

Background

No. 2209
November 25, 2008



Published by The Heritage Foundation

U.S.–India Relations: The China Factor

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With the completion of the U.S.–India civil nuclear agreement earlier this year, Washington's ties with New Delhi stand on the threshold of great promise. China's attempt to scuttle the agreement at the September 2008 Nuclear Suppliers Group (NSG) meeting was evidence for many Indians that China does not willingly accept India's rise on the world stage, nor the prospect of closer U.S.–India ties.

As the relationship between the world's oldest and the world's largest democracies develops, Washington will need to pay close attention to the dynamics of the India–China relationship. The future direction of relations between China and India, two booming economies that together account for one-third of the world's population, will be a major factor in determining broader political and economic trends in Asia directly affecting U.S. interests.

While on the surface Indian–Chinese relations appear to be improving (trade has increased eightfold in the last six years to almost \$40 billion), both sides harbor deep suspicions of the other's strategic intentions. Signs of their deep-seated disagreements have begun to surface over the last two years and it is likely that such friction will continue, given their unsettled borders, China's interest in consolidating its hold on Tibet, and India's expanding influence in Asia. China has moved slowly on border talks and conducted several incursions into the Indian states of Sikkim and Arunachal Pradesh since January 2008.¹

Some Indian analysts believe that China is pursuing a two-pronged strategy of lulling India into com-

Talking Points

- The future direction of relations between China and India will be a major factor in determining broader political and economic trends in Asia directly affecting U.S. interests.
- While on the surface Indian–Chinese relations appear to be improving, both sides harbor deep suspicions of the other's strategic intentions, and it is likely that such friction will continue given their unsettled borders, China's interest in consolidating its hold on Tibet, and as each country reaches into the other's traditional sphere of influence.
- The U.S. should collaborate more closely with India on initiatives that strengthen economic development and democratic trends in the region and encourage India's permanent involvement in values-based strategic initiatives like the U.S.–Japan–Australia trilateral dialogue.
- Even though Washington and New Delhi share similar concerns regarding China, U.S. officials need to be smart about their approach since Indian officials would balk at any U.S. overture that appears to use New Delhi to contain or counter Chinese influence.

This paper, in its entirety, can be found at:
www.heritage.org/Research/AsiaandthePacific/bg2209.cfm

Produced by the Asian Studies Center

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

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placency with greater economic interaction while taking steps to encircle India and undermine its security. China is strengthening ties to its traditional ally Pakistan and slowly gaining influence with other South Asian states. Beijing is developing strategic port facilities in Sittwe, Burma; Chittagong, Bangladesh; Hambantota, Sri Lanka; and Gwadar, Pakistan, in order to protect sea lanes and ensure uninterrupted energy supplies. China also uses military and other kinds of assistance to court these nations, especially when India and other Western states attempt to use their assistance programs to encourage respect for human rights and democracy.

Tibet and Border Tensions

Despite improvements in economic ties and trade relations, border disputes continue to bedevil Chinese–Indian ties. India accuses China of illegally occupying more than 14,000 square miles of its territory on its northern border in Kashmir, while China lays claim to more than 34,000 square miles of India’s northeastern state of Arunachal Pradesh. India is a long-term host to the Dalai Lama and about 100,000 Tibetan refugees, although the Indian government forbids them from participating in any political activity.

Out of concern for Chinese sensitivities, the Indian government placed restrictions on Tibetan protesters in India last spring during the uprising in Tibet, and Beijing praised New Delhi for preventing Tibetans from marching to the Tibetan capital of Lhasa. The Indian political opposition, however, criticized Indian Prime Minister Manmohan Singh for appeasing the Chi-

China and India: A 2007 Snapshot

Indicators	India	China
GDP (trillions of US\$)	\$1.16	\$3.42
Population (billions)	1.17	1.33
GDP per capita (current dollars)	\$995	\$2,797
Export volume (billions of US\$)	\$148	\$1,218
Import volume (billions of US\$)	\$203	\$956
Current account (% of GDP)	–1.5%	11.7%
Formal budget (% of GDP)	6.8%	0.9%
Defense budget (billions of US\$)	\$21.7	\$149.0**
Size of army (millions)	1.13	2.3
Real Growth (% change)		
GDP at market prices	8.7%	11.9%
GDP per capita	7.4%	11.2%
Exports	6.4%	21.2%
Imports	6.7%	16.5%
Price Deflators* (% change)		
GDP at market prices	15.2%	6.2%
Non-government consumption	1.5%	9.3%
Bilateral Flows (billions of US\$)		
Sino-Indian trade volume	\$38.6	\$38.6
Trade volume with U.S.	\$41.6	\$386.7
Cumulative FDI from U.S.	\$13.6	\$28.3
GDP Share (%)		
Non-government consumption	55.6%	40.5%
Government consumption	10.6%	14.0%
Total investment	37.2%	39.4%

*The rise in India’s wholesale price index was 5.8 percent in 2007 and has accelerated since. Its GDP deflator has consistently been larger than its consumption deflator due to restrictions on consumer prices and presaged a surge in wholesale prices in 2008.

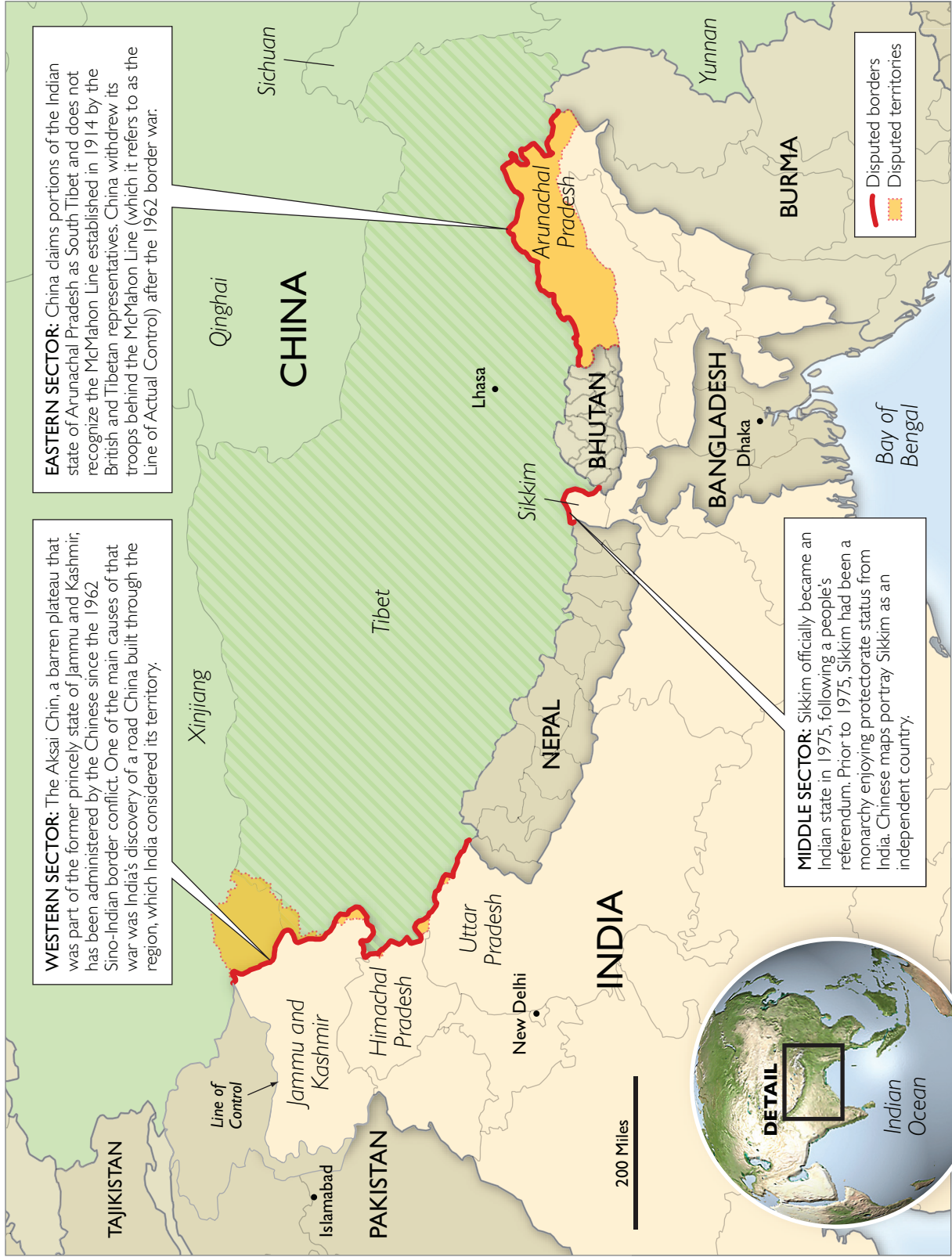
**This figure was calculated using the 2008 CIA World Factbook, which estimates China’s military spending is about 4.3 percent of GDP. The U.S. Defense Department, in its 2008 “Military Power of the People’s Republic of China” annual report to Congress, provides both a low estimate for the Chinese defense budget at \$98 billion and a high estimate at \$140 billion. The Chinese government’s official figure for its 2007 defense budget was much lower, at \$45 billion. U.S. analysts generally believe China’s public defense-spending figures significantly understate actual spending.

Source: The World Bank, *Prospects for the Global Economy 2008*, at <http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/EXTGBLPROSPECTSAPRIL10,,contentMDK:20413173~menuPK:659183~pagePK:2470434~piPK:2470429~theSitePK:659149,00.html>; National Bureau of Statistics of China, 2006, at <http://www.stats.gov.cn/english/>; Government of India, Ministry of Commerce and Industry, at <http://commerce.nic.in/ftpal/default.asp>; U.S. Department of Commerce, Bureau of Economic Analysis, *International Economic Accounts, 2004–2007*, at <http://www.bea.gov/international/datatables/usdctry/usdctry.htm>; U.S. Census Bureau, *International Trade Statistics*, at <http://censtats.census.gov/sitc/sitc.shtml>.

Table 1 • B 2209  heritage.org

1. Rajat Pandit, “Fresh Chinese Incursions Across LAC,” *The Times of India*, September 10, 2008.

India, China Disputed Borders



Map I • B-2209 heritage.org

nese and for not defending Tibetans' human rights. Renewed tensions in Tibet would likely put pressure on New Delhi to show greater solidarity with the Tibetan people. China has recently started to raise the issue of the Dalai Lama's status in India in diplomatic talks for the first time in several years, indicating its increased concern over the issue.

The two sides have achieved little in the ongoing border talks that opened in the early 1980s. In 2003, each side appointed "special representatives"—a national security adviser for India, a vice foreign minister for China—to upgrade and regularize the border discussions. New Delhi has tried to reassure China that it respects the Chinese position on Tibet by recognizing the "Tibetan Autonomous Region" as part of China, while the Chinese Foreign Ministry in 2003 recognized the trade route through the Nathu La Pass on the Chinese border to the Indian state of Sikkim and stopped listing Sikkim as an independent country on its Web site, implicitly recognizing it as part of India.

Nevertheless, China's increasing assertiveness over the past two years has led to a near freeze of the border talks.² The 12th round of the special-representative talks held in mid-September in Beijing ended without any specific agreements, and with both sides merely stating they would fulfill the guidelines of their leaders and negotiate a "fair and reasonable" solution.³

The Chinese have recently toughened their position during border talks by insisting that the Tawang district—a pilgrimage site for Tibetans in Arunachal Pradesh—be ceded to China. The Indians refused the demand and reiterated their position that any areas with settled populations would be excluded from territorial exchanges. In what

could be an attempt to pressure the Indians on the issue, the Chinese have been strengthening their military infrastructure along the border and establishing a network of road, rail, and air links in the region.⁴

Beijing also stirred controversy in May 2007 when it denied an entry visa to an officer of the Indian Administrative Service (IAS) from the state of Arunachal Pradesh on the grounds that he was from territory the Chinese officially recognize as their own, prompting India to cancel the visit of the entire group of more than a hundred IAS officers to China for a training program.⁵

India has recently begun to reinforce its own claims in the border areas that are in dispute with China. New Delhi is augmenting forces in the eastern sector along the border of Arunachal Pradesh. It also re-deployed elements of its 27th Mountain Division from Jammu and Kashmir to the 30-km-wide Siliguri corridor at the intersection of India, Tibet, and Bhutan that links India with the rest of its northeastern states.⁶ The area, referred to as the Chicken Neck, is a vulnerable point of the border—losing control of it would separate India from its entire northeast region.

The Indian army is also planning to raise a new mountain strike corps for Arunachal Pradesh.⁷ Prime Minister Singh visited Arunachal Pradesh in late January 2008 and announced development plans for the region, including construction of a highway connecting the controversial Tawang district with the city of Mahadevpur, underlining India's non-negotiable stance on maintaining Tawang within its boundaries.

India is also taking steps in what is referred to as the Western Sector (in the state of Jammu and Kash-

2. Mohan Malik, "India-China Competition Revealed in Ongoing Border Disputes," *Power and Interest News Report*, October 9, 2007, at http://www.pinr.com/report.php?ac=view_report&report_id=695&language_id=1 (October 24, 2008).
3. "India, China Conclude Border Talks Without Agreement," NDTV.com, September 19, 2008, at <http://www.ndtv.com/convergence/ndtv/story.aspx?id=NEWEN20080066012> (October 24, 2008).
4. P. Stobdan, "Chinese Checkers in the Himalayas," Institute of Defense Studies and Analysis, June 13, 2008.
5. Surjit Mansingh, "Rising China and Emergent India in the 21st Century: Friends or Rivals?" *The Korean Journal of Defense Analysis*, Vol. XIX, No. 4 (Winter 2007), p. 133.
6. Tejinder Singh Sodhi, "Troop Cutback Begins in J&K," Tribune News Service, February 20, 2008, at <http://www.tribuneindia.com/2008/20080221/main4.htm> (October 27, 2008).
7. Rahul Bedi, "Getting in Step: India Country Briefing," *Defense Weekly*, February 6, 2008.

Indian Lessons from the 1962 Sino–Indian Border War

The history of events leading up to the Sino–Indian border war of 1962 and the severe Indian disillusionment with the Chinese in the aftermath of that conflict provides a useful context for assessing current developments in Chinese–Indian relations. Even after China invaded and annexed Tibet in 1950, India's first prime minister, Jawaharlal Nehru, believed that India should seek a close relationship with China. Nehru was convinced that an India–China friendship could be the basis of an Asian resurgence.¹ Nehru apparently wanted to give the Chinese the benefit of the doubt since they were, like the Indians, also emerging from the colonial era. Many fellow Indians, including members of Nehru's cabinet, believed otherwise. They cautioned Nehru to view the event as a sign that China could pose a danger to India's own territorial integrity and that India should, therefore, begin to prepare its defenses accordingly.²

Nehru's trust of China cost India dearly in 1962 when the Chinese simultaneously invaded the eastern and western sectors of their shared borders. The Indian parliament accused Nehru of turning a blind eye to Chinese construction of a road through what was then Indian territory in the Aksai Chin. After the invasion and defeat by the Chinese, Nehru declared that China had revealed itself as "an expansionist, imperious-minded country."³ A feeling of betrayal from a country that they had supported in the international arena permeated the Indian psyche for years to come.

Indian strategic analysts, remembering the 1962 border war, now warn Indian officials not to make the mistakes of the past by downplaying Chinese border aggression. They argue that if New Delhi publicly downplays provocative Chinese actions in the border areas (as it did with construction of the road through the Aksai Chin in the early 1960s), the Chinese will interpret the silence as a sign of weakness and exploit it.⁴

1. Surjit Mansingh, "Rising China and Emergent India in the 21st Century: Friends or Rivals?" *The Korean Journal of Defense Analysis*, Vol. XIX, No. 4 (Winter 2007), p. 121.
2. Ramachandra Guha, *India After Gandhi: The History of the World's Largest Democracy* (New York: HarperCollins Publishers, 2007), pp. 176–179.
3. *Ibid.*, p. 337.
4. B. Raman, "Our PM's Visit to China: Core Concerns Persist," Chennai Centre for China Studies, C3S Paper No. 99, January 15, 2008.

mir), such as building roads and re-opening air bases along the borders. India re-opened an airstrip in Daulat Beg Oldie in the Ladakh region in June and may re-open another in eastern Ladakh close to the Line of Actual Control (the *de facto* border), which would help supply troops posted in the area.

At the same time that border tensions are simmering, however, the two countries are beginning to conduct joint military exercises. Holding even minor joint military exercises—as long as they are reciprocal in terms of exposure—can help build confidence and increase transparency between their militaries, helping to keep border tensions in check. Last December, for example, 100 troops

from each country engaged in a joint anti-terrorism military exercise in China's southwestern province of Yunnan.

Civil Nuclear Deal Brings Out India–China Competition

Increasing U.S. attention paid to India over the past five years—especially Washington's decision to extend civil nuclear cooperation to New Delhi—surprised Chinese policymakers and caused them to reassess their policies toward India. Chinese officials have developed a more serious policy toward India and now acknowledge that India is becoming a major Asian power.

China's apparent attempt to scuttle the U.S.–India Civil Nuclear Agreement at the September 2008 NSG meeting was evidence for many Indians that China does not willingly accept India's rise on the world stage. The Chinese—buoyed by the unexpected opposition from NSG nations like New Zealand, Austria, and Ireland—threatened the agreement with delaying tactics and last-minute concerns signaled through an article in the Chinese Communist Party's English language paper, *The People's Daily*.⁸ The public rebuke of the deal followed several earlier assurances from Chinese leaders that Beijing would not block consensus at the NSG.

Indian observers claim the Chinese tried to walk out of the NSG meetings in order to prevent a consensus, but that last-minute interventions from senior U.S. and Indian officials convinced them that the price of scuttling the deal would be too high, forcing them to return to the meeting.⁹ Indian strategic affairs analyst Uday Bhaskar attributed the Chinese maneuvering to longstanding competition between the two Asian rivals. “Clearly, until now China has been the major power in Asia,” said Bahskar. “With India entering the NSG, a new strategic equation has been introduced into Asia and this clearly has caused disquiet to China.” In a recent speech, Indian Finance Minister Palaniappan Chidambaram, citing China's position within the NSG, said that, “From time to time, China takes unpredictable positions that raise a number of questions about its attitude toward the rise of India.”

China is also wary of the potential for stronger U.S.–India military cooperation. India has embarked on an ambitious military modernization effort and is increasingly looking to the United States to purchase advanced weaponry. The completion of the civil nuclear deal will likely raise the confidence of the Indian defense establishment in the U.S. as a reliable supplier and, therefore, set the stage for a much broader and deeper defense relationship between the U.S. and India over the next several

years. Following are some major milestones in the U.S.–India defense trade relationship:

- The recent sale of six C130-J Hercules military transport aircraft worth \$1 billion is the largest U.S. military sale to India to date.
- In 2006 the U.S. Congress authorized the transfer of the USS *Trenton* amphibious transport dock to India.
- U.S. firms are also competing with Russian and European firms to fulfill an Indian request for 126 multi-role combat aircraft worth close to \$10 billion.
- U.S. companies are bidding to supply 197 light observation helicopters and 22 combat helicopters to the Indian Air Force and the Army Aviation Corps at a cost of about \$1.5 billion.¹⁰

In 2005, India and the U.S. signed a 10-year defense framework agreement that calls for expanded joint military exercises, increased defense-related trade, and the establishment of a defense and procurement production group. The U.S. and India have conducted more than 50 military exercises since 2002, demonstrating how far the military partnership has progressed in a relatively short period.

One of the most significant of these exercises was held in September of last year and involved three other nations—Japan, Australia, and Singapore—in the Bay of Bengal. This exercise raised concern in Beijing about the development of a democracy axis aimed at countering China's influence. To reassure the Chinese of its intentions, the new Australian government led by Prime Minister Kevin Rudd backed away from a diplomatic quadrilateral initiative begun in 2007 among the U.S., Australia, Japan, and India.

Other Areas of Potential China–India Conflict

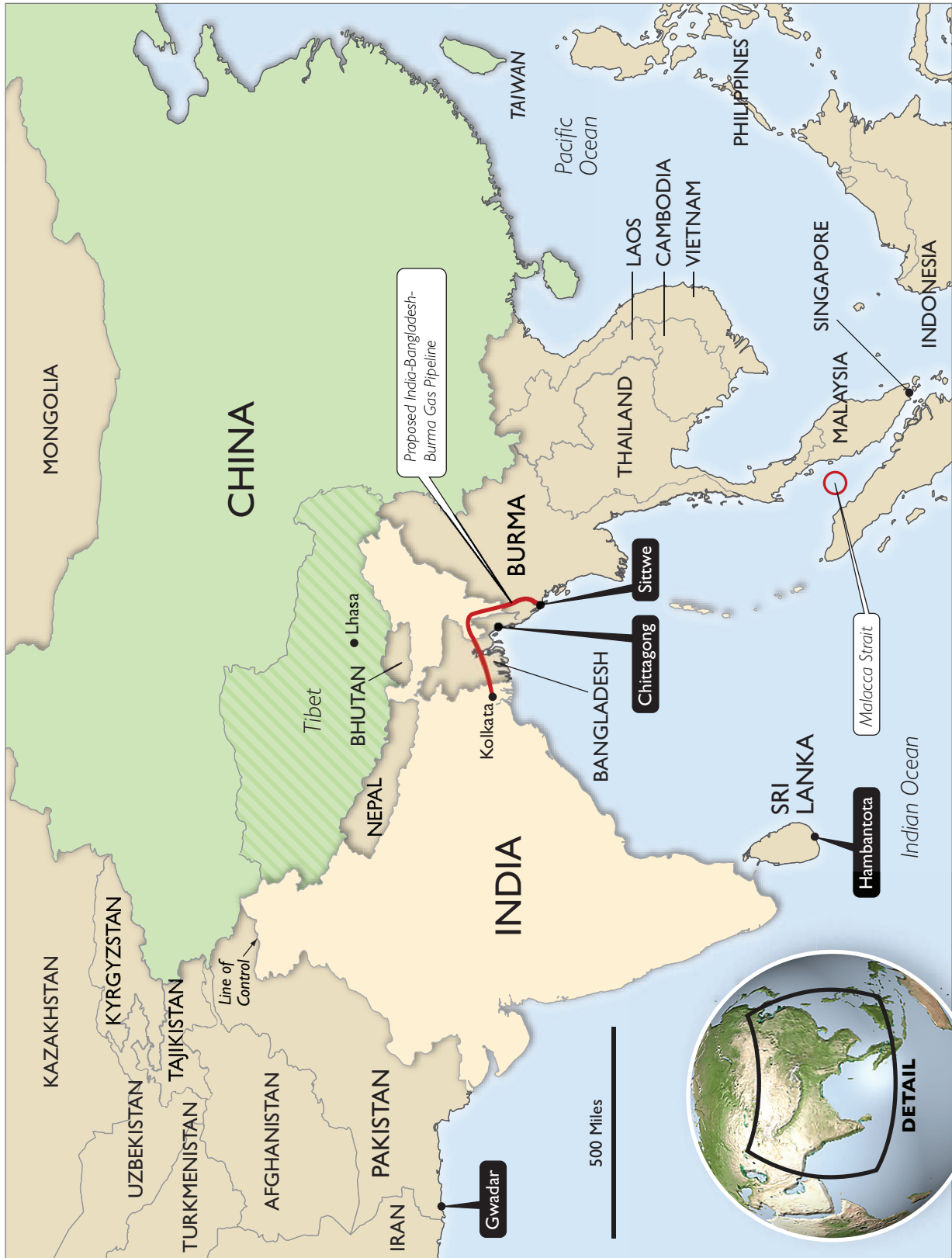
Energy is also increasingly becoming a source of friction between China and India. They are two of

8. Chris Buckley, “China State Paper Lashes India–U.S. Nuclear Deal,” Reuters India, September 1, 2008, at <http://in.reuters.com/article/topNews/idINIndia-35260420080901> (October 27, 2008).

9. Bhaskar Roy, “China Unmasked—What Next?” South Asia Analysis Group Paper No. 2840, September 12, 2008.

10. Rahul Bedi, “India and U.S. Get Closer as Antony Visits Washington,” *Jane's Defence Weekly*, September 17, 2008.

Key Locations in India-China Region



Map 2 • B 2209 heritage.org

the world's fastest-growing energy consumers, with China importing about 50 percent of its energy needs and India importing 70 percent. China has consistently outbid India in the competition for energy sources, and these bidding wars have inflated energy prices, prompting the two countries to agree to joint bidding on certain contracts. The Chinese provide monetary and diplomatic enticements to secure energy-supplier contracts and largely ignore international concerns over issues like human rights and democracy.

Energy competition between India and China is also reflected in the two countries' assertions of naval power. As India reaches into the Malacca Strait, Beijing is surrounding India by developing strategic port facilities in Sittwe, Burma; Chittagong, Bangladesh; Hambantota, Sri Lanka; and Gwadar, Pakistan, to protect sea lanes and ensure uninterrupted energy supplies.

Water also has the potential to become a divisive issue in India's bilateral relations with China. New Delhi is concerned about the ecological impact that the Chinese plans to divert the rivers of Tibet for irrigation purposes in China will have on India. With China controlling the Tibetan plateau, the source of Asia's major rivers, the potential for conflict over increasingly scarce water resources remains a concern.¹¹

China's Relations with Other South Asian States

China is strengthening its ties to India's historical rival Pakistan and slowly gaining influence with other South Asian states that border India. The South Asian nations view good ties with China as a useful counterweight to Indian dominance in the region. China uses military and other assistance to court these nations, especially when India and other Western states try to use their assistance programs to encourage respect for human rights and democracy.

Pakistan: Pakistan and China have long-standing strategic ties, and China is Pakistan's largest

defense supplier. China transferred equipment and technology to Pakistan's nuclear weapons and ballistic missile programs throughout the 1980s and 1990s, enhancing Pakistan's strength in the South Asian strategic balance. Stephen Cohen, an expert on the Indian and Pakistani militaries, describes China as pursuing a classic balance of power by supporting Pakistan in a relationship that mirrors the relationship between the U.S. and Israel.¹² The most significant development in China-Pakistan military cooperation occurred in 1992 when China supplied Pakistan with 34 short-range ballistic M-11 missiles.¹³

China has helped Pakistan build two nuclear reactors at the Chasma site in the Punjab Province and continues to support Pakistan's nuclear program, although it has been sensitive to international condemnation of the A. Q. Khan affair and has calibrated its nuclear assistance to Pakistan accordingly. In the run-up to Chinese President Hu Jintao's visit to Pakistan in November 2006, media reports speculated that China would sign a major nuclear energy cooperation agreement with Pakistan. In the end, however, the Chinese provided a general pledge of support to Pakistan's nuclear energy program, but refrained from announcing plans to supply new nuclear reactors. During Pakistani President Asif Ali Zardari's visit to Beijing in mid-October 2008, Beijing did come through with a pledge to help Pakistan construct two new nuclear power plants at Chasma, but did not propose or agree to a major China-Pakistan nuclear deal akin to the U.S.-India civil nuclear agreement.

China is also helping Pakistan develop a deep-sea port at the naval base at Gwadar in Pakistan's province of Baluchistan on the Arabian Sea. The port would allow China to secure oil and gas supplies from the Persian Gulf and project power in the Indian Ocean. China financed 80 percent of the \$250 million for completion of the first phase of the project and reportedly is funding most of the second phase of the project as well.¹⁴

11. Malik, "India-China Competition Revealed in Ongoing Border Disputes."

12. Stephen P. Cohen, *India: Emerging Power* (Washington, D.C.: Brookings Institution, 2001), p. 259.

13. Ahmad Faruqui, "The Complex Dynamics of Pakistan's Relationship with China," Islamabad Policy Research Institute, Summer 2001, at <http://www.ipripak.org/journal/summer2001/thecomplex.shtml> (October 27, 2008).

Nepal: Nepal occupies a strategic location along the Himalayan foothills dividing China and India. China provided military supplies to Nepalese King Gyanendra before he stepped down in 2005 while India and the U.S. were restricting their military assistance in an effort to promote political reconciliation within the country. Nonetheless, it does not appear that Nepal's new prime minister, Prachanda, holds a grudge against the Chinese for their previous support of the king. Prachanda's Maoist movement patterned itself after Mao Zedong's "people's war" principles, and upon his assumption of power in August, Prachanda promptly paid a visit to Beijing where he met President Hu Jintao.

Over the past two years, Nepal has begun to crack down on Tibetan refugees on its territory in an apparent attempt to appease the Chinese. Last spring, Nepal's government ordered a raid on a center for Tibetan refugees and deported one of them shortly before the visit of China's Assistant Foreign Minister to Kathmandu. The center, funded by the United Nations High Commissioner for Refugees, acts as a transit point for Tibetans fleeing to India. In 2005, Nepal closed down the Tibetan Welfare Office in Kathmandu, which had been established in the 1960s. About two to three thousand Tibetans travel through Nepal every year. During the widespread unrest and demonstrations in Tibet from March to June 2008, the Nepalese banned all protests and heavily patrolled their border with Tibet.

Sri Lanka: Chinese assistance to Sri Lanka has increased substantially over the past year and may now even eclipse that of Sri Lanka's longtime biggest aid donor, Japan.¹⁵ The Chinese are building a highway, developing two power plants, and constructing a new port facility at Hambantota harbor. Chinese analysts say the port is strictly a commercial venture, while Indian analysts warn it could be used as a Chinese naval base to control the area.

China wants to expand political and security ties with the countries of the South Asia–Indian Ocean region to ensure the safety of Chinese sea lines of

communication across the Indian Ocean. Sri Lanka, for its part, needs Chinese assistance—especially military aid—as it fights a civil war with Tamil insurgents with whom it recently officially broke a six-year cease-fire. The U.S. and India have curtailed military supplies to Sri Lanka because of human rights concerns, and Chinese aid to Sri Lanka comes with no strings attached.

Bangladesh: Total trade between China and Bangladesh was around \$3.5 billion in 2007, up about 8.5 percent from the previous year. China is an important source of military hardware for Bangladesh and increasingly is investing in Bangladesh's garment sector. With natural gas deposits in Bangladesh estimated at between 32 trillion and 80 trillion cubic feet, Bangladesh has gained strategic importance for both China and India as a potential source of energy. Bangladesh turned down India's proposal for a tri-nation gas pipeline with Burma.

India's Relationships with Southeast Asian States

India established a "Look East" policy in the early 1990s, but it has only recently begun to build political and economic ties with the states of Southeast Asia, which generally welcome India's involvement to balance growing Chinese influence. Most countries in the region that are wary of China do not have the same apprehensions toward India.¹⁶

India and the Association of Southeast Asian Nations (ASEAN) signed a Partnership for Peace, Progress and Shared Prosperity agreement on November 11, 2004, marking a significant step in the development of relations between India and the countries of Southeast Asia. India became a full dialogue partner of ASEAN in 1995, joined the ASEAN Regional Forum (ARF) in 1996, became a summit partner of ASEAN (called ASEAN Plus One) in 2002, and became a member of the East Asia Summit in December 2005.

In another step toward building its economic relations with the region, India will sign a free trade

14. Ziad Haider, "Baluchis, Beijing, and Pakistan's Gwadar Port," *Politics and Diplomacy*, Winter/Spring 2005, pp. 96, 97.

15. Somini Sengupta, "Take Aid from China and Take a Pass on Human Rights," *The New York Times*, March 9, 2008.

16. Horimoto Takenori, "The World as India Sees It," *Gaiko Forum: Japanese Perspectives on Foreign Affairs*, Vol. 6, No. 3 (Fall 2006), p. 6.

deal with the ASEAN countries in December 2008 after four years of talks. New Delhi says it wants to raise two-way trade with ASEAN to \$50 billion by 2010, up from its current level of \$38 billion. The India–ASEAN free trade agreement will reduce or eliminate import tariffs on 96 percent of items traded between the two starting in January 2009. India has also enhanced its naval profile in Southeast Asia to strengthen its Look East policy and to disrupt the flow of arms across the Bay of Bengal to insurgents in India's northeast and to the Tamil Tigers in Sri Lanka.¹⁷

In addition to integrating with the multilateral institutional structures of Southeast Asia, India has focused on building stronger bilateral relationships in the region, especially with Malaysia, Singapore, Vietnam, Thailand, Burma, and Indonesia. India holds periodic naval exercises with these countries and participates in a biannual gathering of regional navies, called the Milan. India has also entered into bilateral defense cooperation agreements with Malaysia, Vietnam, Singapore, Laos, and Indonesia.

Burma: India is particularly concerned about growing links between China and Burma, with which it shares land and maritime borders. New Delhi in recent years has de-emphasized its support for democracy there in order to build ties to the military junta, a policy that is causing friction between New Delhi and Washington. India was a strong proponent of the democracy movement in Burma throughout the 1980s and gave sanctuary to thousands of Burmese refugees following the military junta's assumption of power in 1988. India changed its position, however, to one of "constructive engagement" when it sought Burmese cooperation against insurgents across their porous frontier in the mid-1990s and has more recently sought to counter growing Chinese influence and secure oil and gas deals with Burma to fulfill its growing energy requirements.¹⁸ In the fall of 2007, attempts of the Gas Authority of India Limited (GAIL) and other Indian

companies to tap Burmese oil and gas were thwarted by Chinese pressure on Burmese authorities.¹⁹

In response to the September 2007 crackdown on pro-democracy demonstrators, India placed arms sales to Burma under "review," halting them at least temporarily. Prime Minister Singh hosted the second-in-command of the military junta General Maung Aye in New Delhi six months later, however, and announced a deal to refurbish the Sittwe port as part of a larger project to allow sea access to India's northeastern states.

What This Means for U.S. Policy

As China and India rise politically and economically on the world stage, it is natural that they compete with one another for influence. Although China's economic rise will continue to be faster than India's, Beijing may seek to counter New Delhi's political and geo-strategic influence. Rivalry between the two nations will be fueled especially by each country's efforts to reach into the other's traditional spheres of influence, for example, China in South Asia and India in Southeast Asia. China's willingness to overlook human rights and democracy concerns in its relations with the smaller South Asian states will at times leave India at a disadvantage in asserting its power in the region, as was seen recently in Nepal and Sri Lanka.

China is wary of U.S. plans to support India's position in Asia and will seek to blunt Washington's overtures toward New Delhi. Beijing may discuss in private and public forums the importance of simultaneous development of both China and India to try to show it welcomes India's rise. New Delhi, however, will pay closer attention to Beijing's actions along the disputed China–India border to gauge Chinese overall strategic intentions toward India. China's unhelpful stance at the recent NSG meetings on the U.S.–India civil nuclear agreement was a reminder that Beijing remains uncomfortable with India's growing global role.

17. Stephen J. Blank, *Natural Allies? Regional Security in Asia and Prospects for Indo–American Strategic Cooperation* (Carlisle, Penn.: Strategic Studies Institute, U.S. Army War College, 2005), p. 69.

18. Mansingh, "Rising China and Emergent India," p. 140.

19. June Teufel Dreyer, "A New Era in Sino–Indian Relations or Deja-Vu All Over Again?" International Assessment and Strategy Center, January 19, 2008, at http://www.strategycenter.net/research/pubID.178/pub_detail.asp (October 27, 2008).

The U.S. should:

- **Continue to build strong, strategic ties to India by encouraging India to play a more active political and economic role in the region.** To help India fulfill that role, Washington should continue to seek a robust military-to-military relationship with New Delhi and enhance defense trade ties. Washington should also develop an Asian dialogue with India to discuss developments in the broader Asia region more formally and regularly.
- **Encourage India's permanent involvement in values-based strategic initiatives like the U.S.–Japan–Australia trilateral dialogue.** Former Japanese Prime Minister Shinzo Abe had proposed that Japan, India, Australia, and the U.S. formalize a four-way strategic dialogue. The new government in Canberra led by Kevin Rudd, however, has since backed away from the initiative. Washington should convince Canberra of the benefits of reviving and elevating a quadrilateral forum focused on promoting democracy, counterterrorism, and economic freedom and development in Asia. In the meantime, Washington should continue to build the bilateral components of such a grouping—U.S.–Japan, U.S.–India, and U.S.–Australia relations—and work on a meaningful trilateral agenda among the U.S., Japan, and Australia that can accommodate additional partners down the road. The U.S. can also pursue U.S.–Japan–India trilateral initiatives, especially in the areas of energy and maritime cooperation, and through the institution of regular dialogue on Asian security issues. Indian–Japanese relations have been strengthening in recent years, as demonstrated by Prime Minister Singh's late October visit to Japan, where he signed a joint declaration on security cooperation and accepted a \$4 billion Japanese loan commitment for infrastructure projects in India. The security agreement was the third such pact Japan has ever signed, including one with the U.S. and one with Australia.
- **Collaborate more closely with India on initiatives that strengthen economic development and democratic trends in the region and work with India to counter any Chinese moves that**

could potentially undermine such trends in order to ensure the peaceful, democratic development of South Asia and Southeast Asia. This will require close coordination on developments in both South and Southeast Asia and increasing mutual confidence between India and the U.S. on each other's strategic intentions in the region. The U.S. should, for example, encourage India's role in helping Afghanistan develop into a stable democracy by encouraging Indian assistance for strengthening democratic institutions in Afghanistan, deepening U.S.–Indian exchanges on developments in Afghanistan, and ensuring that India has a role in any regional efforts to stabilize the country.

- **Help India strengthen its cooperative activities with the International Energy Agency to coordinate response mechanisms in the event of an oil emergency.** The U.S. has a major stake in how India copes with its increasing energy demand and how it pursues competition with China for energy resources. The U.S. should work closely with India as it develops its strategic oil reserves to ensure that the major energy-consuming countries are prepared to cooperate to resolve any potential global energy crises.
- **Avoid any potential India–China military conflict over unresolved border issues given the U.S. interest in ensuring stability in the region. Washington should watch their ongoing border talks closely without trying to mediate.** The two sides are unlikely to reach any breakthroughs in their discussions in the near future, but Washington should remain watchful for any signs that tensions are ratcheting upward.

Conclusion

As the relationship between India and the U.S. develops, Washington will need to pay close attention to the dynamics of the India–China relationship and be smart about its approach: Even though Washington and New Delhi share similar concerns regarding China, Indian officials will balk at any U.S. overture that appears to use New Delhi to contain or directly counter Chinese influence. Tensions between the two Asian giants could increase, especially over their disputed borders and as they com-

pete in each other's regional spheres of influence. But there are other, positive trends in Sino-Indian relations, such as improving economic ties, closer coordination on some common global political interests, and more frequent diplomatic exchanges. India and China have a long history and a complicated relationship. Any misstep by the U.S. that

puts India in an awkward political situation has the potential to damage overall U.S. interests in the region and limit the prospects for the U.S.–India relationship.

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