrastructure, deep-sea ports, roads and airports with Chinese aid in the form of interest-free loans, investment and manpower, the distance from China's south-western provinces of Yunnan and Sichuan through Burma to the sea will be cut by more than half compared to putting goods on trains and transporting them the width of China to Shanghai. Burma is potentially of immense importance for China to achieve its strategic long-term 'two ocean objective'.²⁸⁶ But there is another strategic aspect to China's official view of the junta – that the best way of keeping Burma stable is to reinforce the military. Chinese officials point out that

284) Philip Bowring, 'EU's Hollow Lectures on Human Rights', *International Herald Tribune*, 26 June 2004.

285) Thant Myint-U, 'The Burma Dilemma'.

286) Poon Kim Shee, 'The Political Economy of China-Myanmar Relations: Strategic and Economic Dimensions', *Ritsumeikan Annual Review of International Studies*, vol. 1, 2002, pp. 33-53.

Burma has not broken up like Somalia or Yugoslavia, and is reasonably stable because there has been strong central government.²⁸⁷

For the Burmese junta, resulting sales of military hardware from China have helped to support their regime. The Rangoon government is estimated to have spent a total of some US\$ 2 billion during the 1990s on Chinese equipment, enabling its army to expand from 180,000 men at the start of the decade to the 450,000 it had by 1999. According to the UNDP Human Development Report for 1997, Burmese military expenditure as a percentage of health and education expenditure is 214 per cent, the second highest in the world after Eritrea (with 287 per cent). The large size of Burma's army and the massive supplies of predominantly Chinese weaponry are a result of two unique factors: the influx after 1949 of the remnants of the defeated Kuomintang armies from China, who supported themselves by growing opium; and the continuous tribal insurrections in the minority areas of northern Myanmar. A report by the Burma Project of George Soros's Open Society Institute observes that Myanmar has no foreign enemies: "The military build-up is to control Burma's peoples, and Burma's well-armed soldiers are today occupiers in their own land".²⁸⁸ Seasoned Burma expert David Steinberg adds that the military's view of themselves is that without their tight control the country will fall apart: "They don't trust their own civilians. It is totally different from other Asian military regimes, like Park Chung Hee in South Korea or Indonesia under Suharto". Park Chung Hee said that he was going to force the highly trained Koreans in the United States back home to work on their own country's development. Suharto put the so-called 'Berkeley Mafia' – a group of US-educated Indonesian economists – in charge of economic development, and their efforts brought Indonesia back from dire economic conditions in the mid-1960s and led to almost three decades of high economic growth. "Nothing like that has happened in Burma", Steinberg said. "There, you still have a traditional hierarchical system, reinforced by the military command system. It is a Potemkin Society at the top. The leaders are not informed. Sycophantic subordinates tell them that economic growth is as high as in China and they believe it".²⁸⁹

287) David Arnott, 'China-Burma Relations', chapter 3 of *Challenges to Democratization in Burma*, http://www.ibiblio.org/obl/docs3/BURMA_beyond_2000_chap3-China.pdf.

288) *Burma: Country in Crisis*, Open Society Institute's Burma Project 2002, revised 21 November 2003.

289) Interview with Professor Steinberg at Georgetown University, Washington DC, 11 March 2008.

Burma's Expatriate Chinese and the Influx of New Chinese Immigrants

Myanmar has perhaps one of the most diverse expatriate-Chinese communities in the world, made up of various groups who came by sea from South-East China and those who came over land through the mountains of south-west China. Among the latter are the defeated remnants of Chiang Kai-shek's armies, who fled into Burma after losing the Civil War against Mao's Red Army in the late 1940s. Then there are the Kokang – indigenous Chinese who ended up on the Burmese side of the border by accident – and Yunnanese Chinese Muslims, the 'Hui'. The total number today is estimated as up to 5 per cent of 50 million people. The overseas Chinese came in large numbers via the Straits' settlement after the British extended their Raj over the whole of Burma in 1895. The British also brought in hundreds of thousands of coolies, stevedores, rickshaw wallahs and watchmen. Anti-Chinese sentiment prevailed in the 1930s, although Burmese nationalist activity and violence were targeted at Indians, rather than Chinese. Following Burma's independence in 1948, the pursuit of nationalization and indigenization policies affected the Chinese less than the Indians, and with Indians quitting Burma in increasing numbers, a clearer field was left for Chinese shopkeepers.²⁹⁰

During the 1960s and 1970s, Maoist China gave massive support to the Communist Party of Burma, not only to foment revolution, but also to engage in armed struggle against the CIA-supported Kuomintang bases along Yunnan's frontier. In 1961 the Burmese government allowed three divisions of the Chinese People's Liberation Army to deal the final blow to the Kuomintang forces in north-eastern Burma. After the Burmese Army under General Ne Win seized power in 1962 and introduced 'the Burmese Way to Socialism' – that is, radical removal of foreign influences from Burmese soil – more than 300,000 Indians and as many as 100,000 Chinese left the country. All Indian and Chinese schools and newspapers had to close.²⁹¹ In 1967 large-scale anti-Chinese riots erupted in Rangoon, which were seen as reverberations of the Cultural Revolution in China. During the popular uprising against 26 years of misrule and impoverishment in 1988, Ne Win resigned to a shadowy role behind the scenes and the 'Burmese Way to Socialism' came to an end. Demonstrations were savagely repressed and a new junta came to power, called the State Law and Order Restoration Council (SLORC). SLORC's first announcement was to introduce an 'open market

290) Lynn Pan (ed.), *Encyclopaedia of the Chinese Overseas* (Cambridge MA: Harvard University Press, 1999); and Bertil Lintner, *Burma in Revolt: Opium and Insurgency since 1948* (Chiang Mai: Silksworm Books, 1999), pp. 140-143.

291) Lintner, *Ibid.*

economy' of which the Chinese, who had already experienced a decade of Deng Xiaoping's reform policies, were the first and biggest beneficiaries. Hundreds of thousands of Chinese migrated across the border during the 1990s and large numbers of Myanmar's Chinese who had previously moved to Singapore, Thailand and elsewhere during the 1960s returned to their former homes in Burma. The whole demographic balance of northern Myanmar is changing. When a Chinese in Mandalay dies, his death is not reported to the authorities. Instead, that person's relatives send his/her identity card to a broker in Ruili or some other border town in Yunnan. There, the identity papers are sold to anyone willing to pay the price. The Chinese buyer's photo is substituted on the card, and he/she can move to Mandalay as a 'Burmese citizen'.²⁹²

Heavy investment by brash Chinese, numb to Burma's religious traditions, has aroused deep resentment. The aggressive Chinese investors, including drug lords, have usurped central Mandalay's real estate market and developed an alien business culture of high rises, hotels, modern homes and shopping malls, and the Burmese have been economically marginalized to poor suburbs.

The Burmese drug economy in the 'Golden Triangle' in the northern Shan-state has emerged from various types of Chinese intervention, which have little to do with the current Chinese government. At first, the marauding Kuomintang troops in northern Burma developed large-scale cash crops of opium, with the support of the CIA, to fund the 'secret war' against the Chinese communists after their victory in 1949. In 1978 Deng Xiaoping ended the policy of financial and military support for communist insurgencies in South-East Asia, and as a result the Burmese Communist Party went bankrupt. Narco-trafficking was one of the few ways for the remnants of the party to hold on to substantial territory, and the Burmese drug lords of the 1990s emerged from this 'shift of business focus'. Hong Kong and Taiwanese investment financed the trafficking infrastructure and, last but not least, Chinese arms' sales during the 1990s enabled Burma's incompetent military to stay in power without any substantial social-economic development or political settlement in the minority areas, thus completing the conditions for the drug economy's growth in Shan state. The drug economy is the most successful enterprise in Myanmar and its laundered profits and links with the junta keep the system afloat. The principal drug traders are Yunnanese and financing is largely from Hong Kong and Taiwan. Burma used to be the world's largest opium producer during the second half of the 1900s. In 1995 alone, it produced 2,340 tonnes of which 98 per cent were for exports.²⁹³

292) Lintner, Ibid.

293) David Arnott, 'Drugs in the China-Burma Relationship', in *Challenges to Democratization in Burma*, pp. 74-79.

Sai Lin, a former communist guerrilla commander who was sent from China in the 1960s and who had become a drug lord in Shan state, had turned a village – Mong La – into a miniature Las Vegas. Hundreds of thousands of Chinese flocked to lose money in its ultra-modern casinos, which were open 24 hours a day. Then Chinese government officials, party managers and even police officers started losing money and were forced to hand over their official cars as guarantees that they would pay their debts. China could no longer close its eyes. In 2004 it imposed border restrictions to halt the flow of Chinese gamblers and ordered Mong La's Chinese residents home. In July 2005 China sent in a military police unit with trucks to surround the town in broad daylight and to recover the official vehicles that had been seized as security. The failure of the Burmese government to react to this violation of its sovereignty is an indication of China's influence.²⁹⁴ In recent years, the 'Golden Triangle' has been eclipsed by the 'Golden Crescent' – the poppy-growing area in and around Afghanistan that is now the source of an estimated 92 per cent of the world's opium, according to the United Nations, which bases its statistics on satellite imagery of poppy fields.²⁹⁵

Perhaps the most striking aspect of the decline of the 'Golden Triangle' is the role played by China in pressuring opium-growing regions to eradicate the crop. Today China is one of the biggest markets for 'Golden Triangle' heroin, a trend that has increased the number of HIV infections spread by sharing dirty needles. Thanks in part to Chinese pressure, the area of Burma along the Chinese border, which once produced about 30 per cent of Burma's opium, was last year declared opium-free by the UN. "China has had an underestimated role", said Martin Jelsma, a Dutch researcher who has written extensively on the illicit drug trade in Asia. "Their main leverage is economic: These border areas of Burma are by now economically much more connected to China than the rest of Burma", he said. "For local authorities it's quite clear that, for any investments they want to attract, cooperation with China is a necessity".²⁹⁶

Despite China's eagerness to take care of its own interests such as fighting the narco-mafia on the Sino-Burmese border, supporters of Aung San Suu Kyi's NLD view the Chinese intruders as complicit in the junta's repression. They also believe that China is anxious to thwart the emergence of another democracy on its border – an undesirable example for its own people. According to one foreign observer, the Chinese would like nothing more than a Myanmar made in its own image: capitalism without democracy; free markets without political freedom.²⁹⁷

294) Boucaud and Boucaud, 'A Relocated Capital and a Wild Frontier Zone'.

295) Thomas Fuller, 'Notorious Golden Triangle Loses Sway in the Opium Trade', *International Herald Tribune*, 11 September 2007.

296) Fuller, 'Notorious Golden Triangle Loses Sway in the Opium Trade'.

297) Micha Odenheimer, 'Laughing in the Face of Despair', *Haaretz* (Israel), 30 August 2002.

People say that Chinese developers have paid off ‘robber baron’ local officials to give them access to prime real estate. They point to the pompous houses of officials as evidence of mega-corruption. The drug trade, Chinese money and military rule have combined to make corruption an ongoing, corroding influence in Myanmar and a formidable obstacle to the emergence of democratic rule.

Experts suggest that millions of China-born migrants will be living inside Burma’s borders in the not-too-distant future. Chinese penetration into Burma in all spheres of life – politically as well as economically – is causing an onslaught on the Burmese way of life that has not been seen since colonial times, relegating the country over time to nothing more than a Chinese satellite. Anthony Davis, an old Asia hand and writer on intelligence and defence issues for Jane’s Defence Weekly, observes that this human and cultural influx is not going down at all well with Yangon/Rangoon’s generals: “The military junta is in a difficult position”, he says. “They’ve relied on Chinese support to keep their grip on power but now they’re worried about this dependence and are trying to pull back from China’s embrace”.²⁹⁸ Nevertheless, it is too far-fetched to assume that Myanmar is already under China’s domination. The junta and the majority of the people have deep-seated feelings of sinophobia and xenophobia.

Sino-Burmese Economic Relations

If ASEAN and Japan are critical components of any multilateral approach to Burma, China and India could be the greatest obstacles to efforts to induce reform. China has many interests in Burma. Over the past fifteen years, it has developed deep political and economic relations with Myanmar, largely through billions of dollars in trade and investment and more than one billion dollars’ worth of weapons’ sales. China enjoys important military benefits, including access to ports and listening posts, which allow its armed forces to monitor naval and other military activities around the Indian Ocean and the Andaman Sea. To feed its insatiable appetite for energy, it also seeks preferential deals for access to Myanmar’s oil and gas reserves.

China’s large inland provinces of Yunnan (with a population in 2004 of 45 million) and Sichuan (with 90 million) are relatively undeveloped. Catching up is essential for China’s national stability and integrity and the best way to do so is by developing south-western trading routes to regional and world markets via the Indian Ocean and South Asia – in other words, through Burma. A serious impediment to speeding up infrastructural development in Burma is that on

298) Nicole Veash, ‘Burma is Easy Prey for China’, *The Observer*, reprinted in *The Nation* (Bangkok), 7 September 2001.

account of its political and human rights' excesses Burma does not qualify for funding from the World Bank, IMF or Asian Development Bank. China is unable to finance and build the infrastructure required for its leap outward to the Indian Ocean to a sufficient degree. A possible way out of the deadlock could be that China goes the extra mile to encourage or pressurize the Burmese generals to reach a regional settlement in the drug-dominated northern Shan state, and at the national level a political solution between the junta and Aung San Suu Kyi, so as to facilitate resumption of Burma's eligibility for multilateral financing.

China has offered sizeable, but not sufficient, economic aid and investment for the construction of Burma's basic infrastructure, such as dams, bridges, roads and ports, as well as for industrial projects. Of particular significance is the construction of strategic roads along the Irrawaddy River trade route, linking China's Yunnan province to the Bay of Bengal. In 2006, the Chinese energy company PetroChina reached an understanding to buy almost one-tenth of Burma's huge gas reserves. In April 2007 the National Development and Reform Commission (NDRC) approved the Sino-Burmese oil pipeline, linking the deep water port of Sittwe in the Bay of Bengal with Kunming in China. Delivery to China could start as early as 2009, when Block A1's Shwe field will start production. Construction of an at least 800-kilometre pipeline from Sittwe, where Block A1 oil will come ashore, to Kunming must start in 2008 in order to be ready in time.²⁹⁹

Burma's trade with China is heavily in deficit, because it is basically an agricultural economy whose exports to China are mainly confined to teak and rice.

China's logging trade is ravaging the forests of northern Burma, stripping bare hundreds of square miles of ancient tropical forests. The ecological damage in Burma is indicative of the mounting appetite of the Chinese economic giant to consume the resources of Asia and other parts of the world. The unregulated logging boom in Burma is the result of deals between the Burmese junta, tribal warlords and Chinese business interests.

The first nine months of 2007 saw bilateral trade between Burma and China of US\$ 1.43 billion, more than double the annual value with India. China exported US\$ 1.21 billion worth of mostly industrial goods and imported US\$ 220 million – mostly timber, rubber and cane products.³⁰⁰ Border traders think that illegal trade between China and Burma is much higher than legal trade.

299) 'Construction of China-Myanmar Oil Pipeline Expected to Start this Year', Xinhua news agency, 22 April 2007.

300) William Boot, 'China's Burma Trade Soars with "Cooperative Ties"', *The Irrawaddy*, 28 December 2007.

Beijing's greatest fear remains Burma's instability, with the growing risk of losing its investment should the regime fold, according to a senior official dealing with foreign policy issues. More than one million Chinese – farmers, workers and businessmen – have crossed into Myanmar in the last ten years and are working and living there. Lashio, Mandalay and Muse are virtually Chinese cities now.³⁰¹ Chinese leaders worry that any upheaval would cause these people to flee back across the border, creating increased industrial and social unrest in the border regions. In the past few years, businessmen and provincial government enterprises have boosted their investment in Myanmar.

A new twelve-lane customs and immigration post at Ruili awaits the arrival of one of seven new national expressways and a railway that Beijing announced one year ago. A building boom suggests that this small town, now synonymous with gambling and prostitution, is betting on a bright future. Clearly, China has grand plans for Myanmar.

By the end of 2007, Chinese companies were reported to have committed themselves to the construction of ten hydropower projects on the Irrawaddy, Salween (Nu), Shweli and Paungyaung rivers, worth US\$ 30 billion. The companies involved include Gezhouba Group Co. (CGGC), Sinohydro Corp., Yunnan Machinery and Equipment Import and Export Co., and China Power Investment Corp. Most of the planned hydropower dams are situated in conflict areas, where Myanmar's military is waging jungle wars against ethnic minority groups, such as the Karen and Shan. While the Chinese companies are hoping that the projects would earn revenues from electricity exports to neighbouring Thailand, Myanmar's military stands to gain politically by opening these areas up to their troops and through the forced relocation of thousands of ethnic minority populations who are opposed to the government, observers charged. The dam building is likely to have a huge social impact, not only at the project sites but also on the border areas between Myanmar, China and Thailand.³⁰²

ASEAN and Japan as Counterweights to China

The Burmese generals have been aware for some time of the potential dangers of being too close to China and by the late 1990s they adopted a 'counter-hedging strategy' by diversifying their diplomacy, welcoming India, and acceding to and consolidating their ties with ASEAN. ASEAN invited Burma to join in 1997,

301) 'Myanmar Shaping Up as Beijing's Main Ally in Asia: Mainland Forging Strategic Ties with Southern Neighbour', *South China Morning Post* (Hong Kong), 15 June 2007.

302) *Asian Energy Today*, 2 December 2007, at http://asianenergy.blogspot.com/2007_12_01_archive.html.

partly on the assumption that integration would enhance ASEAN's influence over the junta more than isolation would (and partly out of concern over China's growing influence in Burma). More recently, however, the ten-member organization has come to recognize that Burma is not only a stain on its international reputation but also a drain on its diplomatic resources and a threat to peace and stability in Asia. In 2005, ASEAN members began to pressure Myanmar's State Peace and Development Council (SPDC) to give up its turn as the group's rotating leader, which was scheduled for 2007; they breathed a collective sigh of relief when Than Shwe allowed the Philippines to take Myanmar's spot.

Political liberalization in Indonesia and growing activism in Malaysia and the Philippines have also led ASEAN to redefine its mandate and apply greater pressure for change in Myanmar. When ASEAN was created four decades ago, its five founding states undertook not to interfere in each other's internal affairs, as a way both to distance themselves from their colonial pasts and to avoid conflict in the future. But in January 2007 ASEAN members prepared a new charter for the twenty-first century that champions democracy promotion and human rights as universal values, and they have established a human rights' commission despite the SPDC's strong objections. With ASEAN's underlying principles under revision, leadership by South-East Asian nations will become an even more essential component of any new international approach to Myanmar's junta.

Japan will be another important force for reform. Tokyo and Washington perennially disagreed over their policies towards Burma in the 1980s and 1990s, but there has been a promising shift in Japan's attitude recently. Now that Tokyo has to contend with the slowdown in Japan's economic power and the rise in China's, it is articulating its foreign policy objectives and diplomacy in different terms. In November 2006, Japanese Foreign Minister Taro Aso made a speech promoting an 'arc of freedom and prosperity' from the Baltic to the Pacific and touting Tokyo's commitment to human rights, democracy and the rule of law. His speech conspicuously omitted any mention of Burma, but there is no question that Japan's Burma policy has been shifting significantly. In September 2006, Tokyo finally agreed to support a discussion on Myanmar in the UN Security Council. Members of the Japanese Diet have created the Association for the Promotion of Values-Based Diplomacy, which seeks to infuse Japanese foreign policy in Asia with a renewed emphasis on promoting democracy.

This is not only because Myanmar has become a diplomatic liability, but also because its military appears to have lost the ability to prevent the exodus of political refugees and economic migrants, which long served as tacit justification for its rule. 'It's a time bomb', said Thitinan Pongsudhirak, Director of the Institute of Security and International Studies in Bangkok. "The regime is creating these displaced people. The repression within Burma is having adverse

consequences.” Myanmar’s neighbours are beginning to recognize that unconditional engagement has failed.

Singapore and Thailand also funnel a relatively large amount of investment cash into Burma and purchase its natural resources and other exports, while helping to buoy the dictatorship and gloss over its conflicts with the wider world. In the end, China has more leverage over Burma than India. There are far more Chinese than Indian immigrants in the northern towns, engaging in different kinds of trade and business. China also produces more cheap goods to sell than India. Finally, Burma’s adjacent Indian states are too backward and unstable to offer it much of value.

India as an Alternative Pillar of Support

India has historical ties to the Aung San family. India’s first prime minister, Jawaharlal Nehru, had close personal ties to Burmese independence leader Aung San, Suu Kyi’s father, until he was murdered just before Burmese independence in 1947 at the age of 32. Suu Kyi’s mother, Khin Kyi, became Burmese Ambassador to India in 1960. Suu Kyi studied in India, and later at Oxford, and wrote a book on intellectual life in British India, of which Burma was a part until 1937.

During the early 1990s, India openly condemned Burma’s regime for its 1988 crackdown and offered political asylum to Burmese dissidents who had fled to the border. India’s Nehruvian ‘idealistic’ policy gave priority to supporting Aung San Suu Kyi and the democratic process against the junta, then called SLORC and renamed SPDC in 1998. New Delhi, however, became concerned with China’s increasing military and economic influence in Burma and the potentially grave implications that China’s naval presence in the Bay of Bengal could have for Indian security. In 1993, India made what is called a ‘realistic U-turn’ in its foreign policy and Prime Minister Narasimha Rao adopted the ‘Look East’ policy towards Myanmar. New Delhi has since backed away from its open condemnations of the regime and has been trying to improve relations with Rangoon to counter the unrelenting Chinese advance. As a result, relations between Rangoon and New Delhi have normalized.³⁰³ While much of the world continued to shun Burma, India allowed the opening of a Burmese consulate in Calcutta in 2002 to ease relations with Rangoon and to speed commerce along the Bengal and Burmese coastal ports. Other factors played a role in India’s policy shift. Myanmar has a population of over 1.5 million ‘people of Indian

303) Renaud Egreteau, ‘India and Burma/Myanmar Relations: From Idealism to Realism’, conference paper, New Delhi, 11 September 2003.

origin' (PIO). India has a land border of 1,463 kilometres, just 700 kilometres shorter than China's border with Burma, and the tribal lands on both sides of the border are unstable. The Sino-Burmese border is contiguous with the Sino-Indian border, which has been awaiting a bilateral settlement ever since the border war of 1962.

Fighting in India's eastern states has killed more than 100,000 people on all sides during the past 50 years. Christian and animist minority ethnic insurgents in Nagaland state want independence from India. Naga guerrillas maintain camps across the frontier in Myanmar – a thorn that India hopes to yank with Yangon/Rangoon's cooperation. To pacify the north-east, India needs stability and economic development, which it cannot realize without Burma's cooperation. There is also the booming drug trade, which India cannot tackle without support from Burma's military.

It was only post-1998 that India's ties with the generals received a significant boost. Under the Hindu-nationalist government of A.B. Vajpayee, India was pursuing a 'muscular foreign policy' aimed at beefing up its defence and security interests and went all out to woo Rangoon. In November 2000, the Vice-Chairman of Burma's ruling SPDC, Vice Senior-General Maung Aye, visited India, and Indian Foreign Minister Jaswant Singh has visited Rangoon twice since then. India has supplied military equipment to Burma and is leasing helicopters to its army.

Geo-economically, Burma is rich in natural resources and has appreciable production of crude oil and natural gas. It has sizeable deposits of copper, lead, tin, tungsten and gold. Some of these, especially crude oil and natural gas, are attractive for neighbouring India. Under sanctions from the United States and the European Union, Burma continued to enjoy market access to India and other non-sanctioning neighbours – China, Singapore and Thailand – and to earn foreign currency for its survival. Indo-Burmese trade reached US\$ 650 million in the fiscal year 2006–2007, while India's exports to Myanmar are just US\$ 80 million.³⁰⁴

However, it is a road project that is the most visible evidence of Indo-Burmese cooperation. Road links between India's north-eastern state of Manipur and adjacent Burmese areas are expected to transform trade between India and Burma radically. In 2002, India, Burma and Thailand reached agreement on a road – the Kaladan Multinodal Transport Project – connecting the three countries. When completed, it will give ocean access to India's north-east (starting with Mizoram) at the port of Sittwe in Burma. Sittwe is 250 kilometres from the Indian border on the north-western coast of Burma, where the Kaladan

304) Syed Ali Mujtaba, 'India–Myanmar Trade Relations', 23 July 2007, http://www.bilaterals.org/article-print.php?id_article=9085.

River joins the Bay of Bengal. Overland connections are another important aspect of bilateral relations. India is participating in the BIMSTEC³⁰⁵ Highway project, which will provide an uninterrupted transportation linkage between South and South-East Asia through India's north-east and Burma.³⁰⁶

New Delhi has also committed itself to a hydroelectric project on the Chindwin River across Nagaland, and Indian energy companies have picked up 20 and 10 per cent stakes respectively in the gas exploration blocks on the Arakan coast. However, China trumped India in a major gas deal in July 2007, apparently for political reasons, because Beijing's use of its veto to keep Burma's human rights' record off the UN Security Council's agenda was more important to the junta than the economic incentives.³⁰⁷ Delhi hoped to be the first customer for gas from Block A1, which lies under the Bay of Bengal off the shore from Burma's Sittwe, a few hundred kilometres from Kolkata. Neither China nor India, but Thailand, was Burma's largest source of foreign direct investment in 2006, largely due to a US\$ 6.03 billion investment in a hydropower project on the Salween River.³⁰⁸

Another feature of this agreement is a proposed oil pipeline that would be built in conjunction with the necessary gas pipeline. This oil pipeline would be constructed by PetroChina as an alternate route to the Malacca Strait. Its origin would be at a deep-water port at Ramree Island in Myanmar, built to accommodate large crude tanker ships, and would cross Burma to an undisclosed point on the Chinese/Burmese border (likely to be the Muse/Ruili border-crossing point).

It seems that India has finally begun to recognize the importance of extending its trade by land to South-East Asia. Burma's readiness to cooperate with India in helping to develop a transport corridor has assumed great importance for New Delhi. The transport corridor through Burma can offer a cheaper and faster alternative to the narrow Siliguri corridor in the northern part of the Indian state of West Bengal, which is currently utilized as the trade corridor within India for sending goods to north-east India. India and Myanmar are presently working on a project along the Kaladan River that runs through Myanmar and the Indian state of Mizoram before joining the Bay of Bengal. This

305) BIMSTEC is one of these rare acronyms with a double meaning: Bangladesh–Bhutan–India–Myanmar–Sri Lanka–Thailand Economic Cooperation; and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, established in Bangkok, Thailand, on 6 June 1997.

306) Prabir De, 'Strengthening Relations with Myanmar: The Indian Express', *The Financial Express*, 18 March 2008.

307) Gideon Lundholm, 'Pipeline Politics: India and Myanmar', *Power and Interest News Report*, 10 September 2007, <http://www.pinr.com>.

308) Lundholm, 'Pipeline Politics'.

project envisages upgrading port facilities at Sittwe, where the Kaladan River flows into the Bay of Bengal.³⁰⁹

The Wisdom and Effectiveness of Western Sanctions?

On 28 July 2003 President George W. Bush signed into law the ‘Burmese Freedom and Democracy Act of 2003’,

with an executive order sending a clear signal to Burma’s ruling junta that it must release Nobel Peace Laureate Aung San Suu Kyi, along with all other political prisoners, and move down the path toward democracy. These measures reaffirm to the people of Burma that the United States stands with them in their struggle for democracy and freedom.³¹⁰

The law bans US investments in, and imports from Burma. It includes a ban on all financial services and certain property dealings, an arms’ embargo and the suspension of all bilateral aid. The United States also maintains visa restrictions on Myanmar’s senior government officials, and opposes all new lending or grant programmes by international financial institutions. The Act has been renewed annually by law and expanded to include prohibitions against the World Bank, IMF and Asian Development Bank from undertaking any significant programmes in Burma. The assets of specific military leaders that are held in overseas accounts were also targeted.

In 2004, the European Union, which had just enlarged with ten new member states, had its own tiff with ASEAN over Burma. ASEM (Asia–Europe Meeting) had scheduled its fifth biannual summit in the Vietnamese capital of Hanoi on 8–9 October 2004 and wanted its three new members – Burma, Laos and Cambodia – to attend in order to balance the attendance of the ten new EU members. The EU, however, under Dutch presidency, insisted that Burma be excluded unless Aung San Suu Kyi be released from house arrest, the NLD be permitted to participate fully in the National Convention that should lead to the restoration of democracy, and unless fixed procedures and a definite time-frame for the Convention’s completion be established.³¹¹ As usual, there was no consensus in Brussels, with the British and the Dutch presidency in favour of a hard line against the junta and the French taking the position that anything should be avoided to derail the summit. European foreign ministers convened a special meeting in early September 2004 to try to resolve the dispute. A special

309) Ramtanu Maitra, ‘Prospects Brighten for Kunming Initiative’, *Asia Times*, 12 February 2003.

310) See <http://www.state.gov/p/eap/rls/rm/2003/22851.htm>.

311) Bruno Waterfield, ‘Burma Decision Still “Tricky”’, *EUPolitix*, 11 June 2004.

EU envoy – the former Dutch Foreign Minister and former EU External Affairs Commissioner Hans van den Broek – visited several Asian capitals, including Beijing, to convey the EU’s message that “the Union attaches great importance to its relations with Asia and the ASEM process, but that it is also committed to democratic change in Burma as well as to ongoing humanitarian assistance to the people of Burma” The assurances that van den Broek secured were that Burma would join ASEM as a new member, but that it would not be represented by its Prime Minister, Khin Nyunt, at the Hanoi summit, but by a lower-level official.³¹²

Since Burma’s junta remained unperturbed, the EU’s foreign ministers tightened sanctions on 11 October 2004: a visa ban on regime stalwarts would now extend to senior members of the armed forces and their families; the EU would oppose lending by international financial institutions; and EU-registered companies and organizations would be barred from financing state-owned companies with close ties to Burma’s military regime. Such sanctions can only have modest effects. While the generals and their families may fume about being unable to send their offspring to schools and universities in Europe, most European companies, with government encouragement, already shun the place – with the exception of Total, the French oil company, which is the largest European investor in Burma. Nonetheless, the regime was sufficiently livid at its lowly representation at the summit that it fired its civilian foreign minister and replaced him with a general.³¹³ One week later the regime’s number two and the most reform- and dialogue-minded member of the junta, who had advocated Suu Kyi’s release and drafted an agenda for political reform and improvement of foreign relations, was dismissed and within a year sentenced to 44 years in prison, which was later commuted to house arrest.

Drawing upon its leverage as Burma’s leading trading partner, China denounced the Euro-American sanctions and gave a clear indication that it will not support efforts by the Western alliance to isolate the junta, economically or otherwise. China has declined to intervene directly in Burma’s political turmoil, which it contends is the country’s ‘internal affair’. Yet it has given qualified backing to a proposal by Thailand for a ‘roadmap’ to democracy, based on a multilateral forum of regional states and the various factions in Myanmar, that would attempt to broker a durable settlement.’ Commerce has slumped on Burma’s Thai and Chinese borders since the United States imposed an embargo on imports from Myanmar and froze some of its assets, leaving tens of thousands of traders with reduced incomes. Food riots have been reported in some areas. According to Asian diplomats, the Chinese position is, simply put, that they want to have a regime in Yangon/Rangoon that they can deal with, and that is not

312) See http://ec.europa.eu/external_relations/asem/intro/gac.htm.

313) ‘A Row that could Run and Run’, *The Economist*, 14 October 2004.

going to destabilize their neighbourhood and attract lots of unwanted attention from Europe and the US.³¹⁴

Less than one week after Bush's announcement of the 'Burmese Freedom and Democracy Act', the Myanmar's prime minister, General Khin Nyunt, visited Beijing on 12 July 2004 to sign another eleven trade and economic agreements, in addition to the 21 already signed by Vice-Premier Wu Yi in Rangoon in March 2004. Among the senior officials that he met was also security czar Luo Gan, with whom he discussed closer cooperation in the cross-border anti-drug campaign.

One year before Bush's renewal of the sanctions' act, a senior Burmese diplomat, Kyaw Win, Myanmar's Ambassador to Britain, told the BBC:

There is no evidence we are worried about sanctions. Not that we want them, but we are not afraid of them either because we have lived for 26 years [1962–1988, the years of Ne Win's dictatorship] on our own before, and we have very good neighbours around us and we can simply trade and exchange relations with our close, good neighbours [...] We have the two largest countries of the world on either side who are happily trading and exchanging all kinds of technical, transportation and security measures [with Myanmar] and we are living in harmony with all of them.³¹⁵

Receipts from gas sales and transportation fees will further insulate Rangoon from western sanctions.

David Steinberg, a senior Professor at the Georgetown School of Foreign Service in Washington DC and one of the world's leading experts on Burma, advised the US administration to follow India and ASEAN and to engage Burma, rather than to isolate it: 'By isolating Burma, the US has neglected humanitarian concerns and driven it closer to China [...] Sanctions may be emotionally satisfying, but ineffective as a means of promoting democracy in the military-ruled state'. Steinberg concludes:

The US sanctions' policy has failed. Instead of promoting the unconditional surrender of the Burmese military, it has strengthened Burmese resolve to stand up to US pressure as any government must do in a highly charged nationalistic environment. It has thrown Burma increasingly closer to China. The US needs to rethink its policy, now essentially made in Congress and not in the Department of State. [...] informal, private discussions between

314) Author's interviews – on condition of anonymity – with Beijing-based Asian diplomats for EU briefing paper, July 2004.

315) Interview by the BBC with Kyaw Win, Myanmar's Ambassador to Britain, 5 June 2003; see Richard S. Ehrlich, 'Burma Sanctions Effort Blunted by China and India', *Scoop Media*, Bangkok, 6 June 2003.

the US and Rangoon with a carefully calibrated set of benchmarks might move the regime and allow the US to resume its interest and influence in that society, which badly needs US humanitarian aid.³¹⁶

It would have been desirable had the European Union followed Steinberg's recommendations, which I fully endorsed in a briefing paper for EU Envoy van den Broek.³¹⁷

The best route to political change in Burma is, paradoxically, through China, which is no friend of true democracy, but a nation with many needs and a lot of power. "What we are seeing is China – having accepted that the current situation is untenable – now beginning to take the lead in pursuing political talks so that it can set the agenda for change", said an Asian diplomat, speaking on condition of anonymity.

Since the US tightened sanctions and the European diplomatic clash with Asia in 2004, Myanmar faded from the international agenda for another three years and it took a new popular uprising and another wave of violent repression in 2007 to bring the troubled country back to the world's attention again. 'Asia for the Asians' and 'Let Asian neighbours take the lead in setting Burma on the path to good governance and economic progress' has not led to any significant result in recent years. China and India see their interests in Burma primarily as a strategic base for energy (oil and gas) and other natural resources such as timber, and have limited consideration for Burma's sustainable political and socio-economic development. China favours stability in Burma in the first place and competent government – short of 'divisive' Western-style democracy – that will lead the country's economic modernization. When Chinese Ambassador to the United Nations Wang Guangya in January 2007 – together with Russia and South Africa – vetoed a US-sponsored resolution urging democratic transition in Burma, Wang made it clear that he did not do so because he disagreed with the contents of the resolution, but because the role of the UN Security Council is to address international threats to peace, not to interfere in the domestic affairs of member states. He urged the military regime to "promote stability, move toward 'inclusive democracy' and speed up the process of dialogue and reform."³¹⁸

India, which has to uphold its reputation as a democracy, responded to the military crackdown in 2007 by halting all arms' sales to the junta, for which it was

316) David I. Steinberg, 'Burma: Feel-Good US Sanctions Wrongheaded; In Punishing the Brutal Junta, the US Hurts Burmese People and its Own Strategic Interests', *YaleGlobal*, 19 May 2004.

317) Willem van Kemenade, 'Reflections on the China-Burma Link: The Participation of Burma (Myanmar) in the October 2004 Hanoi ASEM Summit', Briefing Paper for European Union Envoy Hans van den Broek, 19 July 2004.

318) 'China, Russia Cast Veto against US Resolution on Myanmar', *Associated Press*, 14 January 2007.

praised by US First Lady Laura Bush on International Human Rights Day, December 10, 2007. Michael J. Green, a former top Asia adviser to US President George W. Bush, who is now at the Center for Strategic and International Studies in Washington DC, said that Burma's South-East Asian neighbours had complained to Bush about India's deepening military ties with Yangon. "They expect it of China, but India is a democracy", Green said, adding that India's decision to end arms' sales to Myanmar is "a big deal for US-India relations. I think they are shifting". More broadly, India's move may put pressure on China, which is currently Myanmar's largest trading partner and arms' supplier, military experts say.³¹⁹

ASEAN, the early champion of engagement rather than isolation of Burma's junta, is increasingly exasperated with the ill-tempered, unresponsive, ageing bullies who are entrenched in their shining, remote new capital of Naypyidaw. For years, ASEAN played Burma's 'devil's advocate' with the West, pleading for patience, putting its own credibility and image on the line in Washington and European capitals. Malaysian Foreign Minister Syed Hamid Albar was one of the first to speak out in 2006, decrying that: "It is not possible to defend Myanmar".³²⁰ Philippine President Gloria Macapagal Arroyo was the first ASEAN leader who in November 2007 threatened not to ratify ASEAN's historic charter, an EU-style treaty, binding the association closer together, if Burma failed to free NLD leader Aung San Suu Kyi. The following months saw an outcry from many sectors of civil society across the region to expel Burma from ASEAN. The situation will probably not escalate to 'breaking point', but the price that ASEAN has to pay for having a 'rotten apple' like Burma in its midst is becoming unacceptably high. US Trade Representative Susan Schwab said that the situation in Myanmar was holding up negotiations for a US-ASEAN free-trade agreement (FTA). "It is impossible to imagine an FTA in the near term under the current political circumstances", she said afterwards. "The reputation and credibility of ASEAN as an organization has been called into question because of the situation in Burma."³²¹

With pressure for concerted action on Burma intensifying within ASEAN, two major 'outsiders' are stampeding to offer help. During the 2007 crisis, the United States again tightened sanctions, which were already so draconian that it was not clear what could still be tightened. 'I don't know who else they can go after', said Mary Callahan, an expert on Burma at the University of

319) Glenn Kessler, 'India Pressures Myanmar: Halt in Arms Sales Loosens Military Ties; Options for Beijing', *The Washington Post*, 2 January 2008.

320) Syed Hamid Albar, 'It is Not Possible to Defend Myanmar', *Asian Wall Street Journal*, 24 July 2006.

321) Wayne Arnold, 'Rift over Myanmar Emerges at ASEAN Summit', *International Herald Tribune*, 19 November 2007.

Washington.³²² A retired senior US diplomat, Priscilla Clapp, Chief of Mission at the US Embassy in Myanmar³²³ (from 1999–2002), wrote in a major report that was published by the United States Institute of Peace in 2007:

The US sanctions' regime and its confrontational style with Burma's military leadership, no matter how well justified, have relegated the United States to a backseat position in the effort to persuade the SPDC to proceed with transition. It is simply a fact of life that Burma's Asian neighbours will remain its key interlocutors and points of contact until the appropriate time comes for the United States to ease its sanctions and adjust its demeanor.³²⁴

The European Union has appointed a Special Envoy for Myanmar: former Italian Minister of Justice Piero Fassino, who is busily travelling the region issuing threats that the EU will also tighten sanctions if the junta does not comply. The fact that the European Union has assigned such a sensitive job to a leftist party politician who was chosen for non-related domestic reasons in Italy, and whose only international experience is a two-year stint as Minister for Foreign Commerce, is sad testimony to the lack of gravitas in the EU. It is questionable whether harsher sanctions and other Western methods, such as public threats, etc., will work this time, and advocating them by megaphone may do more damage to the EU's Common Security and Foreign Policy than to the Burmese junta.

The devastating cyclone 'Nargis', which hit the Irrawaddy delta of southern Myanmar/Burma on 3 May 2008, killing approximately 125,000 people and rendering some 2.5 million people homeless, starving and destitute, has had no immediate impact on the political programme that the military junta has for Myanmar.

It took the junta two-and-a-half weeks to allow senior UN humanitarian officials and Secretary-General Ban Ki-moon to visit the country to discuss relief measures and reluctantly, and step by step to admit international aid workers, but the referendum on a new constitution that the junta had planned for 10 May 2008, and that should pave the way towards a 'discipline-flourishing genuine multi-party democracy' could not be delayed. The draft constitution did not

322) David Jackson and Barbara Slavin, 'Bush Tightens Sanctions on Burma's Junta', *USA Today*, 24 September 2007.

323) The US Congress will not approve the posting of an Ambassador to Myanmar, but maintains diplomatic relations in all other respects, with the Chief of Mission carrying the title of *Chargé d'affaires*.

324) Priscilla Clapp, 'Building Democracy in Burma', Working Paper-02 (Washington DC: United States Institute of Peace, 24 July 2007), available online at <http://www.usip.org>.

include basic freedoms, such as assembly, political parties and free speech. The largest party – Aung San Suu Kyi's National League for Democracy that won the relatively free election in 1990 – was also excluded. The draft was a Suharto-era blueprint that would proclaim the army as the supreme power in public affairs and reserves 25 per cent of the seats in a new national parliament for military appointees. The result of the vote was announced on 30 May 2008: 92.4 per cent of the voters had approved the charter. The next steps in the junta's seven-phase plan are multi-party elections, to be held in 2010. What kind of political system they will produce is anybody's guess. It is even quite conceivable that the process does not get that far, because the generals' callous refusal in obstructing the full flow of international aid from entering the country for weeks, spurred by their fear of the spectre of subversion and regime change, may become a self-fulfilling prophecy.

On the other hand, one cannot count on such an outcome. What are the alternatives? Metamorphosis of the current xenophobic, isolationist, incompetent regime towards a Suharto-style mixed regime of generals and internationally trained top-class technocrats, plus economic openness, would already be progress, despite the repression, corruption and cronyism of the Suharto regime. This is exactly what Myanmar's major neighbours and trading partners – China, India and Thailand – and its banker, Singapore, favour. But this could only work if Western sanctions are lifted.

As Thant Myint-U, grandson of the first internationally known Burmese, the late U Thant, the first Asian Secretary-General of the United Nations, recently wrote: "Can there be any logic to maintaining sweeping US and European economic sanctions on aid, trade and investment while also trying to rebuild the devastated areas? Does help for the poorest have to wait for democracy? Does a policy of further isolation make sense?"³²⁵

³²⁵ Thant Myint-U, *The Burma Dilemma*, International Herald Tribune, May 21, 2008.

8. China and India: Partners and Competitors in the World Economy

Convergence of Economic Ideologies in the 1990s

China's political economy has evolved from Maoist hardline communism (1949–1978), towards pragmatic 'reform communism' during the 1980s and 1990s and finally reached its current dynamic state-capitalism under a kind of neo-con communist party. India, meanwhile, proceeded from 'Nehruvian' stagnant soft-socialist multi-party democracy with its slow '*Hindu rate of growth*' until the late 1980s, through liberal reform from the early 1990s towards entrepreneurial-led fast development since the outset of the twenty-first century.

During the 1950s, China was a junior ally of the Soviet Union, copying and adapting the Stalinist model, only to be replaced by isolationist, ultra-leftist Maoism in the 1960s until Mao Zedong's death in 1976. India became a de facto Soviet ally from the mid-1950s until the end of the Cold War in 1991 and practised a brand of xenophobic, *Fabian socialism* that was less conducive to foreign investment and globalization than China's 'reform communism'. The fall of the Berlin Wall marked the beginning of the convergence of China's and India's economic ideologies, but after almost two decades, India's economy is still much less integrated with the world economy than China's, despite it being a multi-party democracy while China holds onto the political culture of communism.

In most social and economic indicators such as education (literacy), health standards, infrastructure, poverty reduction, market reform and market opening, equality between the sexes, savings' rate, flexibility of labour laws, foreign investment, fiscal system and development effectiveness, 'communist' China is

superior to 'democratic' India. A major negative for China is its low fertility rate. It will begin to experience the effects of 'ageing', including a shrinking labour force, long before India. China's labour force is expected to peak around 2015, while India's is projected to grow beyond the middle of this century.³²⁶

In other areas of development, however, India is clearly ahead. For example, it has more large and successful genuinely private corporations. Moreover, several recent business surveys rated corporate governance standards in India well above those in China. India also has more highly developed and better integrated capital markets, but the banking system remains state-dominated in both countries. India's judiciary, although partly dysfunctional because of its massive case backlog, is independent from the political system, which is not the case in China. India has a rule-of-law culture, which remains a distant dream in China. According to industry sources, owners of intellectual property feel better protected in India than in China.³²⁷

India's reform process, which was initiated in the mid-1990s is zigzagging because of misgivings over globalization and the politicians' obsession with *swadeshi*, or self-reliance. The BJP-led government of Atal Bihari Vajpayee (1998–2004) enthusiastically embraced globalization and indicated before its electoral defeat in May 2004 that it would dilute or scrap two statutes that make it hard for companies to fire workers and hamper their ability to take on temporary labour. The current more leftist Congress government of Dr Manmohan Singh depends on communist support and the communists have always opposed labour reform. India's cultural desire for economic equality exceeds China's, which makes it simply unfeasible for democratic, post-colonial India to allow foreign investors to make huge profits at the expense of indigenous firms.

326) Pieter Bottelier, 'India's Growth from China's Perspective', *The Journal of Applied Economic Research*, vol. 1, no. 1, 2007.

327) Bottelier, 'India's Growth from China's Perspective'.

‘Elephant Economies’

Former World Bank Vice-President Javed Burki was perhaps the first in 2001 to speak about the rise in tandem of the ‘elephant economies’ – China and India – as the major economic development of the first decades of the twenty-first century. He estimated that they would probably be the second and fourth largest economies in the world by 2020. Burki wrote that there have been three dramatic changes in world economic history over the last 150 years:

- Between 1870 and 1913, the US overtook Britain and became the leading world economy.
- Between 1950 and 1973, Japan caught up with Europe and the US to become the world’s second largest economy.
- The third catch-up period, from 1975 to 1997, saw the narrowing of the gap between the ‘tiger economies’ of East Asia and the developed world.
- The next phase is likely to shift the centre of the world economy from the Atlantic Ocean to the Asian mainland. It will change the composition of world output and world trade and the way that the world uses resources. It will almost certainly create severe tensions with today’s leading economies as they are challenged for global economic dominance.

The East Asian ‘tiger economies’ moved fast but with stealth. The ‘elephant economies’ of Asia, by contrast, will create global commotion as they begin to stampede.³²⁸

Another much cited report was published by Goldman Sachs in 2004, linking the rise of China and India with two other fast-growing economies – Brazil and Russia – and coined the acronym BRICs for the four.³²⁹ In less than 40 years, BRICs (Brazil, Russia, India and China) could be larger than the G7. The report, which disregards the European Union for not being a ‘national economy’, concludes that:

- Of the G7, only the US and Japan may be among the six largest economies in 2050.
- China could be the largest economy by 2041.
- India shows the most rapid growth potential of the BRICs.
- Individuals in the BRICs are still likely to be poorer on average than individuals in the G7 economies.
- By 2050, Russia’s GDP per capita will be by far the highest of the BRICs – and comparable to G7 levels.

328) Javed Burki, ‘An Asian Stampede’, *Financial Times*, 11 June 2001.

329) Roopa Purushotaman, ‘Dreaming with BRICS: The Path to 2050’, Global Economics Research, Goldman Sachs International, May 2004.

Indicators of Selected Economies in the World in 2007

	GDP (PPP), US\$ billion	GDP, US\$ billion	Population, million	GDP per capita (PPP), US\$
Brazil	1,836	1,314	189	9,700
China	7,238	3,242	1,321	5,480
India	3,083	1,147	1,110	2,780
South Korea	1,199	970	49	24,480
Mexico	1,346	893	109	12,380
Russian Federation	2,087	1,290	142	14,660
World	64,545	53,935	6,116	10,550
The Netherlands	640	766	17	38,760

Source: Economist Intelligence Unit, World Bank

Since Brazil and Russia are demographically far smaller than China and India, plus the fact that they are marginal economies propped up by high commodity prices, some analysts have stressed that the only '*brics*' *in the wall* (!) that really matter are China and India. The fundamental difference between China and India on the one hand and Russia and Brazil on the other is that China and India are competing with the West for 'intellectual capital' by seeking to build top-notch universities, investing in high, value-added and technologically intensive industries, and utilizing successful diasporas to generate entrepreneurial activity in the mother country. Chinese officials, for example, are committed to developing 100 world-class universities, with a focus on science and engineering; India boasts one of the most dynamic information technology sectors outside of the US. Both countries face challenges, but they are taking the steps necessary to generate sustainable economic growth.³³⁰

330) John Lloyd and Alex Turkeltaub, 'India and China are the Only Real Brics in the Wall', *Financial Times*, 3 December 2006.

‘CHINDIA’

Another buzz-word to epitomize the impending shift in the global economy from the Atlantic to the Pacific and Indian Oceans is ‘Chindia’, coined by Indian politician and economist Jairam Ramesh in a short book that was a manifesto aimed at bringing the two together, not only in business, but also culturally.³³¹ It was popularized by BusinessWeek and came to represent an object of both paranoia for those in the US who fear economic eclipse, and pride for Asian dreamers who long for the day when the US – and Europe – get their comeuppance.³³² In a special issue of BusinessWeek in 2005, the magazine referred to the earlier economic miracles of Japan and South Korea:

But neither was populous enough to power worldwide growth or change the game in a complete spectrum of industries. China and India, by contrast, possess the weight and dynamism to transform the twenty-first-century global economy. The closest parallel to their emergence is the saga of nineteenth-century America.³³³

The ‘Chindia’ writers’ team juxtaposes an ambitious dynamic Chinese state that invests 40 to 50 per cent of GDP in super-infrastructure and state-of-the-art industries in its shining mega-cities with a dysfunctional bureaucratic Indian state that has largely missed out on fast-track modernization. There is not a single piece of ultra-modern architecture in New Delhi, and the urban landmarks are still the neo-Mughal-style buildings of its government centre that Sir Edwin Lutyens designed in the waning days of the British Empire in the 1930s. Until recently, India attracted only around US\$ 4 billion per year in foreign investment against China’s US\$ 60 billion, but a lot of this investment is wasteful. Over 20 per cent of state bank loans in China are non-performing, while banks in India are in private hands and, overall, India’s financial markets allocate capital more efficiently than China’s and favour higher-margin industries like information technology and services. Some economists therefore think that India can sustain high growth for longer, especially as savings and foreign investment increase.

Nevertheless, China’s vast manufacturing base, immense labour pool, first-rate engineers, managers, cargo handlers and the integration of the advanced financial centre and port of Hong Kong and the high-tech industry centre of Taiwan give it overwhelming advantages. India’s industrial role is more hidden. A

331) Jairam Ramesh, *Making Sense of Chindia: Reflections on China and India* (New Delhi: India Research Press, 2005).

332) *CHINDIA: How China and India are Revolutionizing Global Business*, Edited by Pete Engardio, Senior Writer, Business Week (McGraw-Hill, 2007).

333) ‘China and India: What You Need to Know’, *BusinessWeek*, special issue, 22 August 2005.

hot Motorola wireless handset, Cisco network switch, or Philips imaging device may read 'Made in China' on the back, but much of the software and integration of multimedia technologies that yield the real profit margins may have been developed in India. India is the first developing nation whose export take-off was based on services rather than factory and mining labour.³³⁴

Rival political and economic ambitions would make the concept of 'Chindia' inconceivable, but regardless of politics, China's and India's industries could truly collaborate, and if that happens they would really dominate the world's tech industries. China and India graduate half a million engineers and scientists each year against the United States' 70,000. In consumer electronics, 'we will see China in a few years going from being a follower to a leader in defining consumer electronics trends', predicts Philips Semiconductors' Executive Vice-President Leon Husson.³³⁵

India's Favourable Demographics

China euphoria has been with us since the World Bank in 1993 for the first time predicted that China would be the next economic superpower. But Chicago-based consultancy 'Keystone India', which was established by a group of top economists from Ernst & Young, was the first in 2005 to predict that India would surpass China in economic growth by 2020. The main reason is that India will have more, and younger, people than China because of China's decades-long 'one child per family' policy. China's population is expected to peak at 1.45 billion by 2030. India's population is expected to increase by 350 million by 2030, more increase than the US, Europe and China combined. India will have 200 million more people than China by mid-century. The number of working-age Chinese will peak in 2020, while India's workforce will keep growing for at least four more decades.

A second factor is that China's higher growth was achieved with an investment rate of 40 to 45 per cent of GDP, whereas India's growth rate of 6 per cent was reached with an investment rate of half that of China. Big increases in India's domestic investment rate are to be expected (up to 35 per cent, which will enable India to match China's earlier growth rate of 9 per cent or more). Another factor that leads Keystone India to conclude that India will eventually surpass China is that India's private companies have better, more dynamic and more globalized management.³³⁶

334) Engardio, *Chindia*, p. 6.

335) Engardio, *Chindia*, pp. 17-19.

336) Engardio, *Chindia*, pp. 27-30.

An Economic NATO

Books, articles and talk shows on the 'China Threat' have been a cottage industry in the United States for more than a decade and more recently they became a new genre in Europe as well. One German journalist, Gabor Steingart, formerly bureau chief for Der Spiegel in Berlin and now based in Washington DC, is to my knowledge the first writer in a major European language to use flamboyant metaphors to warn Europeans and Americans alike of the economic dangers not only from China but also from India.

Steingart's 2006 book *Weltkrieg um Wohlstand: Wie Macht und Reichtum neu verteilt werden* [World War for Prosperity: How Power and Wealth will be Redistributed] uses the ominous metaphor of 'a new economic NATO to defend western prosperity against the advancing yellow and brown hordes from Asia'.³³⁷ Steingart says that the West is heading for a new Cold War with China and that we should start preparing for our defence. The first must is a European-American free-trade zone. What sets this situation apart from what is usually called a conflict and what paralyses the West is in Steingart's view "how quietly the enemy is advancing [...] everything is amiable. Asians are the friendliest conquerors the world has ever seen". He describes China as 'a stoic and dark superpower', organized as a termite state, where the individual is completely subordinate to the collective. He says that the state (India) or party (China) is responsible for setting prices, promoting technology, ensuring provisions of raw materials, protecting industries and providing the impulse for just about any kind of economic or political activity. The West believes that it is selling machines, mobile phones and cars, but at the same time it is also selling its soul.

Together, the Americans and Europeans still represent 13 per cent of the world's population and 60 per cent of the world's economic power. Yet much of Steingart's book reads like a manifesto for transformational political action: "The military alliance which was formed during the Cold War could be carried over into the global economic war" (sic!). Steingart's muscular diatribe caught the attention of German Chancellor Angela Merkel, who is obsessed with China.³³⁸ She viewed the trans-Atlantic free-trade zone as a fusion of the like-minded and the best ploy to counteract the Asian scheme of pitting Americans and Europeans

337) Gabor Steingart, *Weltkrieg um Wohlstand: Wie Macht und Reichtum neu verteilt werden* (Munich: Piper, 2006).

338) Merkel grew up in Soviet-dominated East-Germany but wasn't born there. Her father, Horst Kasner, a leftist Lutheran minister from Hamburg volunteered to go to the Communist East in 1954 to help rebuild the church there. In a newspaper interview Pastor Kasner indicated that he didn't support the political beliefs of his daughter. Judy Dempsey, Father's ideals forged Life in East for German Candidate, *International Herald Tribune*, 15 September 2005.

against each other. Merkel invited Steingart to her office and called it a 'fascinating idea' that could become the '*giga-project*' of the twenty-first century. In her role as president of the European Union during the first half of 2007 and concurrently holding the G8 presidency, Merkel broached the idea of a trans-Atlantic common market with US President George Bush, who was lukewarm. Bush did not waver from his support for free trade and reiterated his commitment to give the WTO's Doha Round on global trade liberalization another chance.³³⁹

India: Outsourcing Moves to Higher Levels

China has been viewed as a threat that is bigger than India, and much more so in the United States than in Europe. Many Americans, particularly those on the (religious) right, consider China a threat both to their position as the dominant global power and to their economic well-being. While large numbers of US companies have relocated their production so as to produce more affordable goods for the US consumer, China is loudly accused of 'stealing' US jobs, particularly during election season. Europe is less alarmist, but some Europeans increasingly view China as a threat to their complacent lifestyles. Cosy Italian and Spanish factory towns are feeling the onslaught of China's industrial revolution most. (Illegal) Chinese emigrants from Wenzhou slipped in first as workers in centuries' old European textile and shoe towns. After a few years they started taking over the factories, outsourcing the business lock, stock and barrel to China. Even Savile Row suits are measured in London, but then secretly made in China.³⁴⁰

The challenge from India is at a different level. Both China and India will be powering global growth for decades to come: China as the world's manufacturing base; and India as the world's back office for services. China is the big key link in a highly specialized electronics' manufacturing system that has emerged in Asia over the last decade. India acquired a clear edge in winning service export orders, in everything from Hollywood animation to multinational data processing, and India's software exports have the potential to be as dominant as China's in electronics and toys. India tends to have a mostly open political arena with vestiges of a closed economy, whereas China has a closed political arena with a relatively open economy. China wins on this comparison since, from the view of an outside investor, the issue of an open economy is more important.

339) See <http://www.euractiv.com/en/trade/merkel-urges-transatlantic-single-market/article-160675>.

340) James Kynge, *China Shakes the World: The Rise of a Hungry Nation* (London: Weidenfeld & Nicolson, 2006), p. 83.

With its far less competitive market, India looks like paradise for Chinese consumer electronics' companies facing over-capacity and downward pressure on appliance prices at home. Huawei Technologies Companies Ltd., one of China's leading telecommunications hardware manufacturers, is so impressed by India's software skills that the company has opened a research institute in India's high-tech hub – Bangalore – with 170 engineers. Pramod Mahajan, Indian Minister of IT, says: "They have the hardware but they are not masters of software. Together we are natural allies".

India's modern industrial base – with software campuses, call centres and pharmaceutical laboratories – is for the educated elite and way too narrow to bring higher living standards for the lowly educated. But India is also registering high growth in some traditional manufacturing industries such as steel, oil refining, automobiles and auto parts, but not in the broad assortment of light industries. India has to expand both agriculture to fight poverty and manufacturing to provide mass employment. Special economic zones – the same enclaves of relative economic freedom that spearheaded China's export-led industrialization – are now spreading across the subcontinent, providing tax holidays, more control over infrastructure like water and power, and less regulation. At least 75 zones are in the works, with more than a dozen already operating. Multinationals are now therefore looking at India as an alternative to China. Talent shortage is lifting wages in China, which could make Chinese goods costlier and cancel out one of China's major advantages over India: world-class infrastructure that reduces production costs. Indian wages are generally lower, beginning at about US\$ 2 a day for factory jobs. That compares with a minimum of US\$ 3.50 to US\$ 4.50 a day in Thailand, depending on the area, and the US\$ 4 to US\$ 8 that some Chinese workers are beginning to command as labour shortages spread. BMW, General Motors, Hyundai, Intel and European manufacturers of luxury shoes are all making major investments in the south-eastern state of Tamil Nadu.

Apart from lack of modern infrastructure, the other principal weakness of Indian factories is the frequency of strikes. Many multinationals still say that they cannot produce in India until the most restrictive labour laws are repealed. In China independent labour unions are non-existent, while in India the unions accuse foreign investors of 'union busting' by sacking workers who join unions and requiring new workers to sign pledges that they will not join unions.³⁴¹

In recent years, India's outsourcing has risen to new levels. While medium-level jobs have been moving to the East for years, high-skilled jobs in fields like aeronautical engineering, investment banking and drug research – those very

341) Anand Giridharadas, 'In India, "Next Great" Industrial Story', *International Herald Tribune*, 17 April 2006.

fields that once epitomized the competitiveness of Western economies – are flowing to India.

Boeing and Airbus now employ hundreds of Indians on critical tasks, including the design of next-generation cockpits and systems to prevent airborne collisions. For about one-fifth of the cost, investment banks like Morgan Stanley are hiring Indians to analyse US stocks, a job that can pay US\$ 200,000 a year or more on Wall Street.

As their Indian back offices gain in sophistication, Western firms are finding that a vast swathe of their work – even tasks requiring rarefied expertise – can be done in India at a fraction of the cost. Many see India as a deep reservoir of potential customers.

‘India is at the epicentre of the flat world’, said Michael Cannon-Brookes, the Vice-President for Business Development in India and China at IBM, which has shrunk its US work force by 31,000 since 1992 as its Indian staff mushroomed to 52,000 from zero.

The eastward drift of Western companies came to the fore in April 2008 when Citigroup announced plans to cut or reassign at least 26,000 jobs, or 8 per cent of its global headcount. It will move some jobs to cheaper US cities, and many to India, where the bank already has 22,000 employees. Although Citigroup began outsourcing to India with low-end work such as bill collection, it now has about 600 Indians engaged in high-value jobs such as analysing US stocks. Meanwhile, India has become its fastest-growing international market in revenue terms, according to the bank’s chairman, Charles Prince.³⁴²

The ‘Third Industrial Revolution’

The pool of medium- and high-end jobs in the West, once thought to be impossible to outsource, is gradually evaporating. Alan Blinder, former Vice-Chairman of the US Federal Reserve Board and former Economic Adviser to President Bill Clinton, recently described outsourcing as a ‘Third Industrial Revolution’ that, by his estimate, threatens the jobs of 28 to 42 million workers in the United States alone.

Contrary to current thinking, Americans and residents of other English-speaking countries should be less concerned about the challenge from China, which comes largely in manufacturing, and more concerned about the challenge from India, which comes in services. India is learning to exploit its already strong comparative advantage in the English language, and that process will continue.

342) Anand Giridharadas, ‘India Outsourcing Moves to the Front Office’, *The New York Times*, 3 April 2007.

Economists Jagdish Bhagwati, Arvind Panagariya and T. N. Srinivasan meant to reassure Americans when they wrote, 'Adding 300 million to the pool of skilled workers in India and China will take some decades'. But decades is precisely the time-frame that people should be thinking about – and 300 million people is roughly twice the size of the current US work force.³⁴³

In an article in the *Washington Post* in May 2007, Binder further detailed the magnitude and depth of the upheaval that offshoring is going to deliver to the United States:

There's something new about the coming transition of service, offshoring, technological advance from the rise of China and India. [...] This particular transition will be large, lengthy and painful. It's going to be lengthy because the technology for moving information will continue to improve for decades, if not forever. It's also going to be large. How large? In some recent research, I've estimated that 30 million to 40 million US jobs are potentially 'offshorable'. These include scientists, mathematicians, and editors on the high end, and telephone operators, clerks, and typists on the low end. Obviously, not all these jobs are going to India, China or elsewhere but many will. It's going to be painful, because our country offers such a poor social safety net to cushion the blow for displaced workers.³⁴⁴

One of India's top industrialists, Nandan Nilekani, co-chairman of Infosys in Bangalore, offered a different perspective on the 'threat of offshoring'. On the occasion of the sixtieth anniversary of Indian independence, Nilekani told the prestigious television interview programme *'The Charlie Rose Show'* that India will be the only 'young' country in the world for decades to come, while the rest of the world, including China, is ageing, and that will create huge opportunities: 'India will provide workers for that change. That's why outsourcing is not so dangerous, because actually it's matching the demographic issues'.³⁴⁵ In other words, the only young people for the jobs of the future will be available in India.

The Changing Pattern of Sino-Indian Trade and Investment

China's, and increasingly also India's, impact on the industrial sectors of other parts of Asia, Latin America and Africa are of similar magnitude. Many low-skilled manufacturing jobs in Central America and South-East Asia have been lost

343) Alan S. Binder, 'Offshoring: The Next Industrial Revolution?', *Foreign Affairs*, March/April 2006.

344) Alan Binder, 'Free Trade's Great but Offshoring Rattles Me', *The Washington Post*, 6 May 2007.

345) Nandan Nilekani being interviewed on 'The Charlie Rose Show', Washington DC, 5 October 2007.

to superior competitors from China and India, and Africa risks losing its only industrial sector of importance – the textile industry.

At the start of Deng Xiaoping's 'reform communism' in 1978, the Chinese diaspora – that is, the Hong Kong, South-East Asian and American Chinese – were eager to invest in the re-energized economy of the motherland, a few years later followed by Western multinationals. China's state-banking system did not lend to private entrepreneurs and its stock market, which reopened in 1990, strongly favoured state enterprises as well. As a result, China's economy is still dominated by state enterprises and branches of multinationals. Private enterprise emerged only slowly and the companies are mostly small. Meanwhile, democratic India with its anti-colonialist, anti-imperialist mindset and the ethical, Fabian socialist ideology of Prime Minister Nehru could not allow foreign investors to 'exploit' the Indian people and gave priority to native entrepreneurship.

India has spawned privately owned cutting-edge, knowledge-based industries: software giants Infosys and Wipro; diversified conglomerate Tata; pharmaceutical and biotech powerhouses Ranbaxy and Dr. Reddy's Labs; to mention just a few. The companies are multicultural and multi-lingual, an advantage that Chinese companies do not possess. And yet some international drug companies argue that it is not India but China that offers the most potential: "India will take time. It's not a major opportunity for us now. China is completely different", says Bruno Angelici, Executive Vice-President for most of AstraZeneca's non-US sales. He forecasts that China will be the world's fifth largest drug market by 2010. 'India has a longer tradition and a greater skills' set, but China has such huge resources and lower costs, it is becoming a focus for biotech', says Fintan Walton of PharmaVentures, a pharmaceuticals consultancy. However, neither China nor India is 'a bed of roses for intellectual property', argues Robert Jones, Head of Government Relations for India and China at GlaxoSmithKline.³⁴⁶

India did not begin to open up to foreign investment and trade until the early 1990s, but then more selectively than China. However, since the beginning of this century foreign investment in India has jumped from a paltry US\$ 3 or 4 billion, less than 10 per cent of China's, to US\$ 12 billion in 2006, 20 per cent of China's. The figure will hit US\$ 15 billion for the Indian fiscal year (to 31 March 2008), against China's US\$ 74.7 billion for 2007. There is one surprising difference: India opened its capital account to portfolio investments long before China began to take small steps in this direction. The Indian stock market is much more open than the 'insider market' of China, but new restrictions were imposed after disruptions were caused by excess cash inflow from the US,

346) Andrew Jack and Amy Yee, 'China May be a Hard Pill for India to Swallow', *Financial Times*, 30 August 2007.

triggered by the housing market crisis. In China it does not matter that much, because financial markets do not work like in India or the US: ‘The stock price of a bad company can go up as much as that of a good company’.

Even if the trade in services is included, US–China trade is still almost seven times larger than US–India trade. In comparing these trade numbers, one should bear in mind, of course, that exports from China to a large extent reflect China’s role as the world’s workshop. The domestic value added of exports from China is on average much lower than in the case of India. The enormous difference between US–China and US–India trade in part reflects the fact that cumulative US bilateral direct investment in China is more than ten times higher than in India. Even if portfolio investments are included, the total of US investments in China is still many times higher than US investments in India.

Some large Chinese and Indian corporations – such as Huawei, Haier, Reliance, Infosys, Wipro, Ranbaxy and Tisco – have begun to invest in each other’s home turf, although the Chinese complain that it is harder for their firms to invest in India than the reverse. Huawei Technologies, China’s biggest telecommunications equipment maker, spent US\$ 200 million to start making phone equipment and expand its software development and research centre in India. Huawei also faced obstacles in expanding in India. As Gautam Sharma, Deputy Director of Huawei Telecommunications (India), says: “There’s always a crisis when it comes to doing business in India. Although we are short-listed we find that our bids are stopped and suddenly we are out”.³⁴⁷ Haier is building a factory in India to manufacture 50,000 television sets per month, and the company, which is based in Qingdao, recently began selling mobile phones in India, Asia’s fastest-growing wireless market. Infosys admitted in 2007 that its China operations were growing slower than expected, with its customers preferring to use its English-speaking outsourcing base in India. Infosys has a base of 700 employees in China in Shanghai and Hangzhou, while India’s number one software firm, Tata Consultancy Services, has more than 1,000 employees, most of them in a joint venture with Microsoft and three state-owned companies. Infosys has chosen to go it alone, but it has not had any more success in scaling up in China because its customers, who are mostly based in the US and Europe, prefer India, with its base of English speakers and established reputation for outsourcing.

S. Gopalakrishnan – co-founder of Infosys and its chief operating officer – said that in the longer term, Indian outsourcers could not afford to ignore China: “China produces about 650,000 engineers every year, India 450,000 and the US 100,000 [...] So you can see, if you want to continue to scale up, you have to look

347) Jo Johnson and Richard McGregor, ‘Old Grievances Bedevil Efforts to Reach Across the Himalayas’, *Financial Times*, 19 November 2006.

at locations like China”.³⁴⁸ The Confederation of Indian Industry (CII) opened an office in Shanghai, which competes with Beijing and other large Chinese cities to attract Indian investment. Actual Indian investment in China until March 2007 stood at a mere US\$ 178 million (although contractual investment is valued higher, at US\$ 565 million). Chinese investments in India are also less than weighty. According to the Indian government, FDI inflows to India from China between August 1991 and December 2006 worked out to a grand total of US\$ 3.61 million. Chinese statistics put the figure considerably higher at about US\$ 17 million for actual investments, but even this number is distinctly unimposing.³⁴⁹

The CII and other trade and industry bodies advocate that India and China establish a ‘strategic economic dialogue mechanism’ that is modelled on that of the United States and more recently the European Union, in which half a dozen or more senior officials of both governments meet twice a year to discuss all issues in dispute, but the US and EU both have investment volumes in China running in the tens of billions of dollars and trade volumes with China of over US\$ 300 billion – eight or nine times that of India. India is still ‘minor league’ in this circle. India needs to attract US\$ 350 billion of public and private investment in infrastructure alone before it reaches the same level as China. Indian business gurus and officials regularly express optimism at conferences that, once the funds are available, India can catch up with China’s world-class infrastructure in ten years, but considering the glaring backwardness of India’s airports, ports, non-existing multi-lane intercity highways, and in particular of its unstable power supply, this seems unrealistic. China has already completed almost half of an 80,000-kilometre national dual-carriage highway network; India has at present only about 5,000 kilometres of comparable standard highways and much of this is disjointed. Chinese ports and airports are far more efficient than India’s: according to a recent World Bank study, the average turnaround time for freighters visiting Indian ports is more than twice as long as in China. There is also no Indian city with a ‘24/7’ water supply, which is the standard in most Chinese cities.³⁵⁰

During the first years of this century, the total volume of Sino-Indian trade hovered around just US\$ 5 billion. In 2006 it soared by 56 per cent – compared to the previous year – to US\$ 38.7 billion according to Chinese data, which means that the two Asian powers are ahead of schedule on their goal of doubling trade to US\$ 40 billion between 2006 and 2010. During the first half of 2007, the

348) Joe Leahy in Mumbai, ‘China Setback for Infosys’, *Financial Times*, 31 August 2007.

349) Pallavi Ayar, ‘Sino-Indian Trade: Growing Concern’, *The Hindu* (Chennai), Delhi edition, 28 August 2007.

350) Bottelier, ‘India’s Growth from China’s Perspective’.

increase was 67 per cent. After meeting with Chinese Premier Wen Jiabao in Beijing in January 2008, Indian Prime Minister Manmohan Singh said that they had agreed to raise the target to US\$ 60 billion and told their trade ministers to look at the feasibility of a regional trade agreement. But with a trade deficit put by India at US\$ 9 billion in 2006, New Delhi is becoming more assertive in pushing China to act in order to balance trade.

India's exports to China are overwhelmingly dominated by low-value, primary products with an outsized reliance on iron ore. In 2006, ores, slag and ash comprised more than 50 per cent of India's exports to China, a trend that has remained unaltered over the last few years. India has overtaken Brazil to become the largest supplier of iron ore to China after Australia. Most Chinese exports to India, on the other hand are manufactured and value-added products. Electrical and other types of machinery, for example, made up 45 per cent of Indian imports from China in the first six months of 2007. Some Indian government officials blame Chinese 'currency manipulation' for the trade imbalance, but India's corporate lobby groups say that they cannot compete with Chinese goods because of India's poor infrastructure and nonsensical labour laws.³⁵¹

	China	India
Population	1.31 billion	1.14 billion
Population Growth Rate	0.6 %	1.4 %
Population in Poverty	4.6 %	28.6 %
GDP 2005	\$ 2.24 trillion	\$ 805.7 billion
GDP per capita 2005	\$ 6.757 (PPP) \$ 1.713	\$ 3.452 (PPP) \$736
Average annual GDP Growth Rate 1990-2005	8.8 %	4.2 %
Foreign Investment 2007	\$ 74.7 billion	\$ 15 billion
Foreign Trade 2006	\$ 1.761 trillion	\$ 308 billion
Human Development Index (UNDP)	0.703 81st	0.619 128th

Source: *Human Development Report, 2007/2008*

351) Johnson and McGregor, 'Old Grievances Bedevil Efforts to Reach Across the Himalayas'.

Moreover, India is invoking security considerations to restrict Chinese investments in India, because of the unsolved border dispute. Hutchison Port Holdings, a unit of Hong Kong-based Hutchison Whampoa, was blocked from setting up container terminals at three Indian ports on security grounds similar to those cited by US congressmen opposed to the company's expansion in the United States.³⁵²

Some argued that setting up a strategic economic dialogue is premature, because China does not accord the same weight to India as vice versa. China has emerged as India's largest trading partner, while India was only the eighteenth largest exporter to China and the thirteenth most significant export destination of Chinese products.³⁵³ Overall, China has become India's biggest trading partner. India has slashed its tariff rate – from 150 per cent in 1992 to 15 per cent now. It is still higher than China's 10 per cent rate, suggesting that benefits of free trade may be slightly skewed in favour of super-competitive Chinese manufacturers, who already make 75 per cent of the world's toys, 58 per cent of clothes and 29 per cent of mobile phones, according to McKinsey estimates. India, for example, says that its reluctance to allow deep cuts in import tariffs on industrial goods reflects a fear of exports from China.³⁵⁴ China is far more relaxed about Indian investment in and trade with China than the other way around. On trade, India has acquired the dubious distinction of being the single largest user of anti-dumping duties in the world, a truly remarkable phenomenon in a perverse kind of way, given India's laughably low share of global trade – less than one per cent.³⁵⁵

New Era in Japan– India Relations: Based on Ideology or Economic Realities?

India– Japan relations seemed to enter a new era in 2007 with the visit to New Delhi in August 2007 of Japanese Prime Minister Shinzo Abe. Abe was given the unique honour of addressing the Indian Parliament, where he pressed his vision of an 'arc of freedom and prosperity' to be implemented by value-based diplomacy, based on common values of democracy and human rights, shared by the United States, Japan, Australia and India, excluding China. Chinese President Hu Jintao was distinctly denied the same honour during his visit to

352) Hutchison Whampoa was originally a British company, taken over in 1978 by Cheung Kong Holdings, the flagship of Hong Kong billionaire Li Ka-shing, with legal domicile in Bermuda.

353) Ayar, 'Sino-Indian Trade'.

354) Johnson and McGregor, 'Old Grievances Bedevil Efforts to Reach Across the Himalayas'.

355) Ramesh, *Making Sense of Chindia*, p. 53.

India in November 2006. On the economic front, Abe recommended a prompt conclusion of a 'comprehensive and high-quality' economic partnership agreement between the two major Asian economies, so that they can expect to double bilateral trade to US\$ 20 billion over the coming three years. Abe vowed to 'actively consider' financial aid for New Delhi's project to build a 2,800-kilometre rail freight corridor linking Mumbai, Delhi and Kolkata and to 'closely cooperate' on setting up a dedicated fund for realizing an industrial corridor along the railroad.³⁵⁶

Despite common values of democracy and human rights, Japan has forged much broader links with China than with India, regardless of recurring rows over the Second World War and other issues. While India-Japan trade amounts to about US\$ 10 billion, Japan-China trade exceeded the US\$ 200 billion figure for the first time in 2006.³⁵⁷ According to Japan's Foreign Ministry, about 74,000 Chinese were studying in Japan in 2006, compared with just 525 Indians. The Ministry estimates the ratio of 'overall human exchanges' at 35:1 in favour of China.³⁵⁸

A consequence for business, said the Japan Forum – a general information website – is that US and European companies have enjoyed more gains from outsourcing clerical and information-technology functions to low-cost Indian firms. India's English-language advantage does not play a major role in relations with Japan, while in north-eastern China – the former Manchukuo – Japanese-language facilities are abundant, offering IT outsourcing services to Japanese companies.

Another factor in a potentially vast expansion of Japan-India economic relations is that Japan has decided to diversify its manufacturing base from China to India, given the problems that the Japanese have with China on issues related to increases labour costs, pitfalls in the investment climate, anti-Japanese riots in major Chinese cities (as in 2005), and disputes over historical issues, etc.³⁵⁹ The other side of the coin, however, is India's frequent industrial disputes. Violent strikes with riots in a Japanese-invested Honda car plant in Gurgaon near Delhi and a scooter plant in Manesar in Haryana state in 2005 led the Japanese ambassador to comment publicly: 'This is a disadvantage for India's image as an FDI [foreign direct investment] destination and also a negative image on Japanese

356) 'Abe Calls for "Broader Asia" that Includes India, Australia, US', *Kyodo News Agency*, 22 August 2007.

357) 'Sino-Japanese Business to Exceed US\$ 200 Billion', 17 January 2007, <http://www.chinaview.cn>.

358) Jonathan Soble in Tokyo, 'Japan Urged to Accelerate India Trade Talks', *Financial Times*, 15 September 2007.

359) Srikanth Kondapalli, 'Why Japan and India are Moving Closer', *Rediff India Abroad*, 23 August 2007, available online at www.rediff.com/news/2007/aug/23guest.htm.

management'.³⁶⁰ Nevertheless, Japan is expected to bring in US\$ 90 billion in investment for the Delhi–Mumbai industrial corridor into India on top of the US\$ 4 to 6 billion that there is already, according to Professor Srikanth Kondapalli, a China specialist at Jawaharlal Nehru University in Delhi:

This will significantly contribute to the 'rise of India'. Chinese investment of only US\$ 47 million doesn't contribute to India's rise. Taiwanese investment in India is over US\$ 400 million. India on the other hand, contributes to China's rise in the IT sector.

Kondapalli says that Indian investment in China is US\$ 954 million, but according to other sources it is less than half that amount, but still significantly higher than Chinese investment in India, which is restricted by the Indian side for political and security reasons. 'Other infrastructure projects like completing the Delhi metro, highways, railways, airports, etc., are on the cards', Kondapalli noted.³⁶¹

The Fortune Global 500 List: Mergers and Acquisitions³⁶²

China is the only country in the world to have launched a national campaign – in 1998 – encouraging domestic enterprises to join the Fortune Global 500 List. China realized that the world economy is dominated by Western and Japanese multinationals and that Chinese companies must also be big to compete. Consequently they seek to build – by administrative fiat – large domestic enterprises. Beijing's policies assume that size will ultimately breed success and that both can best be attained without domestic competition. Apart from massive state conglomerates and banks, manufacturing companies such as Haier were being supported to get on the Global 500 List. Haier had revenues of US\$ 4.83 billion in 2000. The bottom company on the list in 2000 had US\$ 9.7 billion, so Haier still had some way to go.

The revenues of domestic firms are maintaining a 20 to 30 per cent growth rate, while the rate of Global 500 firms averages 2.9 per cent. Being on the list does not necessarily mean that the company is strong, because listing is based on

360) 'Honda Workers' Riots Spark Political Storm', 27 July 2005, <http://www.rediff.com/money/2005/jul/27honda.htm>.

361) Interview with Prof. Kondapalli, New Delhi, 15 October 2007.

362) This sub-chapter is selected from PowerPoint transcripts of lectures that I gave from 2001–2008 at the China–Europe International Business School in Shanghai, the EU–China Junior Management Training Programme in Beijing, the Vlerick School of Management in Leuven–Gent in Belgium and Nijenrode Business University in the Netherlands. See: www.willemvk.org

revenues, not profits. As state conglomerates begin to submit their financial records for public scrutiny, the number of Chinese companies on the list rose from five in 1999 to 24 in 2007.

As a result of the different paths to development, India had only six. Of China's 24 listings on the 2007 list, eighteen are state conglomerates in the power, oil, steel, railway, automotive, shipping, insurance, telecom, chemical and grain sectors, the four largest state banks, plus two diversified private Hong Kong companies: the former British trading house Jardine Matheson; and Hutchison/Whampoa, part of Cheung Kong Holdings, the flagship of billionaire Li Ka-shing. The two companies both domiciled in Bermuda in 1984 to hedge against the risks of Hong Kong's 1997 takeover by China.

Taiwan, meanwhile, has six names on the list: one state oil company and five private. The largest is Hon Hai Precision Industry (ranking 154, with US\$ 40 billion in revenues), which is now bigger than Philips of the Netherlands (ranking 161, with US\$ 38 billion).

The six Indian names on the Fortune Global 500 List are four (state) companies in the oil and gas sectors, a state bank and the private-industry conglomerate Reliance Industries. Mittal Steel – the largest steel company in the world, headed by Lakshmi Mittal – is not listed as Indian but as Dutch, because it is legally domiciled in the Netherlands and hardly has any presence or investment in India ! It will be years before Indian high-tech companies will be big enough to make the Global 500. But India is generally a better performer than China on *Forbes' Asia Best Under One Billion List of small- and medium-sized enterprises*. Fortune 500 clients are urging their Indian vendors to gain a presence in China – not only to enhance the partnership, but also to help the Indians' leverage in the wider Chinese market.

To realize its ambition to become an economic superpower, the Chinese state not only offered incentives to state enterprises to get on the Fortune Global 500 List. In 2006, at the *Boao Forum*, China's version of the *World Economic Forum* in Davos, China selected 50 companies – some state-owned, some private or mixed – in the electronics, telecom and IT sectors for internationalization and for building brand names in the world market and to get in the Global 500 as well. The best known of these '50 global champions' are TCL, Huawei, Lenovo and Haier. The Chinese government's strategy is to help them by market protection, tax breaks for exports, subsidies for R&D, and easy access to domestic capital markets. TCL, which specializes in television sets and mobile phone handsets, is ostensibly a state-owned company controlled by the government of its home town Huizhou in southern China, which acts as 'venture capitalist'. In reality, it is an entrepreneurial group that is essentially controlled by its chairman, Li Dongsheng, but it enjoys substantial state favour because Mr Li has convinced Beijing that he has the potential to establish a global brand, although his first two

bids to go global had turned sour. In 2002, TCL International Holdings spent € 8.2 million in acquiring insolvent German television maker Schneider Electronics. TCL officials said at the time that they were banking on Schneider's brand-name recognition to speed up its entry into the European high-end home electronics market. In November 2003 TCL took a 67 per cent stake in a joint venture with France's Thomson and also acquired assets of the telecom firm Alcatel, creating the world's biggest television maker, with factories in China, Vietnam, Germany, Thailand, Poland and Mexico. The deals were of questionable value to shareholders, but they made the company big, and 'big is beautiful' in China. In 2004, Chairman Li Dongsheng was named Asia's top businessman by Fortune Magazine, an honour that had gone to Infosys's top executives Murthy and Nilekani the previous year. However, the joint venture was soon suffering from a host of management troubles. The Chinese are very poor at cross-cultural management and not only because of language problems. Tharun Khanna, an Indian professor at Harvard Business School, writes in a new book that both the Schneider takeover and the merger with Thomson were disasters. The Germans were willing to sell cheaply to keep the plants open, but then unassembled television sets had to be shipped in from China for assembly in Germany, which was way too expensive. So TCL was ultimately forced to shut down the plants anyway. The merger with Thomson, meanwhile, became mired in the incompatibility of different management cultures. Highly paid French managers from the minority shareholders' side had to report to lowly paid Chinese majority shareholder-managers. That did not work out well.³⁶³

Haier, China's premier white goods' maker has been at the top of the Financial Times Chinese Global Brands Survey for several years. It has factories in China and a dozen other countries, including India, Malaysia, the US and Pakistan. It has a range of 42 products – refrigerators, freezers, air conditioners, washing machines, microwave ovens, dishwashers, water heaters, etc. – altogether over 9,000 models. In 2005, it came close to making a bid for Maytag, the US appliances group that makes Hoover vacuum cleaners – an acquisition that would have moved the Chinese company out of the low-priced end of the US market – but then it was stymied by Whirlpool's US \$2.7 billion rival-bid.³⁶⁴ In 2006, Haier considered a bid for the South Korean computer firm Trigem – second-largest computer maker by unit sales after Samsung – which also went into oblivion. Haier slipped several slots on the global brand index in 2006–2007 and still has not achieved its ardent ambition to get on the Fortune Global 500 List.

363) Tharun Khanna, *Billions of Entrepreneurs: How China and India Are Reshaping Their Future and Yours* (Cambridge MA: Harvard University Press, 2007), pp. 134–136.

364) Geoff Dyer, 'Haier Leads FT Ranking of Chinese Brands', *Financial Times*, 30 August 2005.

Lenovo, China's leading manufacturer of PCs – and number three in the world after Dell and Hewlett Packard – was successful in acquiring the PC division of IBM in 2005, because unlike TCL it understood that maintaining New York as corporate headquarters for global operations, rather than Beijing, was the smarter way to proceed.

China's boldest acquisition effort, the buyout of American oil company Unocal by oil giant China National Offshore Oil Corporation (CNOOC) for US\$ 18 billion, also became a fiasco for two reasons. First, Chairman Fu Chengyu had reached agreement with Unocal before consulting his full board, of which the independent directors balked at the deal because they considered it too risky. Then Chevron, the world's fourth-largest oil company, stepped in and mobilized its political allies in the US Congress, who blocked a Chinese takeover for security reasons so that CNOOC had to pull out.

Tharun Khanna analyses the differences between China's bold, high-profile state-supported takeover bids and India's more modest approach. First, after having been allied with the Soviet Union during the Cold War, since the beginning of this century India has been perceived as a 'democratic ally' of the United States. Although this is an over-statement, India will never be viewed as a threat, except by its smaller neighbours. Second, except for Tata Steel, which bought Anglo-Dutch Corus Steel, Indian companies stayed away from multi-billion dollar deals, unlike Lenovo, TCL, Haier and CNOOC. They limited themselves to US\$ 100 million deals that cause less sensation and alarm. Tata made four such acquisitions: Tetley Tea in the UK; Daewoo's truck business in South Korea; and small software companies in South-East Asia. When India attempted a big purchase in Kazakhstan's oil sector, it stirred a public power struggle in Kazakhstan between the company's CEO and the petroleum minister and India had to withdraw.³⁶⁵

Greater China and the Chinese Diaspora: Mountains of Money

In all international statistics – World Bank, International Monetary Fund (IMF) and Asian Development Bank (ADB), etc. – Hong Kong (and Macao) is treated as a de facto independent state, whereas it is a Special Administrative Region (SAR) under China's sovereignty, whose economy is increasingly integrated with (south) China's. Because of the sovereignty dispute, Taiwan is either listed as '*Taiwan province of China*' by the World Bank or not listed at all, for example by the IMF. The ADB lists it as '*Taiwan, China*'. Nevertheless, Taiwan has in recent years also moved increasingly into the Chinese economic orbit, to such an extent

365) Khanna, *Billions of Entrepreneurs*, pp. 137-138.

that one could speak of a progressively integrating 'Greater China Economic Sphere'. If one added the GDPs of the historical territorial components of China to that of the PRC, one would arrive at an aggregate GDP already much larger than Germany's. Then there are some 34 million Chinese outside of Greater China. Hong Kong, Macau, Taiwan and Singapore are offshore Chinese (de facto) states and formidable business centres. Ethnic Chinese minorities dominate the economies of Malaysia, Indonesia, Thailand and the Philippines. The overseas Chinese in South-East Asia form a global commercial network together with their counterparts in the Americas, Europe and Australia, which during the leftist excesses of the Mao era in the 1960s and 1970s was cut off from the motherland, but was increasingly 'pulled back' into China's orbit during Deng Xiaoping's 'reform era'. Starting from the early 1980s, overseas Chinese invested more of their immense wealth than all Western multinationals combined, from Robert Kuok's Shangri-La hotels to Liem Sioe Long's paper mills, cement, tile and tyre factories. By the end of 2003, the aggregate total of foreign investment into China exceeded US\$ 500 billion, 65 per cent of which was provided by the overseas Chinese.³⁶⁶

But it is two-way traffic. Overseas Chinese who have lived for generations or centuries in South-East Asian countries are flocking back to their ancestral home-provinces in Southern China for trade and investment opportunities, and South-East Asian countries are now overwhelmed by an influx of new arrivals from all over China. They are 'upstart businessmen' and more often than not they want to settle permanently in Thailand, Burma, Cambodia, the Russian Far East, South Korea and even Australia, Europe and the United States. They are called the 'Third Wave' of outward Chinese migration.³⁶⁷ They are a different breed from the first two waves who were Teochew, Cantonese and Hokkien-speaking southerners who only identified with their home regions and not with China as a whole. The Third Wave is made up of Mandarin-speaking people from central and northern provinces and they are self-conscious, loyal citizens of a resurgent China. There is no Chinese governmental expansionist scheme behind this new wave, but even unintended, it is economically beneficial to China. In a dirt-poor country like Myanmar, immigration legislation is not enforced and relatively wealthy Chinese can just buy resident- or citizen status and buy property as locals, causing resentment among the indigenous population (see chapter 7). Impoverished failed Pacific island states like Papua New Guinea, Vanuatu, Fiji and Tonga have long

366) Overseas Chinese Entrepreneurs Shift Investment Focuses, People's Daily Online, 13 February 2004.

367) Bertil Lintner, 'China's Third Wave, Part 1: A New Breed of Immigrants Fans Out; Part 2: The Sinicizing of the South Pacific; Part 3: A How-To Guide for Fleeing China', *Far Eastern Economic Review*, 17-19 April 2007.

been beneficiaries of Australian aid, but Canberra has been cutting down on aid because of corruption, misrule and insecurity for Australian citizens. To soften the blow, the Chinese have moved in, gaining citizenship in exchange for aid and the mineral resources are increasingly being managed by Chinese settlers. An extra incentive for China to move into these countries has been to drive Taiwan out, as Taiwan used to buy diplomatic recognition from these countries so as to overcome the diplomatic isolation that Beijing was imposing on Taipei. The Marshall Islands, the Solomon Islands, Tuvalu, Kiribati and Palau still recognize Taiwan, not China. While the United States is bogged down in Iraq and Afghanistan, China is making substantial inroads, both human and economically into a region that has long been America's exclusive sphere of influence. The Pacific Ocean could in future very well become the arena for a new low-intensity Cold War, where the US and China compete for client states and strategic advantage.

The Indian Diaspora: High-Tech Brainpower

The Indian diaspora is no match for the overseas Chinese, neither in numbers nor in accumulated wealth. There are some 60 million Chinese outside of the Chinese mainland, but only 20 million 'non-resident Indians' (NRIs), who account for less than 10 per cent of foreign money flows to India. The richest of them all, Lakshmi Mittal, bought Arcelor, and Tata took over Corus, but they invest very little in India itself. India's current steel output of 44 million tonnes is one-tenth that of China's. Mittal produces 70 million tonnes, but none of it in India.

While the Indian diaspora may not be able to match the Chinese diaspora in 'hard' capital, Indians abroad have substantially more scientific capital, which could prove even more valuable: 37 per cent of India-born US residents and 18 per cent of Israel-born US residents have high-tech prowess; and 80 per cent of working-age India-born Americans have tertiary degrees, compared with 54 per cent of China-born US citizens.³⁶⁸ China has won the race to be the world's workshop, but with the help of its diaspora, India could become the world's technology lab.

India's problem, however, is that until recently it shunned and ignored its NRIs, sarcastically dismissing them as 'never returning Indians' or 'not required Indians'. During its final decade, meanwhile, imperial China established a cogent policy of liaising with the overseas Chinese, tapping from their resources and expertise about the outside world, setting up government bodies, banks, and trade and investment corporations for dealing with the overseas Chinese. This was only

³⁶⁸) Khanna, *Billions of Entrepreneurs*, p. 171.

interrupted during Mao's Cultural Revolution from 1966–1976. India only started this process in 2002 at the insistence of Mukesh Ambani, head of India's premier industry group – Reliance – the only Indian private company on the Fortune Global 500 List. Ambani's father, Dhirubhai, is India's most celebrated rags-to-riches story. He started as a gas-station attendant in Mumbai, moved to Aden in Yemen and set up a small trading company, which he expanded into one of the world's largest petrochemical and refining groups, diversifying into large construction projects. He called on corporate India to emulate China and the overseas Chinese: India, like China, should benefit from its diaspora's wealth and talent. India's dismissive rhetoric about the NRIs began to change, but setting up a management infrastructure of the magnitude and efficiency of China is still a work in progress.³⁶⁹ According to Forbes Magazine, India has 54 billionaires, the largest number in Asia. International remittances to India are the highest in the world – \$25 billion a year – and growing 25 per cent annually. It is one of the fastest-growing markets in the world, with the Persian Gulf region, where three million NRIs reside, one of the major contributors. Recently, India's Prime Minister Manmohan Singh said that Indians abroad are the backbone of India's economy and that 'their welfare is in the country's interest'.

Fareed Zakaria, an India-born Muslim and now one of the United States' conservative top journalists, summed it up well:

I think Indian society has been a better ambassador of India than the Indian state. For too long, the public sector presented an image of India that was arrogant, verbose, ideological and closed to the world. In particular, the Indian private sector has presented the true India – pragmatic, forward-looking, diverse, open to the world.³⁷⁰

India and China: Partners Here, Rivals There

The quest for oil is a strategic priority for both India and China, as both depend on crude-oil imports for 70 per cent and 40 per cent of their needs, respectively. Like China, India does not rely completely on global markets. Both countries pursue a country-by-country energy diplomacy and purchase of assets. The two countries' largest state-owned oil companies – the Indian Oil & Natural Gas Corporation (ONGCO) and China National Petroleum Corp. (CNPC) – collaborated in December 2005 on a successful joint bid for PetroCanada's Syrian oil and natural gas assets worth US\$ 578 million. In January 2006, India and China set aside rivalries and agreed to cooperate in securing supplies from

³⁶⁹) Khanna, *Billions of Entrepreneurs*, pp. 168–184.

³⁷⁰) Khanna, *Billions of Entrepreneurs*, p. 122.

joint bids in the Central Asia/Caspian region, Africa and Latin America and prevent their competition from driving up prices. For both countries, the possibility of importing oil from their own fields at a cost of about US\$ 10 per barrel after royalties and fees is far more attractive than buying in the open market, where oil prices are again climbing towards US\$ 70 and beyond.³⁷¹ India has lost to Chinese companies in bidding for big leases in Nigeria and Ecuador, and more recently in Kazakhstan, and some analysts said they believed that India's bargaining power with the Chinese would be limited. As discussed in earlier chapters, 'Wherever the Indians have gone, the Chinese are already there', said Madhu Nainan, chief editor of *Petrowatch*, a market intelligence newsletter in India. 'Mostly, it is India that needs cooperation with China – and not the other way around'. Indian oil companies engage in similar government-sponsored, preferentially financed asset purchases in 'problem countries' like Sudan, Iran, Uzbekistan and Venezuela. India has not come under the same international criticism as China for being an accomplice to genocide in Darfur and human rights' violations elsewhere, the ostensible reason being that India is not a permanent member of the UN Security Council, where China is accused of going slow on taking action against the Sudanese government. In Sudan, India and China cooperate; in Kazakhstan they compete, and China gets the better end of the deal because it shares a land border with Kazakhstan.

There is a '*New Great Game*' unfolding in Central Asia, this time for energy resources. China, Russia and the United States are already fully-fledged players and India is weighing its options. India's fluctuating relations with Pakistan have complicated access to energy resources and markets in Iran and the Central Asian republics. India is pursuing its interest in the Iran–Pakistan–India (IPI) natural gas pipeline, despite US objections. The US is backing a Turkmenistan–Afghanistan–Pakistan or trans-Afghan gas pipeline instead.

Despite its agreement for joint bidding with China, India has suffered several defeats in its attempts to clinch oil and gas deals, losing bids in Angola, Indonesia, Ecuador, Kazakhstan and Myanmar, often to Chinese companies. But it has also scored significantly in buying equity stakes in Russia's Sakhalin-I project and in Sudan's Greater Nile project. And in early 2008 India concluded a framework memorandum of understanding (MoU) on bilateral cooperation in the oil and gas sector with Turkmenistan in the Turkmen sector of the Caspian Sea.³⁷²

China prizes Bangladesh for its immense natural gas reserves (60 trillion cubic feet), which rival those of Indonesia. Bangladesh's geographic proximity

371) Sarita Raj, 'China and India Bidding Partners; At Least on Paper', *International Herald Tribune*, 20 January 2006.

372) Sudha Ramachandran, 'India Learns its Oil Lessons', *Asia Times*, 15 April 2008.

with Myanmar makes these reserves accessible to China. India's access to Myanmar's gas reserves also hinges on Dhaka's willingness to allow passage for laying a gas pipeline – a fact not lost on Beijing.

Epilogue

There is a belief in India among many academics, politicians and journalists that China, conscious of its centrality as the Middle Kingdom and the largest continuous empire – in Asian and world history – had a grand design from the early 1950s to reassert itself as Asia’s pre-eminent power. India, meanwhile, had a history of *transient* Buddhist, Hindu and Muslim empires, based more on ephemeral and mercenary conquests of a multi-ethnic, multi-religious periphery – like the Ottoman Empire – than on an ancient, homogeneous, cultural core, like China. By the eighteenth century, the last Indian ‘*Mughal Empire*’ was so weakened by tension between a declining central authority and strong local rulers, that it could no longer resist British intervention and colonization. After the liquidation of the British Empire in 1947, India re-emerged as Asia’s new leading power with the aristocratic Prime Minister Nehru as the leading non-Western statesman in the world. China was still torn by civil war and two years later China’s new communist state became an ostracized satellite of Stalin’s Soviet Union. India, not China, was the shining path for a third force in world politics between East and West: non-alignment. China was not pleased. Nehru had the worldview of a sentimental leftist British lord and looked down upon the United States as the *sanctuary of predatory capitalism*. The United States reciprocated the antipathy. Nehru visited the US for the first time in 1949 when he was India’s

prime minister. US Secretary of State Dean Acheson found him '*prickly and arrogant [...] one of the most difficult people I ever had to deal with*'. Chester Bowles, US Ambassador in New Delhi from 1951–1953, later criticized Acheson's attitude towards Nehru as '*immature and ridiculous*'. Under Acheson's successor John Foster Dulles and other Republican zealots, things became worse. Dulles decisively wrecked Indo-US relations when he signed a military pact with Pakistan in February 1954. Dulles was obsessed with anti-communist pacts; Pakistan with money and arms. Nehru had further angered Dulles with his tireless campaigning for recognition of the People's Republic of China and his insistence that it be given the permanent seat in the United Nations' Security Council, which was then occupied by Taiwan. The United States felt that Nehru had 'entered the arena of world politics as a champion challenging American wisdom'.

Thus was the intellectual and global strategic setting for India's relations with South Asia and the world in the 1950s, which was in staggering fast-forward mode. The first world-shattering change had been the communists' victory in the Chinese Civil War in 1949 and it took most countries years, and the United States decades, to come to terms with that. How did India adjust? Nehru's first ambassador to Chiang Kai-shek's Republic of China was K.M. Pannikar, who was kept as ambassador to the new communist state, as such soon meeting China's Chairman Mao Zedong. Pannikar wrote that Mao reminded him of his own boss, Nehru, '*for both are men of action with dreamy, idealistic temperaments*' and both '*may be considered humanists in the broadest sense of the term*'. A few months after his meeting with the Indian ambassador, representing a power that had rival historical interests in Tibet, Mao ordered the invasion of the Buddhist theocracy across the Himalayas. The Indian ambassador was to learn about the invasion from '*All-India Radio*'. Sardar Vallabhbhai Patel, the great administrative unifier of India and its princely states and Nehru's deputy, was shocked at Pannikar's naivety. As a hyper-realist, Patel had warned earlier that he saw in Chinese communism nothing but an '*extreme form of nationalism*'. Now he urged his boss to be 'alive to the new danger from China', to make India militarily strong and no longer to pursue pro-China policies, such as advocating China's entry into the UN Security Council. Patel also hinted that India should give up its policy of neutrality and non-alignment in favour of an alliance with the West. Nehru would not listen. He thought it a pity that Tibet could not be saved, yet he considered it exceedingly unlikely that India would now face an attack from China. Regardless of the events in Tibet, India should still seek some kind of 'understanding' with Beijing, for 'India and China at peace with each other would make a vast difference to the whole set-up and balance of the world'. One month later, Sardar Patel died. Now there was no longer any opposition at the top level against Nehru's policy of 'understanding' with China. In 1952, Nehru's younger

sister, Vijayalakshmi Pandit, met Mao and Zhou Enlai in Beijing. She was deeply impressed by both and in a letter to her brother she wrote about Mao: 'As with the Mahatma, the public doesn't just applaud him; they worship him'. Mrs Pandit had been ambassador to Moscow previously and could not resist comparisons. In the end she was not sure whether Mao reminded her more of Gandhi than of Stalin.

The monumental question now is whether revolutionary, totalitarian China already in the 1950s had a premeditated policy of lulling neutralist, pacifist, social-democratic India into a false sense of security, deceiving it at every twist and turn, challenging Nehru's status as a leading world statesman and India's status as the leader of the Afro-Asian world? The answer of hardline Hindu nationalists is in the affirmative. The more detached answer, or my answer at least, is no, not yet, and it probably never had. Subsequent events in the post-Mao era and beyond, and then arguing backwards, make it quite persuasive that China has always pursued a policy of containing India and obstructing Indian primacy in South Asia. However, the chronology and chain of causation of events does not support such an assumption.

When US Secretary of State Dulles had lured Pakistan into two anti-communist military pacts in 1954 and India in response became a military client-state of the Soviet Union, China was of course acutely worried. China's Pacific east coast was already under blockade by the US Seventh Fleet. US armed forces were based in Taiwan, Guam, Okinawa, Japan and South Korea. China's first step to counter total isolation was to strengthen its border with India, by building a road link between Xinjiang and Tibet in 1956–1957. India accused China of land grabbing and perfidy, whereas the Aksai Chin plateau, through which the road ran, was evidently disputed land. India's Prime Minister Nehru claimed in a letter of 22 March 1959 to Zhou Enlai that the border between Kashmir and China/Tibet had been sufficiently fixed by a treaty of 1842 between the Maharajah of Kashmir on the one hand and the Emperor of China and the Lama Guru (now the Dalai Lama) of Lhasa on the other. As Indian historian A.G. Noorani has shown, this is manifestly untrue. The 1842 treaty was a cease-fire and non-aggression agreement after Sikh armies had raided Tibet. It was not a border agreement, and Nehru knew it, but under pressure from Hindu nationalists in the Indian Parliament – one of them the later Prime Minister Atal Behari Vajpayee – Nehru did not want to yield. Had India been willing during the 1950s to recognize that Aksai Chin and also NEFA (Arunachal Pradesh) were disputed rather than unmistakable Indian territories that should have been the focus of negotiations and compromise, as China's Zhou Enlai generally and even very specifically advocated, then the border issue could have been resolved even before Tibet and the Dalai Lama's flight created much bigger problems. Had the

Dalai Lama not fled to India and received political asylum there in 1959, the border issue alone would probably not have led to war in 1962.

For the Chinese, it was the accumulation of the two that compounded the problem. For the Indian mainstream, it was Zhou Enlai's deception and Nehru's naivety in trusting the Chinese that led to the debacle. But there is a corpus of books by British and Indian historians that lays the ultimate blame squarely on Nehru's '*chauvinistic*' disregard for the historical truth – a disregard that rendered 'conciliation and accord difficult for decades'. Many Indian commentators and politicians are still unwilling to accept the need for compromise with China – concessions by both sides – and do not want to admit that they tinkered with history and that you simply do not change international borders in the twenty-first century on the basis of nineteenth- or twentieth-century claims.

After the Sino-Soviet split in the early 1960s, China's geostrategic position further weakened, while India's was strengthened because it was now a quasi-ally of the Soviet Union. Mao probably chose the Cuban Crisis in October 1962, when Washington and Moscow were fully preoccupied with each other, as the timing for his border war with India, delivering a body blow to India and Nehru, which was an early prelude to China's resurgence as a great power and India's downgrading to secondary status. The United States rushed to India's aid, which was overwhelming evidence for Pakistan that the United States could not be trusted and thus opening the way for the Sino-Pakistani axis. Whether this was Mao's premeditated calculation or an unintended result of the war is as yet unclear, but it was a long-term strategic gain for China. Pakistan became China's back door to West Asia, the Middle East and the world at large. Pakistan even became the conduit and logistical base for the United States to initiate its détente with China when Pakistan's military ruler General Yahya Khan personally arranged Henry Kissinger's secret visit to Beijing in 1971, which was the harbinger of US President Richard Nixon's historic visit in 1972, one of the truly epoch-making events of the twentieth century.

India ended up on the wrong side of history, as an economically stagnant partner of a decaying Soviet Union – an unenviable position that only changed after the end of the Cold War. During the latter phase of the Cold War, China did help Pakistan to make the nuclear bomb and to acquire missiles, but this was part of the Cold War context in which Pakistan could no longer rely on the United States and was facing the Soviet Union and India all by itself. The US alliance with Pakistan was never officially terminated, but until '9/11' it was most of the time an empty shell. Since '9/11', the US has again poured billions of dollars into Pakistan as the front-line state for Afghanistan and the '*War on terror*'. Most recently, the United States has made a major effort to *normalize* Pakistan by curtailing Pakistan's military dictator Musharraf and having him share power with an elected civilian government. The most promising candidate to make that effort

a success, Benazir Bhutto, was assassinated in the process in December 2007, but elections took place in February 2008 and produced a result that was only partially favourable to the United States. Moderate and secular parties gained a comfortable majority, and the Islamists – but also Musharraf, America’s relatively malleable client – were trounced. Since this was not a presidential, but a parliamentary, election, Musharraf is still in office, but the civilians, particularly the judiciary, want him gone.³⁷³ It therefore remains to be seen whether Pakistan’s restored democracy will be sustainable and will improve Pakistan’s governance and the region’s stability, and whether the United States can maintain its influence, which is now channelled less through the military but through the National Endowment for Democracy, which operates both overtly and covertly through the CIA. Pakistan’s strategic alliance with China, meanwhile, is unlikely to be affected, as it is based on permanent interests of geographical proximity, anti-terrorism and joint economic and infrastructural development and is no longer directed against India.

Russian-led efforts to establish a three-way alliance of Russia, India and China (known as ‘Primakov’s Triangle’) to counter US global domination were tested from 1999 to now, but only with mixed results. China is not ready to enter into a formal alliance against anyone. It is a member of the *Shanghai Cooperation Organization*, but this is not a military pact with a permanent military command structure like NATO. Moreover, whereas Russia advocates collective security, China only agrees to ‘*cooperative security*’. The Russia–India–China ‘trio’ may survive, not as an alliance, but as a *ménage à trois* of intermittent ‘*one-night stands*’, primarily on Asian issues and foremost to prevent another US-led war against Iran.

The Bush administration had downgraded former US President Clinton’s ‘*strategic partnership*’ with China to ‘*competition*’ and was courting India for a real ‘*strategic partnership of democracies*’ for the containment of China. This so-called ‘*quadrilateral*’ of the US, India, Japan and Australia – dubbed ‘*East Asian NATO*’ by Russian Foreign Minister Sergei Lavrov – has not materialized either. India is politically too diverse to commit to such an ideological project, and deep down it wants to stick to its tradition of neutralism and non-alignment. Japan’s relations with China have recently improved significantly after five years of confrontation under Japan’s Prime Minister Koizumi and one year of ambiguity under Prime Minister Abe, and Japan’s current Prime Minister Yasuo Fukuda has also given up on the ‘Quad’ scheme. One of the first steps of the new Australian Prime Minister Kevin Rudd, a Chinese-speaking former diplomat, was to pull Australia out of the ‘Quad’ as well. And during its final year in office, the Bush administration has seen the light that there is not so much to contain with China.

373) At the time of printing.

The Taiwanese electorate has rejected the high-risk pro-independence challenge of the discredited previous government and rejects US rearmament of Taiwan against China. Moreover, the United States has become so economically and financially interdependent with China that any idea of containment no longer makes sense. Any radical move by the one against the other could lead not to armed conflict anymore, but to ‘mutually *assured economic destruction*’.

US efforts to forge a strong partnership with India have so far fallen short of expectations. An elaborate scheme to get India in the nuclear non-proliferation regime through the back door is by the time of printing awaiting finalization by the multilateral non-proliferation regime and the US Congress. The Indian communists have lost their ideological battle against the long delayed US-India nuclear deal, but Indian sovereignty hawks on the right remain vehemently opposed to intensive military links with the United States.

Although strategic stability and a regional balance of power are still works in progress, all major relationships in Asia – whether China-US, China-Japan, China-India, China-Russia or India-US, etc. – are in better shape than they have been for a long time. The overarching question remains, however, as to whether China is inexorably pushing an expansionist grand strategy, as many Indians believe, and thus jeopardizing this global and regional balance of power, or whether China as the largest and most dynamic country in the region is just setting the agenda for regional economic cooperation and integration? China’s foreign trade volume is eight or nine times greater than that of India. In the eyes of Indian Hindu-nationalist strategists, China’s claim to Arunachal Pradesh serves China’s geostrategic goal of bringing south-west China and Tibet closer to the Indian Ocean and to China’s growing sphere of influence in Myanmar. That is true, but it also serves the purpose of accelerating economic development in China’s isolated south-western regions in Yunnan and Tibet and could help the north-eastern Indian border regions as well. The problem is that India has done very little to develop its remote border regions, because of tribal insurrectionist and secessionist movements there. India closed off these areas, did not build infrastructure and considers them just a ‘*security problem*’. China, by contrast, considers the situation in remote, impoverished border areas primarily a problem of social and economic development, makes huge investments in infrastructure and promotes economic growth – but not always with the desired political results, as the recent crisis in Tibet has shown. According to China’s grand regional economic design, the borders between Tibet and Yunnan on its side and Arunachal Pradesh and Assam on the Indian side, all the way to the Indian, Bangladeshi and Burmese Indian Ocean ports, should be opened for trade and development in the same way that non-EU member state Switzerland uses the port of Rotterdam to get its goods in and out. The same applies to Pakistan, which is already the conduit to link China’s far western region of Xinjiang with

the Arabian Sea with the hybrid purpose of fighting Islamic extremism by means of accelerated economic development. Is this an expansionist strategy? Yes, definitely for expansion of trade and investment. But whether China will adopt a military posture will depend – in part at least – on the ups and downs of the US military performance in the region. The US military's assets are huge – Diego Garcia, the Gulf, Iraq, Afghanistan and Kyrgyzstan – but its record of success is very mixed.

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