

Background

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The China Challenge: A Strategic Vision for U.S.–India Relations

Lisa Curtis and Dean Cheng

Abstract: *The U.S. should pursue robust strategic and military engagement with India in order to encourage a stable balance of power in Asia that prevents China from dominating the region and surrounding seas. The U.S. and India share a broad strategic interest in setting limits to China’s geopolitical horizons and can work together to support mutually reinforcing goals without becoming “allies” in the traditional sense. The U.S. should support India’s military modernization campaign, including its quest for increasingly sophisticated technologies, and develop new initiatives for keeping the Indian Ocean safe and secure. Additionally, the U.S. should remain closely engaged with the smaller South Asian states and temper any expectations that the U.S. and China can cooperate in South Asia, where India remains the predominant power. Although India’s recent decision to forgo American planes to fulfill its fighter aircraft needs has added a dose of realism to Indo–U.S. relations, the complex challenge presented by a rising China will inevitably drive the U.S. and India to elevate ties and increase cooperation across a broad range of sectors in years to come.*

India is keeping a wary eye on China’s rapid global ascent. Unresolved border issues that resulted in the Sino–Indian War of 1962 have been heating up again in recent years. Indian policymakers are scrambling to develop effective policies to cope with a rising China by simultaneously pursuing both a robust diplomatic strategy aimed at encouraging peaceful resolution of border disputes and forging strong trade and eco-

Talking Points

- U.S. Secretary of State Hillary Clinton’s visit to India this week for Strategic Dialogue talks provides an opportunity to take India’s pulse on China and discuss new diplomatic and security initiatives that will contribute to stability in the region.
- The U.S. should pursue robust strategic and military engagement with India to encourage a stable balance of power in Asia that prevents China from dominating the region and surrounding seas.
- China’s increased assertiveness in the East and South China Seas and Yellow Sea has been accompanied by a hardening position on its border disputes with India.
- India’s decision to forgo American planes to fulfill its fighter aircraft needs has added a dose of realism to Indo–U.S. relations, but the complex challenge presented by a rising China will inevitably drive the U.S. and India to elevate ties and increase cooperation in years to come.

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conomic ties and an ambitious military modernization campaign that will build Indian air, naval, and missile capabilities.

By bolstering its naval assets, India will solidify its position in the Indian Ocean and enhance its ability to project power into the Asia Pacific. New Delhi also will continue to boost its medium-range missile programs to deter Beijing and to strengthen its air capabilities to deal with potential flare-ups along their disputed borders.

Meanwhile, China has also been paying increasing attention to India. China's interests on its southern flank have led the People's Liberation Army (PLA) to strengthen its forces in the Lanzhou and Chengdu Military Regions bordering India.

The U.S. must keep a watchful eye on the trend lines in Sino-Indian relations and factor these into its overall strategies in the broader Asia region. A strong India able to hold its own against China is in America's interest.

China's increased assertiveness in the East and South China Seas over the past year has been accompanied by a hardening position on its border disputes with India. Last summer, India took the unprecedented step of suspending military ties with China in response to Beijing's refusal to grant a visa to an Indian Army general serving in Jammu and Kashmir. Chinese Premier Wen Jiabao's visit to New Delhi last December helped tamp down the disagreement, and military contacts have since resumed. Still, the incident shows the fragility of the Sino-Indian rapprochement and the potential for deepening tensions over the unresolved border issues to escalate.

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U.S. Secretary of State Hillary Clinton's visit to India this week for Strategic Dialogue talks provides an opportunity to take India's pulse on China and to discuss new diplomatic and security initiatives that will contribute to maintaining a stable balance of power in Asia. The U.S. should demonstrate support for Indian military modernization

and enhanced U.S.-Indian defense ties. Despite U.S. disappointment over India's decision to de-select two American companies from its Medium Multi-Role Combat Aircraft (MMRCA) competition, the U.S. is bound to conclude other major defense deals with India as it pursues an ambitious defense modernization campaign, which includes spending plans of around \$35 billion over the next five years.

Indeed, this year, the two sides finalized a deal worth nearly \$4 billion for the U.S. to provide India with enough C-17 aircraft to give India the second-largest C-17 fleet in the world. Enhancing Indo-U.S. cooperation in maritime security in the Indian Ocean region is also an area of mutual interest that is ripe for new initiatives.

India's rejection of the MMRCA has added a dose of realism to Indo-U.S. relations and reminded U.S. officials that the burgeoning partnership will not always reach the full expectations of either side. Still, the growing strategic challenge presented by a rising China will inevitably drive the U.S. and India to increase cooperation in defense and other key sectors, such as space, maritime security, and nuclear nonproliferation.

What Drives Sino-Indian Competition?

The drivers of the current Indian-Chinese rivalry are varied and complex. While China's economy is several times larger than India's and its conventional military capabilities today outstrip India's by almost any comparison, Beijing has begun to take notice of India's growing global political and economic clout, as well as the broad-based American support for expanding strategic ties with India.

For its part, India, long suspicious of China's close relations and military support for Pakistan, views an increased Chinese presence in northern Pakistan and expanded civil nuclear cooperation between Beijing and Islamabad as particularly worrisome. Indian military strategists believe they must plan for the possibility of a two-front war with Pakistan and China even as they actively seek dialogues with both to diminish the chances of such a dire scenario.

At the same time, Chinese assessments of Indian military planning suggest a view in Beijing that

New Delhi sees China as a major threat. One Chinese assessment concludes that the Indian military sees Pakistan as the main operational opponent and China as a *potential* operational opponent. It also describes the Indians as seeing China and Pakistan as closely aligned in threatening India.¹

The rivalry is also driven by the rapidly expanding resource requirements of each country, whose economies continue to grow steadily despite the global economic downturn. Competition over energy and water resources will increasingly shape the contours of their competition, as will each country's efforts to expand trade and economic relations with countries that are in the other's traditional sphere of influence.

Simmering Border Tensions

Long-standing border disputes between China and India continue to cause friction between the two countries despite ongoing border talks that started in the 1980s. India claims that China occupies more than 14,000 square miles of Indian territory in the Aksai Chin along its northern border in Kashmir (commonly referred to as the western sector), while China lays claim to more than 34,000 square miles of India's northeastern state of Arunachal Pradesh (commonly referred to as the eastern sector). The two sides fought a brief border war in 1962 after China invaded the eastern and western sectors of their shared borders and ended up annexing the area of Aksai Chin, a barren plateau that had been part of the pre-partition princely state of Jammu and Kashmir. India also is a long-term host to the Dalai Lama and about 100,000 Tibetan refugees that fled after China annexed Tibet in 1950.

Meanwhile, according to Beijing, India is occupying territory unfairly claimed during the era of "unequal treaties." The Chinese Communist Party (CCP) has never accepted the validity of the McMahon Line as the demarcation of the Sino-Indian border in Tibet, viewing it as forced upon weak imperial and republican governments by the British Raj.

In 2003, each side appointed "special representatives"—national security adviser for India and vice foreign minister for China—to upgrade and regularize their border discussions.² Since then, the two sides have clarified the mapping of the middle sector of their disputed frontiers (the border that demarcates the Indian state of Sikkim). However, there has been no exchange of maps of the eastern and western sectors under dispute.

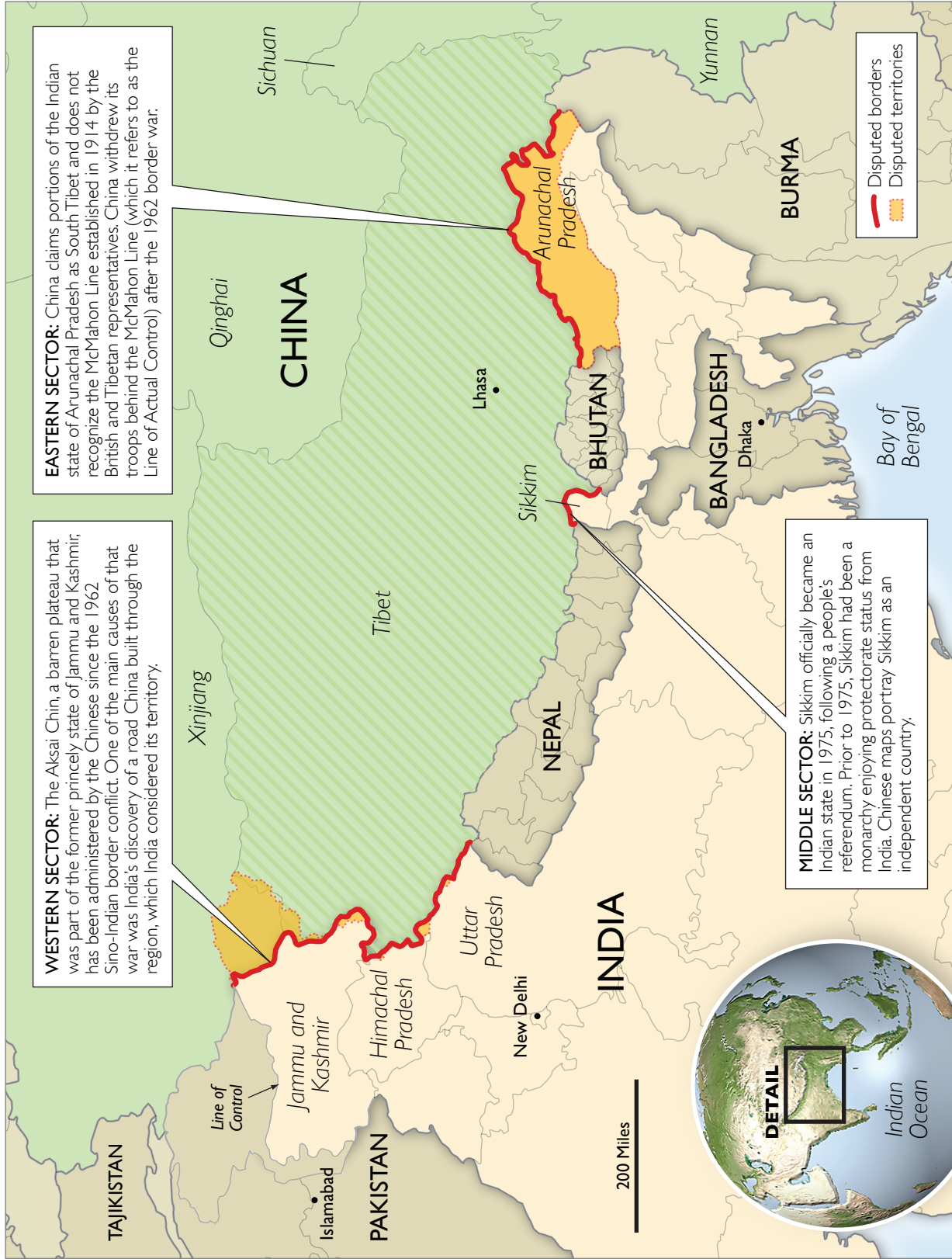
China's interest in consolidating its hold on Tibet and its perceptions of India's expanding global influence and closer ties to the U.S. have led Beijing to harden its position on its border disputes with New Delhi over the past five years. China has increasingly questioned Indian sovereignty over the states of Arunachal Pradesh and Jammu and Kashmir and has stepped up probing operations along different parts of their shared frontier. The Chinese are also building up military infrastructure and expanding a network of road, rail, and air links in the border areas.

China's interest in consolidating its hold on Tibet and its perceptions of India's expanding global influence and closer ties to the U.S., have led Beijing to harden its position on its border disputes with New Delhi.

The hardening Chinese position can be traced back to comments made by the Chinese ambassador to India, referring to the entire state of Arunachal Pradesh as part of China, in the run-up to President Hu Jintao's November 2006 visit. Moreover, in recent years, Chinese commentators have begun to refer to Arunachal Pradesh commonly as "Southern Tibet." Prior to 2005, there were no Chinese references to "Southern Tibet" in China's official media.³ In 2009, China opposed an Asian Development Bank loan, part of which was earmarked for a watershed project in Arunachal Pradesh—another

1. E. Aijun, *Indian Military Research* (Beijing: National Defense University Press, 2009).
2. Lisa Curtis, "U.S.–India Relations: The China Factor," Heritage Foundation *Background* No. 2209, November 25, 2008, at <http://www.heritage.org/Research/Reports/2008/11/US-India-Relations-The-China-Factor>.
3. Mohan Malik, "China Unveils 'The Kashmir Card,'" *China Brief*, Vol. 10, No. 19 (September 24, 2010), at http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=36915&tx_ttnews%5BbackPid%5D=25&cHash=078d3aabd3 (July 14, 2011).

India, China Disputed Borders



WESTERN SECTOR: The Aksai Chin, a barren plateau that was part of the former princely state of Jammu and Kashmir, has been administered by the Chinese since the 1962 Sino-Indian border conflict. One of the main causes of that war was India's discovery of a road China built through the region, which India considered its territory.

EASTERN SECTOR: China claims portions of the Indian state of Arunachal Pradesh as South Tibet and does not recognize the McMahon Line established in 1914 by the British and Tibetan representatives. China withdrew its troops behind the McMahon Line (which it refers to as the Line of Actual Control) after the 1962 border war.

MIDDLE SECTOR: Sikkim officially became an Indian state in 1975, following a people's referendum. Prior to 1975, Sikkim had been a monarchy enjoying protectorate status from India. Chinese maps portray Sikkim as an independent country.

— Disputed borders
 ■ Disputed territories

demonstration that China is questioning Indian sovereignty over the state more openly.

These moves have signaled to New Delhi that the Chinese may be backing away from a 2005 border agreement, referred to as the “Agreement on Political Parameters and Guiding Principles for Settlement of the Boundary Question.” More specifically, since the 2005 accord stipulated that “settled populations will not be disturbed,”⁴ India argues that China has violated the 2005 agreement by laying claim to Tawang in Arunachal Pradesh. Chinese interlocutors claim Tawang is part of Tibet because one of the Dalai Lamas was born there.⁵ The Chinese have objected to recent visits to Tawang by the Indian Prime Minister and the Dalai Lama.

In addition to raising questions about the status of Arunachal Pradesh, China has called into question Indian sovereignty over the state of Jammu and Kashmir. In 2009, Beijing began stapling visas to Indian passport holders from Jammu and Kashmir. Furthermore, in July of last year, China denied a visa to Indian Lieutenant General B. S. Jaswal, chief of Northern Command, which includes parts of Kashmir. General Jaswal had intended to travel to Beijing to participate in a high-level China–India defense exchange. In response to China’s refusal to grant General Jaswal a visa, India suspended further bilateral defense exchanges.

The visa issue appears to have been resolved, as India resumed defense contacts with China last month by sending an eight-member Indian military delegation to China. The visit followed media reports that China had begun issuing regular visas to Indian residents of Jammu and Kashmir.

Since the 1999 Kargil border conflict between India and Pakistan, Beijing’s position on Kashmir seemed to be evolving toward a more neutral

position. During that conflict, Beijing helped convince Pakistan to withdraw forces from the Indian side of the Line of Control following its incursion into the heights of Kargil in Kashmir. Beijing made clear its position that the two sides should resolve the Kashmir conflict through bilateral negotiations, not military force, but the stapled visas issue and Beijing’s refusal to grant a visa to the Indian army official from Kashmir have raised concern in New Delhi that China is reverting to a policy of favoring Pakistan’s position on Kashmir. Indian commentators have noted that China’s backtracking from its neutral position on Kashmir would likely be met with subtle moves by India that increasingly question Chinese sovereignty over Tibet.

Increasing Military Activities

Meanwhile, Chinese military activities in the region have expanded. In July 2010, the official newspaper of the PLA, *People’s Liberation Army Daily*, reported that units of the People’s Liberation Army Air Force (PLAAF) were engaging in armed combat air patrols.⁶ These are believed to have been advanced Su-27 or J-11 (domestically produced versions of the Su-27) fighter aircraft.

The combat air patrols were followed by an August 2010 logistics exercise involving the newly constructed Qinghai–Tibet railway. This exercise marked the first PLAAF use of the railway for military purposes, with the Military Transportation Department of the PLAAF Logistics Department overseeing the movement of “combat readiness materials” to Tibet.⁷ This would seem to reflect a growing PLAAF role in maintaining security along the Sino–Indian border in the Tibetan area.

In October 2010, there were reports that the PLA had conducted joint (inter-services) live-fire exercises in Tibet for the first time. These reportedly involved armor, artillery, air, and electronic warfare

4. “Text of India–China Agreement,” *The Hindu*, April 11, 2005, at <http://www.hindu.com/thehindu/nic/0041/indiachinatxt.htm> (July 15, 2011).

5. Gurmeet Kanwal, “India–China Strategic Relations,” *CLAWS Journal*, Summer 2010, p. 143.

6. Li Dengke, “Our Third Generation Fighters Engage in High Plateau Training for the First Time with Live Weapons,” *People’s Liberation Army Daily*, July 30, 2010 (in Chinese), at <http://military.people.com.cn/GB/172467/12298463.html>.

7. Jiang JiuHong, “Our Air Force’s First Use of the Qinghai–Tibet Railway for Delivering Vital Military Equipment and Materiel to Tibet,” *People’s Liberation Army Daily*, August 3, 2010 (in Chinese), at <http://mil.news.sina.com.cn/2010-08-03/0649603870.htm> (July 14, 2011).

units and a variety of new equipment.⁸ Given the emphasis placed on joint operations in PLA doctrine, such exercises are not surprising, but instead reflect the extent to which they are being applied across the military, not just opposite Taiwan.

Indian expert observers do not interpret China's new-found assertiveness as preparation for imminent conflict, and they continue to calculate that the overall probability of another Sino-Indian war is low. However, they believe China may be trying to enhance its bargaining position in the ongoing border negotiations.⁹ The Indian observers note that incursions across the disputed borders are likely aimed at gaining tactical advantage to bolster Chinese territorial claims.¹⁰

India is reviving air fields along the border with China, including one in the Ladakh region.

India has somewhat belatedly sought to match the Chinese moves and to reinforce its own claims in the disputed border areas by augmenting forces and constructing roads along the shared frontiers. These measures include the deployment of two squadrons of Su-30 MKI fighter jets in Assam and the raising of two mountain divisions for deployment in Arunachal Pradesh.¹¹ India also has redeployed elements of its 27th Mountain Division from Jammu and Kashmir to the patch of land that intersects India, Tibet, and Bhutan and links India with the rest of its northeastern states.¹² India is reviving air fields along the border with China, including one in the Ladakh region.

India must increasingly factor the potential threat of conflict over its disputed borders with China into

its security planning and projections. While Indian strategists assess that Pakistan poses the most immediate threat to India, they increasingly view China as the more important long-term strategic threat.

In order to deter Chinese aggression along India's border, Indian strategists believe they must develop the capability to inflict severe damage on Chinese forces in Tibet. China has an edge over India with regard to overall air power. Given infrastructure constraints in Tibet, however, China's ability to deploy significant air power on the border with India remains in question.¹³

China's Expanding Influence in South Asia

China is consciously strengthening ties to its traditional ally Pakistan and slowly gaining more influence with other South Asian states. In addition to developing a port facility in Sittwe, Burma, China has invested in the development of ports in Hambantota, Sri Lanka, and Gwadar, Pakistan, and has offered assistance to Bangladesh in developing its deep-sea port in Chittagong.¹⁴ Because China imports about 70 percent of its energy requirements, its interest in developing these ports is primarily to help ensure uninterrupted access to crucial energy supplies.

China has already invested about \$200 million in the Gwadar Port facility in the southwest part of Baluchistan Province in Pakistan off the coast of the Arabian Sea. Pakistan's defense minister recently claimed that Pakistan had invited China to start building a naval base at Gwadar; Chinese officials publicly dismissed the notion. It is unclear whether Islamabad made the statement without coordinating with Beijing or whether the episode was carefully choreographed to send a signal (mainly to the U.S. and India) about the potential impact of an even cozier Sino-Pakistani military alliance.

8. "China for First Time Conducts Major Joint Land-Air Live-Fire Exercises in Tibet," *People's Liberation Army Daily*, October 26, 2010 (in Chinese), at <http://news.iqilu.com/china/gedi/2010/1026/347867.html> (July 14, 2011).

9. P. K. Mehra, "Future Shape, Size, and Role of Indian Air Force," *Air Power Journal*, Vol. 4, No. 1 (Spring 2009), p. 30.

10. S.R.R. Aiyengar, "A Perspective on India-China Relations," *CLAWS Journal*, Summer 2010, p. 15.

11. "India Mulls Deploying Missiles Near Border in North-East," *Hindustan Times*, August 24, 2010, at <http://www.hindustantimes.com/India-mulls-deploying-missiles-near-border-in-North-East/Article1-591252.aspx> (July 14, 2011).

12. Curtis, "U.S.-India Relations: The China Factor."

13. Dhruv C. Katoch, "Bam-i-Duniah (Roof of the World): A Future Conflict Scenario," *CLAWS Journal*, Summer 2010, p. 154.

14. Dean Cheng, "China's View of South Asia and the Indian Ocean," Heritage Foundation Lecture No. 1163, August 31, 2010, at <http://www.heritage.org/research/lecture/china-s-view-of-south-asia-and-the-indian-ocean>.

China maintains a robust defense relationship with Pakistan and views a strong partnership with Pakistan as a useful way to contain Indian power in the region and divert Indian military force and strategic attention away from China. The Chinese JF-17 Thunder fighter aircraft is currently under serial production at the Pakistan Aeronautical Complex, and an initial batch of 250 to 300 planes is scheduled. China also plans to provide Pakistan with J-10 medium-role combat aircraft with an initial delivery of 30 to 35 planes.¹⁵ Other recent sales of conventional weapons include F-22P frigates with helicopters, K-8 jet trainers, T-85 tanks, F-7 aircraft, small arms, and ammunition.

The China–Pakistan partnership serves both Chinese and Pakistani interests by presenting India with a potential two-front theater in the event of war with either country. Toward the end of the Indo–Pakistani war of 1965, China reportedly demanded that India dismantle certain posts on the India–China contested borders, but the war ended with Pakistan’s acceptance of a U.N.-brokered cease-fire before China had an opportunity to act on its demands.¹⁶ During the 1971 Indo–Pakistani War, China took a less threatening posture toward India, possibly because of Soviet warnings to the Chinese.¹⁷

China transferred equipment and technology and provided scientific expertise to Pakistan’s nuclear weapons and ballistic missile programs throughout the 1980s and 1990s, enhancing Pakistan’s strength in the South Asian strategic balance.¹⁸ The most significant development in China–Pakistan military

cooperation occurred in 1992, when China supplied Pakistan with 34 short-range ballistic M-11 missiles. Beijing also built a turnkey ballistic missile manufacturing facility near Rawalpindi and helped Pakistan develop the 750 km–range solid-fueled Shaheen-1 ballistic missile.¹⁹

China helped Pakistan build two civilian nuclear reactors at the Chasma site in the Punjab Province under agreements made before it joined the Nuclear Suppliers Group (NSG) in 2004.²⁰ More recently, China is moving forward with plans for two additional new nuclear reactors for Pakistan (Chasma III and Chasma IV), but the U.S. has indicated that Beijing must first seek an exemption from the NSG for any nuclear technology transfers. The NSG members discussed the proposed Chinese reactor sale to Pakistan at their plenary meeting in late June 2011 in the Netherlands. China argued that the proposed sale should be viewed as part of the earlier agreement struck with Pakistan before Beijing joined the NSG.

An Obama Administration decision to allow the China–Pakistan nuclear deal to advance unhindered would contradict earlier statements by U.S. officials that the construction of the two new nuclear plants would be inconsistent with China’s NSG commitments. It could also jeopardize nuclear safety and security on the subcontinent, given that Pakistan’s increased access to civilian nuclear technology without sufficient legal context and safeguards poses a potential proliferation threat.²¹

U.S. media reports claiming that 7,000 to 10,000 PLA troops were deployed to Gilgit-Baltistan

15. Shankar Roychowdhury, “China’s Air Power: Implications for India,” *CLAWS Journal*, Summer 2010.

16. Mohan Guruswamy, “Pakistan–China Relations: Higher than the Mountains, Deeper than the Oceans,” *CLAWS Journal*, Summer 2010, p. 94.

17. Harjeet Singh, “China and South Asia: A Historical Review,” *CLAWS Journal*, Summer 2010, p. 163.

18. Lisa Curtis and Nicholas Hamisevicz, “U.S. Should Block China–Pakistan Nuclear Deal,” Heritage Foundation *WebMemo* No. 2910, May 20, 2010, at <http://www.heritage.org/research/reports/2010/05/us-should-block-china-pakistan-nuclear-reactor-deal>.

19. Lisa Curtis, “China’s Military and Security Relationship with Pakistan,” testimony before the U.S.–China Economic and Security Review Commission, May 20, 2009, at <http://www.heritage.org/research/testimony/chinas-military-and-security-relationship-with-pakistan>.

20. The Nuclear Suppliers Group (NSG) is a 46-nation grouping that seeks to control nuclear proliferation through rules that limit the export and retransfer of nuclear weapons materials. NSG members are prohibited from transferring civil nuclear technology to states that have not joined the Nuclear Nonproliferation Treaty (NPT). Neither India nor Pakistan has joined the NPT, but India obtained a special exemption from the NSG to receive civilian nuclear technology and fuel in September 2008.

21. Curtis and Hamisevicz, “U.S. Should Block China–Pakistan Nuclear Deal.”

in Northern Pakistan last summer to help rebuild areas devastated by the massive Pakistani floods raised alarm in New Delhi.²² Indian analysts also noted the presence of PLA logistics and engineering corps in the region to provide flood relief and to build infrastructure projects such as roads, railways, and dams. The troops are most likely construction battalions helping to build transportation links between Pakistan and China, possibly from Gwadar Port. Nonetheless, New Delhi would view with consternation the possibility of Chinese troops stationed on both the eastern and northwestern borders of Indian Kashmir.

China transferred equipment and technology and provided scientific expertise to Pakistan's nuclear weapons and ballistic missile programs throughout the 1980s and 1990s.

China also uses military and other assistance to court the smaller South Asian nations and to help them enhance their autonomy *vis à vis* India.²³ Beijing has sold modern missile boats to Bangladesh²⁴ and provided extensive military aid to Sri Lanka to help it win the war against the Tamil Tigers in 2009.

China's main interest in Nepal stems from its concerns over the large Tibetan refugee population there. Close to 20,000 Tibetans reside in Nepal, making it home to the world's second-largest Tibetan refugee community. Beijing increased its involvement with Nepal after the March 2008 ethnic Tibetan uprising against Chinese rule on the eve of the 2008 summer Olympics in Beijing.²⁵ Beijing has been pressing Nepal to tighten its borders with Tibet, which has led to a major decrease in the number of Tibetans able to flee to Nepal in recent years. China is also bolstering

trade with Nepal and pursuing road-building and hydropower projects.

India "Glancing" East

For its part, India is slowly building political and economic ties with the Association of Southeast Asian Nations (ASEAN) and the individual states of Southeast Asia, which generally welcome India's involvement as a balance to growing Chinese influence. India became a member of the East Asia Summit in December 2005 and signed a free trade deal with the ASEAN countries in 2009. India has also enhanced its naval profile in Southeast Asia, holding periodic joint exercises with Singapore, Thailand, Vietnam, and Indonesia.

Also with an eye on China, India has prioritized strengthening relations with Japan through increasing military contacts, maritime cooperation, and trade and investment ties. Tokyo has pledged \$4.5 billion in soft loans for the Delhi–Mumbai railway freight corridor, and the two sides inked a joint security declaration in 2008, calling their partnership “an essential pillar for the future architecture of the region.”²⁶ In 2007 and 2009, Japan participated in the Malabar naval exercises in the Indian Ocean. In a significant turnaround from its past tough stance toward India's nuclear program, Tokyo is currently negotiating a civil nuclear deal with New Delhi.²⁷

Contesting the Seas... Indo–Chinese strategic competition increasingly revolves around naval issues. India views with concern the Chinese military presence in and around the Indian Ocean and is carefully considering what it means for energy and sea-lane security. New Delhi is especially worried about Beijing's potential naval expansion, including the development of its first aircraft carrier.

India is steadily increasing its defense budgets and focusing particular attention on building up its

22. Selig S. Harrison, “China's Discreet Hold on Pakistan's Northern Borderlands,” *The New York Times*, August 26, 2010, at <http://www.nytimes.com/2010/08/27/opinion/27iht-edharrison.html> (July 14, 2011).

23. Aiyengar, “A Perspective on India–China Relations.”

24. Singh, “China and South Asia: A Historical Review,” p. 166.

25. Jyoti Thottam, “Nepal: Caught Between China and India,” *Time*, March 2, 2010, at <http://www.time.com/time/world/article/0,8599,1967859,00.html> (July 14, 2011).

26. David Brewster, “The India–Japan Security Relationship: An Enduring Security Partnership?” *Asian Security*, Vol. 6, No. 2 (2010), p. 95.

27. Rajeev Sharma, “Indo–Japan Ties Poised for Great Leap Forward,” *Eurasia Review*, August 18, 2010.

naval capabilities. In February, New Delhi unveiled its 2011 budget with an 11 percent increase for defense. India's rising defense budgets and growing navy have begun to concern Beijing, as China's energy lifeline that passes through the Indian Ocean side of the Malacca Strait will increasingly be vulnerable to India's naval presence.²⁸

India has the world's fifth-largest navy.²⁹ It already has one aircraft carrier and is striving to put into place three carriers by 2020 as part of its naval expansion and desire to project power throughout the Indian Ocean. Difficulties in defense procurement and deficiencies in its own shipbuilding sector, however, could stall India's progress in developing its naval capabilities.³⁰

India has also carefully cultivated ties with the countries of the Indian Ocean rim, including Mauritius, Maldives, Seychelles, and Madagascar, providing these countries with naval support, such as offshore naval patrol vessels and staff and training.³¹ In February 2008, India convened the Indian Ocean Naval Symposium, inviting participants from the littoral states to discuss maritime security. The United Arab Emirates hosted the second conference in May 2010.³²

India is pursuing better ties with Vietnam to try to check Chinese naval influence and access to the Indian Ocean.³³ New Delhi initiated a new security partnership with Hanoi in 2000 that emphasized defense training, supply of advanced weaponry, and the potential for India to gain access to the South China Sea through the Cam Ranh Bay naval and air base. Indian officials have long understood

the importance of Vietnam in the South China Sea and its potential to balance the Chinese naval presence in the Indian Ocean.³⁴ The Vietnamese have demurred on granting India access to Cam Ranh Bay, and the Vietnamese–Indian security partnership remains limited. Vietnam has supported India in its quest for a permanent seat on the United Nations Security Council and has helped to block Pakistan's bid for membership in the ASEAN Regional Forum.

China's growing dependence on maritime commerce to sustain its economy inevitably heightens its concern over Indian naval capabilities.

China, meanwhile, increasingly sees India as a maritime as well as a land threat. An assessment of the Indian military published by the PLA's National Defense University Press observes that, since the 1970s, India has increasingly shifted its strategic attention toward the Indian Ocean.³⁵ In the Chinese view, this shift began in the wake of the 1971 Indo–Pakistani War, with increased construction of naval bases and forces and a concomitant expansion of Indian strategic guiding thoughts (*zhanlue zhidao sixiang*) to the Indian Ocean,³⁶ and accelerated in the 1980s with the dispatch of Indian troops to Sri Lanka and the Maldives. While some of this naval effort is seen as being aimed at other states in the Indian Ocean region, especially Pakistan, the Chinese assessment also sees the

28. Cheng, "China's View of South Asia and the Indian Ocean."

29. Walter Ladwig, "India Sets Sail for Leadership," *The Wall Street Journal*, June 9, 2010, at http://online.wsj.com/article/NA_WSJ_PUB:SB10001424052748703302604575295773533377334.html (July 14, 2011).

30. Andrew C. Winner, "The United States, India, the Indian Ocean, and Maritime Elements of Security Cooperation," in Michael Kugelman, ed., *India's Contemporary Security Challenges* (Washington, D.C.: Woodrow Wilson International Center for Scholars, 2011), pp. 99–118, at http://www.wilsoncenter.org/topics/pubs/ASIA_100423_IndiaSecurityFINAL.pdf (July 24, 2011).

31. Vivek Raghuvanshi, "India to Boost Island Defense to Counter China" *Defense News*, February 8, 2010, at <http://www.defensenews.com/story.php?i=4490278> (July 14, 2011).

32. Winner, "The United States, India, the Indian Ocean, and Maritime Elements of Security Cooperation."

33. Brewster, "The India–Japan Security Relationship: An Enduring Security Partnership?"

34. *Ibid.*

35. Aijun, *Indian Military Research*.

36. *Ibid.*, p. 22.

Indian naval buildup as aimed at extra-regional military powers.

China's growing dependence on maritime commerce to sustain its economy inevitably heightens its concern over Indian naval capabilities. The Chinese assessment is that the Indian military has expanded its area of operations westward to the Persian Gulf and eastward to the Strait of Malacca, encompassing the key sea lanes of communications (SLOCs) that Chinese oil imports must transit.

As China modernizes its navy, there is some potential for the PLA to establish a greater presence in the Indian Ocean. India fears—a fear associated with China's port construction activities in Burma, Sri Lanka, Pakistan, and potentially Bangladesh—that these commercial ports might become naval ports of call. With China's acquisition of several new nuclear-powered attack submarines and additional diesel-electric submarines, and also the introduction of an aircraft carrier (the *Shi Lang*), the PLA navy may choose to establish a longer-term, sustained presence in the Indian Ocean, in part to help safeguard its SLOCs.

...and Space. India has given indications that it is developing a military space program to match China's expanding space capabilities. New Delhi has an advanced civilian space program and launches satellites for other countries, including Israel. Officials from the Indian Space Research Organization (ISRO) have announced their aim to use satellite-based communication and navigation systems for "security needs."³⁷ In 2010, the Indian Ministry of Defense unveiled plans for dedicated military satellites for all three of its defense services. Still, India's space budget is one-third of China's, which is publicly stated as about \$2.2 billion.

There are also reports that India has shown growing interest in an anti-satellite (ASAT) capability.³⁸

Media reports from March 2011 about India's ballistic missile defense (BMD) program provide indications that such a system might also have ASAT missions.³⁹

At this point, China's ability to exploit space significantly outpaces India's. China fields an array of satellite systems, including an indigenous satellite navigation system (the Beidou/Compass array); a variety of Earth-imaging satellites (e.g., the Ziyuan electro-optical system and the Yaogan system, which includes both electro-optical and synthetic aperture radar satellites); and a tested anti-satellite system. Not only do Chinese satellites provide a surveillance and reconnaissance capability against India, but they could also help target China's anti-ship ballistic missile system against Indian and American aircraft carriers.

Demographic Trends Feed Strategic Rivalry

India's population will surpass China's in about 15 years. While not a decisive factor in determining the overall power balance between the two Asian giants, this demographic trend will play a role in regional security dynamics.

The most striking difference in the Indian and Chinese demographic pictures over the coming decades is the onset of India's youth bulge at the same time that China finds its population gray-ing. U.S. Census Bureau analysts estimate that new entrants into China's labor force may be near its upper limits of 124 million as the population of Chinese aged 20 to 24 peaks this year. India's population of 20- to 24-year-olds, on the other hand, is not expected to peak until 2024 when it hits 116 million. While India's workforce will increase by 110 million over the next decade, China's will increase by less than 20 million, according to a Goldman Sachs study.⁴⁰

37. Uppidpan Mukherjee, "The Growing Space Rivalry Between China and India," OilPrice.com, January 17, 2011, at <http://oilprice.com/Geo-Politics/Asia/The-Growing-Space-Rivalry-Between-China-and-India.html> (July 14, 2011).

38. Peter J. Brown, "India Targets China's Satellites," *Asia Times*, January 22, 2010, at <http://theglobalrealm.com/2010/02/03/india-targets-chinas-satellites/> (July 14, 2011).

39. Michael Listner, "India's ABM Test: A Validated ASAT Capability or a Paper Tiger?" *The Space Review*, March 28, 2011, at <http://www.thespacereview.com/article/1807/1> (July 14, 2011).

40. Tushar Poddar and Pragyant Deb, "India's Rising Labour Force," Goldman Sachs *Global Economics Paper* No. 201, July 28, 2010, at <http://www.scribd.com/doc/35055286/GoldmanSachs-Global-Economics-Paper-20100728> (July 14, 2011).

This demographic dividend could fuel India's economy in ways that make it a peer competitor to China—in particular, pushing Indian growth rates ahead of China's.⁴¹ At present, the Chinese economy is vastly larger than India's. At more than \$4.7 trillion, China's GDP is four times India's; its GDP per capita, at about \$3,565, is three times India's; and China produces about 12 percent of the world's GDP while India produces about 5 percent.⁴² The Chinese also hold socioeconomic advantages over India that could play in Beijing's favor: Adult literacy in China stands at about 91 percent, compared to roughly 61 percent in India.

Trade Could Mitigate Other Competitive Interests

Trade and business ties between China and India have increased dramatically in the past decade. Bilateral trade has increased from around \$5 billion in 2002 to more than \$60 billion in 2010. During Premier Wen Jiabao's visit to India last December, the two sides highlighted their growing economic relationship by pledging to boost trade over the next five years to \$100 billion annually.

The rapidly expanding trade relationship between the two countries could help encourage a mutual interest in regional stability. While Beijing will almost certainly maintain close strategic ties to Pakistan, its growing economic stakes in India could motivate China to pay more attention to balancing its ties between India and Pakistan. On the other hand, some Indian analysts believe that China is pursuing a two-pronged strategy of lulling India into complacency with greater economic interaction while taking steps to encircle India and undermine its security.

What the U.S. Should Do

India must include the potential threat of conflict erupting over its disputed borders with China in its security planning and projections. While Pakistan presents the most immediate threat to India, Indian strategists increasingly view China as the most impor-

tant long-term security challenge. Long-standing China–Pakistan security ties are a continuing source of angst in New Delhi and reminder of a potential two-front war. While India seeks to avoid conflict with China, Indian military planners also assess that they need to develop sufficient capabilities to deter an increasingly powerful and assertive China.

The U.S. should pursue robust strategic and military engagement with India in order to encourage a stable balance of power in Asia that prevents China from dominating the region and surrounding seas. New Delhi—not unlike many other capitals in Asia—balks at the idea of being part of an American-led China “containment” strategy. Some Indian strategists even favor a go-slow approach to the U.S.–Indian partnership in order to avoid raising Chinese ire. But China's recent posturing on its border disputes with India leaves New Delhi few options other than to play all the strategic cards at its disposal, including deepening and expanding ties with the U.S. One must also calculate that Chinese alarms over “containment” may in part be a tactic to prevent closer Indian cooperation with nations in the Pacific, including the U.S.

The U.S. should pursue robust strategic and military engagement with India in order to encourage a stable balance of power in Asia that prevents China from dominating the region and surrounding seas.

The partnership between the U.S. and India will almost certainly never develop into an “alliance,” given India's core foreign policy goal of maintaining its “strategic autonomy.” But an elevated partnership that gives a nod to India's growing political, economic, and military strength would signal a solidarity that could help deter Chinese military aggression and temper China's ambitions to revise borders in its favor.

The U.S. and India share a broad strategic interest in setting limits on China's geopolitical horizons.

41. Tushar Dhara, “India to Top China as Fastest Growing Economy by 2015, Morgan Stanley Says,” Bloomberg, August 16, 2010, at <http://www.bloomberg.com/news/2010-08-16/india-to-top-china-as-fastest-growing-economy-by-2015-morgan-stanley-says.html> (July 14, 2011).

42. World Bank, “Indicators,” 2011, at <http://data.worldbank.org/indicator> (July 15, 2011).

They can work together to support mutually reinforcing goals without ever becoming “allies” in the traditional sense. To this end, the U.S. should:

- **Support India’s military modernization campaign, including its quest for increasingly sophisticated technologies related to its strategic weapons programs.** The U.S. advanced this goal earlier this year when it removed export controls on several Indian space and defense-related organizations. In January, the U.S. removed several subsidiaries of India’s Defense Research and Development Organization and the Indian Space Research Organization from the Department of Commerce’s “Entities List,” which bars the export of certain dual-use technologies.

During the 1990s, the U.S. had pressured India to modify its nuclear and missile posture and opposed the deployment of India’s short-range Prithvi missile and the development of its medium-range Agni missile. The U.S. must recognize India’s need to improve its strategic capabilities in order to address potential challenges from a rising China.

- **Develop new initiatives for keeping the Indian Ocean safe and secure.** India and the U.S. have participated together in informal low-level efforts to address piracy off the coast of Somalia and in the Gulf of Aden. However, India has not joined the U.S.-led Coalition Maritime Force with combined task force (CTF-151), which the U.S. established as a major multilateral counterpiracy effort. India has been more interested in coordinating with other countries on a bilateral basis to address piracy rather than joining multinational anti-piracy organizations. In 2008, India initiated the Indian Ocean Naval Symposium to discuss maritime security with the other littoral states but did not include the U.S. in the discussions.

The U.S. should continue to work with India on maritime security while also seeking to convince New Delhi of the merits of adding the U.S., the United Kingdom, and Australia to a forum like the Indian Ocean Naval Symposium. One of the main goals of the forum should be to agree to a code of conduct for naval vessels operating in

the region and to develop an action plan for dealing with violations of the agreed code.

Additionally, the U.S. should consider engaging the Indian navy in such areas as anti-submarine warfare training and ocean surveillance capabilities. Improvements in these areas would help to reassure India, especially in the event of a growing PLA naval presence.

- **Remain engaged with the smaller South Asian states and fully exercise its observer role in the South Asian Association of Regional Cooperation (SAARC).** The U.S. needs to remain focused on its relations with Nepal, Sri Lanka, and Bangladesh so that these nations do not perceive China as the main economic and political game in town. India is clearly the dominant power in South Asia, but China is making new inroads with these countries that could come at the expense of stability and democratic trends in the region. The U.S. should participate fully in SAARC gatherings and ensure that its presence and influence are felt throughout the region.
- **Increase cooperation with India to address cyber security threats.** In December 2009, more than 200 computers belonging to top-ranking Indian government officials, including three service chiefs and former National Security Advisor M.K. Narayanan, were compromised in a hacking operation that originated in China.⁴³ The U.S. and India have been slow to seize opportunities for cooperating on cyber security issues. The two sides should explore joint efforts to monitor foreign investments in critical Internet technologies and telecommunications in order to establish a means of sharing pertinent cyber threat and vulnerability information to enhance the mutual security of their networks.
- **Keep strategic messaging in the region consistent.** The Administration faltered in 2009 when it promoted U.S.–China “cooperation” in South Asia as part of the U.S.–China Joint Statement. South Asia constitutes India’s immediate neighborhood, and America’s interests in the region are far more aligned with India than they are with China. Stabilizing Afghanistan and ensuring that

43. Katoch, “*Ban-i-Duniah* (Roof of the World): A Future Conflict Scenario,” p. 153.

it never again becomes a safe haven for international terrorists is one example of the convergence of U.S.–Indian strategic interests in the region. If the U.S. is to forge a lasting partnership with India, it must start by recognizing India's predominant interests in South Asia, even as it promotes peace, stability, and economic progress throughout the Subcontinent.

Conclusion

Sino–Indian tension, particularly over unresolved border issues and naval competition in the Indian Ocean, will persist in the years ahead and could even precipitate armed conflict, although this remains a relatively remote possibility. The U.S. must seek to build closer strategic and defense ties

with India, both to help maintain a peaceful equilibrium in the region and to help deter any potential aggressive action by China.

India's decision to forgo American planes to fulfill its fighter aircraft needs has added a dose of realism to Indo–U.S. relations. Nevertheless, the complex challenge presented by a rising China will inevitably drive the U.S. and India to elevate ties and increase cooperation across a broad range of sectors in years to come. There is a great deal the U.S. can do, carefully and deliberately, to facilitate this natural confluence of strategic interests.

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