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China and India: Rivals or Partners?
**An Analysis of the Background of the Interactions between the
two Major Emerging Asian Powers**

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ABSTRACT: It is still unpredictable whether China's and India's paths will lead them to interacting as rivals or partners. This paper focuses on the evolution of the relationship between China and India in the Asian region. Drawing on the theoretical tradition of regionalism and deepening this framework considering the impacts of interdependency, hegemonic stability theory and equilibrium theory on it, the paper presents a model through which the dyadic evolution of the relationship and its possible influence on East Asia might be interpreted. It is suggested that both paradigms might be useful for interpreting how China and India will develop in the Asian scenario. Starting from the importance of the positions both countries have acquired within the region, it explores the potential for these two countries to play a leading role in Asia. The aim of the paper is to discover if a struggle for regional influence can be identified in Asia with respect to China and India. In addition, the analysis considers how the dynamics between the two states might affect the region and its current equilibrium. This paper concludes by asserting that despite conflicting interests and competitive interactions frameworks currently characterize the region, a collaborative but still delicate scenario in which both China and India play a leading but concerted role is more likely to happen.

Introduction

It is still unpredictable whether China's and India's paths will lead them to interacting as rivals or partners. They are the two most populated countries in the world, they are both experiencing an exponential economic growth and they are both expanding and strengthening their national interests within and outside the Asian region.

This paper focuses on the evolution of the relationship between China and India in Asia. Starting from the importance of the positions both countries have acquired within the region, it explores how one of these two countries (or both of them together) could play a leading role in it. The aim of the paper is to discover if a struggle for regional influence can be identified in Asia with respect to China and India. In addition, the analysis considers how the dynamics between the two states might affect the region and its current equilibrium.

Drawing on the theoretical traditions of interdependency and hegemonic stability theory, this paper starts by presenting a model through which the dyadic evolution of the relationship and its possible influence on East Asia may be interpreted. It is suggested that both paradigms might be useful for interpreting how China and India relationship will develop within the Asian scenario.

Through the analysis of the history of the two countries since the end of the Second World War, the paper deepens the background and interests of cooperation and the underlying causes for the rivalry between China and India. This comparative analysis is extended to the contemporary period, so as to understand how the most recent events have impacted on the two countries' bilateral and regional relations. Further, the impact of two limiting actors – Pakistan and the United States – is considered. This paper concludes by asserting that despite conflicting interests and competitive interactions frameworks currently characterize the region, a collaborative scenario in which both China and India play a leading but concerted role is more likely to happen.

Interdependence or Hegemony

The end of the Cold War marks the collapse of the bipolar system. The downfall of the Soviet Union was correlated to the progressive emergence of new countries that succeeded in transforming the global equilibrium in a multipolar system even if they were unable to act as counterweight to the United States as the Soviet Union was able to do in a bipolar world.

Asia can be considered as a typical example of multipolarity, as several countries competing for power and influence can be identified within the region. Indeed, this paper focuses on a scenario composed of four interacting countries with different and overlapping interests. On the one hand, there is the United States, the supposed hegemonic power of the world, which is not in the region but has significant interests and a steady presence there. On the other hand, there is China, apparently the most important country in Asia. India, an emerging power whose influence might become more and more significant for Asia in general and for China in particular; and Pakistan, a country linked in a variety of ways to all the aforementioned States.

Such a situation can be interpreted in different ways according to the theories of interdependence on the one hand and the paradigm of hegemonic stability on the other.

The neorealist Kenneth Waltz first raised the issue of multipolarity in "Theory of International Politics" (1979)¹. Waltz presented the multipolar system as a much more unstable system than the bipolar one. Waltz suggested that even if a bipolar system is characterized by stiff alliances, it is due to these types of coalitions that it can respond flexibly to different situations. In contrast, a multipolar system has flexible alliances and, as a consequence, its response parameters are more rigid. Therefore, a multipolar system is unstable as it is formed by interdependent countries, whose principal aim is avoiding losing any of their allies as any realignment can have devastating consequences. Following Waltz's lines it might appear consistent to conclude that in Asia it is difficult to set

¹ Waltz, Kenneth, *Theory of international politics*, Addison-Wesley Pub. Co., New York, 1979.

up a balanced and collaborative system among States and that their relations are more instable than they might appear.

An alternative interpretation comes from the liberal version of international political economy, and it is based on the idea of harmony of interests at the economic level. The aim of economic activity is described as the maximization of collective wealth; however, as John Stuart Mill already pointed out in “Principles of Political Economy” (1948), the harmony of interests at the economic level is effective only if there is a symmetrical interdependence among States, but as economic power is not equally distributed among them, this harmony is difficult to be built².

Considering the Asian scenario, it is evident that power is unequally distributed among countries. Therefore, it might be consistent to assume that free trade in the area will not be able to set up a context of harmony of interests where every country can improve its own wealth and contribute at the same time to the collective wealth.

In order to address these criticisms, Robert Keohane and Joseph Nye in “Power and Interdependence” argued that contemporary international politics is a mosaic, composed of different issue areas each of which is characterized by diversified interdependent relations³. As it is difficult to coordinate all these distinct interactions, relations among different issue areas have to be led through institutions and regimes⁴. Within them, countries can opt for coordinating their behaviors as cooperation becomes necessary. Indeed, thanks to institutions and regimes there are rules and regulations accepted and abided by every country as they are sure that the same rules are acknowledge and kept by everybody.

According to the interdependence theorists, the relatively recent development of several international institutions in Asia, such as APEC, ASEAN, SCO, SAARC and ARF, can be interpreted as a consciousness raising from

² Mill, John Stuart, *Principles of Political Economy*, Batoche, Kitchener, 2001. Originally published: 1848.

³ Keohane, Robert and Joseph Nye, *Power and Interdependence*, HarperCollins, New York, 1989. Originally published: 1977.

⁴ Regimes are identified as sectorial institutions.

Asian countries of the benefits they can experience deciding to coordinate their behaviors with the help of a suprapstate body⁵. Within these institution Asian and non-Asian countries are currently demonstrating that it is possible to achieve agreements and compromises on several issues and, as a consequence, deepen integration and interrelation among them in a peaceful and consensus based way.

The neorealists contrasted this picture with the hegemonic stability theory. This theory gains more influence in the Asian scenario as the four countries this paper is taking into consideration, China, India, Pakistan and the United States, are playing a careful role within these institutions. First outlined by Charles Kindleberger in “The World in Depression, 1929-39” (1973), who identified the reasons of the depression of the ‘30s in the lack of a stabilizing power, such as a leader state burdening the recession costs, this theory was expanded upon by Robert Gilpin in “War and Change in World Politics” (1981)⁶.

Gilpin argued that the international system can be in balance only when no state considers convenient changing it⁷. Usually, the balance is guaranteed by the strongest country. However, the costs for maintaining the *status quo* can be very high, and sometimes they can become even higher than what the strongest country can effectively stand. In such a condition, if the equilibrium is not immediately and effectively restored, a hegemonic war can occur, ending in a

⁵ The Asia-Pacific Economic Cooperation (APEC) is a group of 21 countries founded in 1989 whose purpose is improving economic and political ties. Among its members there are Japan, Republic of Korea, the United States, Russia and China. The Association of Southeast Asian Nations (ASEAN) is a political and economic organization of countries located in Southeast Asia born in 1967. The Shanghai Cooperation Organization (SCO) is an intergovernmental organization formed in 2001. Among its members we find China and Russia, but India, Pakistan and Iran are observer countries. The South Asian Association for Regional Cooperation (SAARC) is an economic and political organization founded in 1985 by the eight countries of Southern Asia. Among its members there are India and Pakistan, but China, the European Union, Japan, Republic of Korea and the United States are observer nations. The ASEAN Regional Forum (ARF) is an informal multilateral dialogue of 25 members that seeks to address security issues in the Asia-Pacific region. Its first meeting has been held in 1994. Among its members there are the ASEAN countries, China, European Union, India, Japan, Pakistan, Russia and the United States.

⁶ The idea of Kindleberger was that the attitude of countries of following national aims in an uncoordinated way brought all of them toward a suboptimal result: recession. Kindleberger, Charles, *The World in Depression, 1929-39*, University of California Press, Berkeley, 1975.

⁷ Gilpin, Robert, *War and Change in World Politics*, Cambridge University Press, New York, 1981.

new balance. Gilpin identified a set of three factors that can foreshadow a potential hegemonic war: a differential growth of power between countries, environmental variables (economic and technologic factors or transportations differences), and divergent internal variables⁸. Any change in the balance of these factors can disturb or even smash the existing order; therefore a hegemonic war can break up ending with a new hegemon assuming the control of the new *status quo*.

The theory of hegemonic stability has been frequently criticized as it indissolubly links war and change. However, it can be affirmed that the Asian region might fit such a model, as the three conditions Gilpin identifies as signs of a potential hegemonic war are clearly recognizable within the region. Nevertheless, it is legitimate to argue that it is difficult to clearly identify the current hegemon in Asia and its potential challenger and that, notwithstanding potential disturbing conditions, even Asian countries in our time might reckon the costs of a hegemonic war too high and opt for changing the equilibrium without a war.

Once again, neoliberals rebut to this foreshadow with their institutionalist approach. In "After Hegemony" (1984) Robert Keohane theorizes how countries can cooperate without a hegemon⁹. Unlike liberals, Keohane does not speak about harmony but about cooperation. From his point of view, the stabilizing role has to be played by institutions or regimes. Making another step forward from the assumptions of the theory of interdependence, Keohane underlines that countries have both common and contrasting interests. Institutions and regimes, instead, are able to create and spread information, and information can help single countries in structuring more reliable expectations on other countries' choices, interests and behaviors. Furthermore, institutions are able to create rules and decrease transaction costs. Within this pattern, cooperation can succeed as on the one hand it can be based on interests that are tangible and

⁸ In Gilpin's view, the strongest impulse comes from domestic pressures.

⁹ Keohane, Robert, *After Hegemony: cooperation and discord in the world political economy*, Princeton University Press, Princeton, 1984.

recognizable by partners, while on the other hand collective bargaining within the institution is usually convenient for each player.

Trying to fit this model to the Asian region, cooperation can be considered appropriate and profitable for every country as it might create a win-win situation. Indeed, Keohane recognizes that usually at the beginning regimes reflect power distribution among states, but afterwards cooperation patterns can be interiorized and as a consequence work properly even without a hegemon. At the same time, Keohane acknowledges that states are “rational egoists”: rational because they always consider the costs and benefits balance before taking any decision, and egoists as even when pushed to cooperate they decide whether they want to collaborate or not according to their national interests. Nevertheless, as it has been previously explained, thanks to the help of institutions in spreading information, the cooperation option has more opportunities of being successful.

As clues for both interdependence and hegemonic stability theory variables can be identified in the Asian region, both perspectives are able to offer two different explanatory frameworks for interpreting the evolution of bilateral and multilateral relations within the region. Following the interdependence paradigm, it is possible to predict that despite their diverging interests China and India might pay more attention to stress the advantages of cooperation among themselves within and outside the region. On the contrary, the hegemonic stability paradigm can depict an unbalanced scenario where China and India might build up a competitive relationship oriented at strongly and deeply influencing the region as a whole. The following analysis is intended to show which one can be the more likely framework in which Asian countries are going to interact.

Bilateral Relations: Historical

China and India are two of the world's oldest continuous civilisations. In premodern times there were much closer ties between them. Buddhism, for example, entered China from India, while India was one of the key stopover

points on Ming Admiral Zheng He's voyages. They have both also had a significant influence in the surrounding regions, especially Central Asia and Southeast Asia. More recently, both have undergone similar experiences in the 18th and 19th centuries relating to the influence of Western colonial powers and colonial trading regimes.

In the post World War II period, India was among the first countries that chose to recognise the People's Republic of China, with which India established diplomatic relations on 1 April, 1950. After recognition both countries started exchanging high-level visits, as Premier Zhou Enlai went to India in June 1954 and Prime Minister Jawaharlal Nehru visited China in October of the same year.

Both countries were early supporters of the Non-Aligned Movement of developing states. In 1955 China attended the important Bandung conference at the invitation of India. Indeed, China's Five Principles of Peaceful Co-existence grew out of not only domestic policy making but also the processes and ideas surrounding Bandung. During this early period, the Sino-Indian relationship was frequently summarized by the expression "China-India Bhai Bhai" (China and India are brothers), reflecting the depth of their shared cultural and intellectual history.

Nevertheless, China and India also shared a longstanding rivalry tradition. As far as their bilateral relations are concerned, from the late 50s to the 1970s, China-India relations were very strained. These problems stemmed from two new developments in the bilateral relationships: Chinese "liberation" of Tibet, and the border dispute. In addition, the improved ties between China and Pakistan and the increased influence of the US between China and India also provided cause for discontent.

Since the time of the British Empire, the Tibetan plateau had provided a vital buffer zone between China and India. However, in 1950 China decided to "liberate" Tibet. This *de facto* takeover has never been accepted by the

Tibetans¹⁰. China considered the annexation of Tibet as the final stage in its unification. When Tibetans started demonstrating and demanding the end of Chinese rule, Chinese troops were sent to stop the revolt and thousands of protesters were killed. In 1959, fearing arrest by the Chinese authorities, the Dalai Lama fled to India where he was offered asylum. This asylum continues to be a cause of tension between China and India¹¹.

The “liberation of Tibet” also worsened the border dispute, as the removal of Tibet as a buffer zone made China and India direct neighbours. The main disputed border areas were and remain the Askai Chin plateau in the West and the so-called McMahon Line in the East, the line drawn by the British in 1914¹². In the West, India disputed China’s occupation of the Askai Chin Plateau, which was critical to China’s control of Tibet. In the East, China challenged the legitimacy of the McMahon Line because the Chinese government never accepted the authenticity of the British deal.

China adopted the position that its boundary with India had never been formally delineated, therefore it called for negotiation and compromise on the basis of traditional customary lines. India, however, argued that the boundary was well defined on both “natural-historical” (in the West) and juridical grounds (in the East), and it refused further negotiations for the border¹³. This disagreement over the border led to a short war in 1962, when India suffered a humiliating defeat. In 1964, only two years after the conflict, China became a

¹⁰ Actually, even if the agreement of May 1951 accepted by the Tibetan spiritual leader, the Dalai Lama, formally guaranteed that nothing would be changed in Tibetans political, cultural and religious institutions, China failed to abide by the agreement and it considered the annexation of Tibet the final stage in its unification. Graver, John, *Protracted Contest. Sino-Indian rivalry in the twentieth century*, University of Washington Press, Washington, 2001, pp. 32-78.

¹¹ Sidhu, Waheguru Pal Singh and Jing-dong Yuan, *China and India. Cooperation or conflict?*, Lynne Rienner Publisher, Inc., Boulder, 2003, pp. 9-21.

¹² The McMahon Line is the line drawn on a map attached to the Simla Convention, the treaty concluded between Great Britain and Tibet in 1914. This line goes along the crest of the Himalayas for 550 miles from Bhutan at East, to the great bend of the Brahmaputra River at West.

¹³ Graver, John, *Protracted Contest. Sino-Indian rivalry in the twentieth century*, University of Washington Press, Washington, 2001, pp. 32-78, and Sidhu, Waheguru Pal Singh and Jing-dong Yuan, *China and India. Cooperation or conflict?*, Lynne Rienner Publisher, Inc., Boulder, 2003, pp. 9-21.

nuclear power, condition that alarmed India and further fuelled the distrust between the two countries. The different relations during the Cold War were further exacerbated by Sino-Soviet antagonism and ongoing Indo-Pakistani confrontations.

Bilateral Relations: Contemporary

At the end of the Cold War the geopolitical scenario changed completely. India and China have been able to rethink their bilateral relationship. From 1988 to 1998 there was a noticeable improvement in China-India relations. In December 1988, Indian Prime Minister Rajiv Gandhi visited China. This was the first visit by an Indian Prime Minister in 34 years¹⁴. Even the negotiations over the border dispute seemed to start a new era of slowly but potential peaceful confrontation and improvement.

However, May 1998 signed a new setback, as India declared her willingness to conduct five nuclear tests, the Pokhran II tests. In a letter to the then US President Clinton, Indian Prime Minister A.B. Vajpayee explicitly linked the nuclear tests to a perceived nuclear threat from China. China considered this declaration as a betrayal of the spirit underpinning the recent improvements in relations between the two countries¹⁵. Nevertheless, while China formally protested, it decided not to take any real countermeasure against India and surprisingly bilateral relations were quickly brought back on track in 1999 to the purpose of confidence building¹⁶.

This approach might be also linked to the position the US assumed in the region. While Indo-U.S. relations were strained throughout the Cold War, when New Delhi was a key member of the non-aligned movement, around 1998 an

¹⁴ The previous visit had been the one of Prime Minister Jawaharlal Nehru in October 1954.

¹⁵ Graver, John, *Protracted Contest. Sino-Indian rivalry in the twentieth century*, University of Washington Press, Washington, 2001, pp. 32-78.

¹⁶ Lei Guang, "From National Identity to National Security: China's Changing Responses toward India in 1962 and 1998", *The Pacific Review*, (Vol.17, No.3, 2004), pp. 399-422 and Sidhu, Waheguru Pal Singh and Jing-dong Yuan, *China and India. Cooperation or conflict?*, Lynne Rienner Publisher, Inc., Boulder, 2003, pp. 9-21.

emerging India-US relationship was clearly recognizable, leading the Chinese leadership to consider potentially dangerous to further stretch tensions with India. Actually, this dynamic is still important, as the better the India-US relationship is, the stronger India-China relationship China wants to build, and current events like Hu Jintao's visit to India keep on confirming it¹⁷.

In line with the restored habit of exchanging high-level visits, Prime Minister Vajpayee visited China in June 2003. This visit was very important for the Chinese leadership as Vajpayee had been the Prime Minister who decided in the 90s "to go nuclear", and who announced the Chinese threat as a justification of his decision.

This visit can be outlined as a success for several reasons. First, negotiations on the border dispute were speeded up. Second, in this occasion India officially recognised China's sovereignty over Tibet. Third, both countries expressed their willingness of starting a military cooperation and by November 2003 defence cooperation had already been enhanced, as joined naval exercises were staged.

This high-level visits process made another breakthrough in April 2005, when the Chinese Premier Wen Jiabao visited India. During this visit, the Strategic Partnership for Peace and Prosperity was signed, whose statement affirmed that China and India were entering a new stage of development. Such a partnership was intended to be

based on the principles of *Panchsheel* (peaceful coexistence), mutual respect and sensitivity for each other's concerns and aspirations, and equality; [provide] a sound framework for an all around and comprehensive development of bilateral relations based on mutual and equal security, development and prosperity of the two peoples; and

¹⁷ "China, India sign wide-ranging joint declaration", *Xinhua Economic News Service*, 22 November 2006, and Joint Declaration by the Republic of India and the People's Republic of China, 21 November 2006. <<http://www.mea.gov.in/declarestatement/2006/11/21jd01.htm>>. Accessed: 8 December 2006.

[contribute] to jointly addressing global challenges and threats¹⁸.

Both parties also showed a willingness to settle the border dispute. In appreciation of Indian recognition of Chinese sovereignty over Tibet, China officially recognised the one of India over Sikkim. Since May 1975, when India abolished the monarchy, Sikkim (a region nestled in the Himalayas, on the Eastern border) officially became the 22nd state of the Indian Union. As the Chinese also claimed their sovereignty over the state, they never recognized Sikkim as being a part of India¹⁹. The deal recognition of the sovereignty issue over Tibet and Sikkim can be interpreted as intending to show the willingness of both parties to improve and enhance trust and cooperation between themselves²⁰.

The strength of the political relationship between the two countries is still developing, as the November 2006 visit of Chinese President Hu Jintao in India clearly demonstrates²¹. This is simply the most senior in a series of visits and exchanges that have been organized in 2006, designated as the year of Chinese-Indian Friendship²². Improvements in China-India relations have been possible thanks to their strengthened economic development and bilateral trade ties. They are two strong economic powers: China growth rate was 9.5 in 2004, 9.9% in 2005, and 11.1 in 2006, while the Indian one was, respectively, 6%, 8%, and 7%. Moreover, if we consider that these two countries have developed a

¹⁸ "China, India to build strategic partnership", *People's Daily Online*, 12 April 2005 and John Lancaster, "India, China Hoping to 'Reshape the World Order' Together", *Washington Post Foreign Service*, 12 April 2005.

¹⁹ During Wen Jabao's visit in India, an official map clearly showing Sikkim as part of the Republic of India was issued.

²⁰ This visit can be interpreted as a strong confirmation of the willingness of both countries to let negotiations go ahead even after the change of political leadership in India during the April-May 2004 legislative elections. Indeed, during these elections the ruling (Baratiya Janata) Party (BJP), literally Indian People's Party, lost its majority in favor of the Indian National Congress (INC), and Manmohan Singh took control of the new Government. Sidhu, Waheguru Pal Singh and Jingdong Yuan, *China and India. Cooperation or conflict?*, Lynne Rienner Publisher, Inc., Boulder, 2003, pp. 9-21.

²¹ This visit was in a series of four official visits that brought Chinese President Hu Jintao in Vietnam, Laos, India and Pakistan.

²² 2006 has been widely covered by series of senior ministerial visits and discussions to hold parliamentary exchanges and to develop strategic cooperation between China and India.

robust two-way trade in recent years, whose growth rate averaged 32% per year and whose amount was, as of 2006, US\$25 billion, their economic power becomes even more apparent.

For India the necessity of enhancing the bilateral trading relationship appears crucial. China is now India's second largest trade partner and some experts have predicted that China could even overtake the US as India's first trade partner in the near future²³. Bilateral trade is expanding very fast, from US\$200 million in 1991, to US\$2 billion in 1999, to US\$18 billion in 2005, and US\$ 25 billion in 2006²⁴. Further, during Hu Jintao's visit China and India agreed to raise the annual volume of their bilateral trade to US\$40 billion by 2010²⁵.

Moreover, Sino-Indian commercial relationship cannot be considered a balanced one. Indeed, while half of the exports from India to China consist of primary products, Chinese exports to India are much more diverse with high value-added products predominant. Consequently, from a commercial point of view, it seems that India is much more dependent on China. Further, "China has a literacy rate of 95%, compared to India's 68%. India's bilateral exports of manufactured goods in the financial year ending March 2006 were \$71 billion, compared to \$713 billion for China"²⁶. Despite that, during Hu Jintao's November 2006 visit China showed a strong commitment in helping Indian development. Of the 13 accords signed during the visit most are designed to allow for high level cooperation in key areas of India's commercial and technological development, such as: the Agreement for Promotion and Protection of Investments, that provides a framework for bilateral investment flows between the two countries;

²³ Singh, Brartendu Kumar, "Sino-Indian Relations, Recent Developments", *IPCS Special Report*, (No. 18, May 2006), Institute of Peace and Conflict Studies, New Delhi.

²⁴ The Nathu La Pass border is a clear example of how fast trade can grow between the two countries. This pass was only reopened in July this year after being closed for 44 years (after the 1962 war). In its first 51 days this new trade route – which is located deep in the Himalayas – generated nearly 2 million dollars of new trade. This is a poor area, one that is sparsely populated and one where trade can only take place in the non-winter months, but still there is the potential for economic growth and development. "China, India to reopen border trade at Tibetan mountain", *Global News Wire-Asia Africa Intelligence Wire*, 19 June 2006 and "China, India witness growth of robust two-way trade", *Business Daily Update*, 11 July 2006.

²⁵ "China, India sign wide-ranging joint declaration", *Xinhua Economic News Service*, 22 November 2006.

²⁶ "China seeks improved India ties", *BBC News*, 21 November 2006.

the Agreement on Cooperation in Inspection of Iron Ore; the protocol for streamlining rice export from India; and the partnership in Science and Technology. In addition, as most of trade between China and India has taken place via sea routes, both countries have stressed the necessity of building new land routes between them in order to enhance transport and trade networks.

With this evolution in mind it might appear evident that China and India are experiencing and consolidating a trend of mutual trust and respect and a high level and broadening cooperation. Nevertheless, a deeper and multilevel analysis might reveal that the consideration of the usefulness and the importance of a wider and deeper economic integration describe only one side of the coin. On the other side, an enduring, not to say growing, competition between the two giants to affirm their presence (from an economic, political and military point of view) in the crucial Asia-Pacific theatre and in the developing world is clearly recognizable.

China and India in Asia

In considering the role of China and India in Asia it is important to note that they are both among the most influential states and have a range of overlapping and divergent interests in Southeast Asia, Central and West Asia. If China and India have similar economic and trade concerns, their strategic view of the region is different.

In Southeast Asia China and India have both overlapping and conflicting interests. Between the two, China is the state with stronger and more deepened links with the Association of Southeast Asian Nations (ASEAN), which is a political and economic organization of countries located in Southeast Asia born in 1967. In 1997, ASEAN launched the ASEAN+3 meetings in order to engage China and at the same time balancing its power involving Japan and South Korea. The ASEAN+3 initiative might be interpreted as a tentative model of cooperation in a regional framework. However, there have also been suggestions for enlarging it to ASEAN+4 (ASEAN+3 + India), or even ASEAN+3+3 (ASEAN+3

+ India, New Zealand and Australia). Following the regionalization path, the ASEAN Regional Forum (ARF) was established in 1994 in order to draw China into the regional security processes. ARF is an informal multilateral organization in which its 25 members (among which the ASEAN countries, China, European Union, India, Japan, Pakistan, Russia and the United States) seek to address security issues in the Asia-Pacific region. Finally, a new forum was created in 2005: the East Asian Summit. Strongly pushed by China and Malaysia, this forum is supposed to be held annually by the leaders of 16 states, the ASEAN+3+3 countries. Even if it is still uncertain how the EAS will develop in the near future, it evidently offers more room for developing and strengthening cooperation in the Asian region.

Within this intricate framework the ASEAN-China relation is the most important one. Indeed, bilateral trade between China and ASEAN is growing very fast, pushed by the Agreement on ASEAN-China Comprehensive Economic Cooperation signed in 2002, under which a free trade zone should be completed in 2010²⁷. The ASEAN-India relation cannot be ranked as important as the ASEAN-China one as India is less integrated in the ASEAN framework and as its growth is less intense and widespread as the Chinese one. Moreover, Chinese communities also play a bigger role than Indian ones in ASEAN countries. Even if India is important, it is a big growing country and, as a consequence, has potential expanding market and room for rewarding investments, its relations with ASEAN need time to be improved. For example, the India-ASEAN Free Trade Agreement scheduled for 2007 might fail to materialize because of rules of origins and quota problems.

China and India have conflicting interests in ASEAN countries. Thailand has always maintained a strong relationship with India and today it is one of the most committed countries in pushing New Delhi to deepen and intensify its links within ASEAN. India is strengthening its ties with Myanmar expanding cooperation in the energy and trade sector in order to prevent Yangon from falling

²⁷ “Backgrounder: China-ASEAN Free Trade Area”, *Xinhua General News Service*, 27 October 2006.

completely under Beijing's influence. Finally, attempting to rebalancing Chinese influence in the area, India is increasing its commercial relations with Malaysia and Singapore, with which there is the perspective of creating some "Singapore-India special economic zones"²⁸.

In Central and West Asia, the relationship between China and India is quite similar in terms of both overlapping and differing interests. This area is strategically important above all for its energy resources. Therefore, this is a context in which China and India can further deepen their cooperation in the area of energy security. Actually, both countries are already cooperating within the Shanghai Cooperation Organization (SCO), which is an intergovernmental organization formed in 2001 by China, Russia and Central Asian countries, while India, Pakistan and Iran have recently been admitted as observer countries. Born as Shanghai Five group in 2001 with the aim of settling the border dispute, the SCO is now committed to strengthen economic, cultural and security cooperation.

Both China and India are trying to expand their links to West Asia, largely driven by those regions energy suppliers. Both countries are heavily reliant on imported oil from the Persian Gulf through the Indian Ocean. India is signing agreements with the Persian Gulf states, while China is developing oil holdings in Iran²⁹. From a strategic perspective, the war on terror and the Iraqi conflict have further complicated the scenario. China is more concerned than India over a potential permanent US presence in the region. Further, as India has a more balanced relationship with the United States than China, the links between the US and Pakistan on the war on terror might appear as hindrances to Chinese efforts to expand its influence within this area.

Finally, India has always seen itself as the pre-eminent power in the South Asia subregion, and it is unwilling to acknowledge that China might also have an

²⁸ Seema Gaur, "Framework Agreement on Comprehensive Economic Co-operation Between India and Asean. First Step Towards Economic Integration", *ASEAN Economic Bulletin*, December 2003, pp. 283-291.

²⁹ As regards energy resources, both countries are increasing their presence in Africa, where China is already a step forward.

interest in South Asia and in the Indian Ocean, while China is actually strengthening more and more its presence in this part of the region. China is watchful of India's growing profile in Central and East Asia, even if officially both countries welcomed Beijing's association with the South Asian Association for Regional Cooperation (SAARC) as an observer³⁰.

According to these assumptions, it is reasonable to think that Indian and Chinese regional ambitions might create a potential for tension³¹. Moreover, there remain a number of limiting factors on both countries' quest for regional influence. Bilaterally, the issue of Pakistan and the unresolved dispute over the Kashmir region poses a challenge to both China and India's ability to aspire to deeper ties. Regionally, the evolving political-strategic presence of the US in Asia and the importance of the US markets to China and India – as well as all the other countries in the region – acts as a check on both countries ambitions.

Still, the number of for a where the two countries sit together is becoming more and more important, and delegations participating in such meetings usually offer a chance to discuss also bilaterally.

The Problem of Pakistan

Since the British partition of the Indian subcontinent in 1947, Pakistan represents India's long-lasting enemy. Even though the two countries share much of their common history and culture, the diplomatic relations between them are defined by numerous military conflicts and territorial disputes over the state of Jammu and Kashmir.

As far as China is concerned, Pakistan represents a problematic but at the

³⁰ SAARC is an economic and political organization founded in 1985 by the eight countries of Southern Asia. Among its members there are India and Pakistan, but China, the European Union, Japan, Republic of Korea and the United States are observer nations. Beijing gained the observer status to the South Asian Association for Regional Cooperation during the Dhaka Summit in November 2005. "SAARC invites observers to 14th summit", *Xinhua General News Service*, 2 August 2006.

³¹ Mohan Malik, "Delhi and Beijing tread warily", *Asia Times online*, 14 February 2006.

same time useful friend³². Prior to the terrorist attacks on September 11th 2001, Pakistan was a supporter of radical Islam, including Islamic terrorism, and China was worried that the Pakistan-based Islamist groups may have had links with separatist movements in Xinjiang³³.

Additionally, Pakistan is involved in nuclear proliferation. Among the 1970s and the 1990s, China secretly helped Pakistan to build its nuclear arsenal and its missile capabilities, allowing Pakistan to become a nuclear weapon state (NWS) in 1998³⁴. Even if it is contended that Pakistan began its nuclear development programs in response to India's nuclear device, there is an evident clue that supports this position: it is in 1998, and to be precise just a few days after India conducted its own nuclear tests, that Pakistan accomplished its first nuclear tests at the Chagai Hills, in the north of the Pakistani Province of Beluchistan³⁵.

It is evident that Pakistan's track-record in supporting Islamic terrorism and proliferation does not fit with China's new diplomacy, which is premised on presenting itself as a responsible power. Moreover, the fact that because of Pakistani proliferation China has now two new nuclear weapon states in its neighbourhood cannot be underestimated.

Nevertheless, it is reasonable to think that China will not give up its friendship with Pakistan. As the future scenario of the area is still unpredictable,

³² All along their history, India and Pakistan faced three major wars: in 1947-48; in 1965; and in 1971. Moreover, they passed through two very big crises in 1992 and 2002. Rivalry between the two countries is evident since the beginning of their independence, as while Pakistan was born as a religious Muslim nation, India born as a secular nation with a Hindu religious majority. Their border is drawn by an International Border and a Line of Control in the region of Kashmir, and all the major disputes between the two countries are related to this region. Kashmir is divided in an Indian-administrated Kashmir, a Pakistan-administrated Kashmir and a Chinese-controlled Kashmir. While India controls approximately 45.5% of the disputed territory (the Jammu and Kashmir region, in the South), Pakistan controls both the Azad Kashmir, in the West, and the Northern Areas. Finally, the areas under Chinese control are the Aksai Chin, in the East, and the Trans-Karakoram Tract, which is the North-Eastern part of the Northern Areas that Pakistan ceded to China in 1963.

³³ Graver, John, *Protracted Contest. Sino-Indian rivalry in the twentieth century*, University of Washington Press, Washington, 2001, pp. 216-242.

³⁴ Sidhu, Waheguru Pal Singh and Jing-dong Yuan, *China and India. Cooperation or conflict?*, Lynne Rienner Publisher, Inc., Boulder, 2003, pp. 9-21.

³⁵ Pakistani control of nuclear weapons is troublesome not only because, like India, Pakistan is not a member of the Nuclear Non-Proliferation Treaty, but also because it transferred nuclear technology to other countries, including Iran.

the potential role of Pakistan as a valuable partner cannot be underestimated. Pakistan, indeed, might play the role of counter-weight against India, it remains the Chinese gateway to the Islamic world, and it maintains a critical geopolitical position at the crossroads of Central Asia, Western Asia and South Asia. Moreover, from an economic point of view, China is a leading investor in Pakistan and it is also its major weapons supplier.

Consistently with this turn of mind, during Premier Wen Jiabao visit to Pakistan in April 2005, the leading representatives of the two countries signed the Treaty of Friendship, Cooperation and Good Neighbourly Relations. This treaty represents a considerable breakthrough in the willingness of both countries to enhance their relationship³⁶. Both leaders described the talks as “productive” and Prime Minister Aziz underlined the need for the private sectors of both countries to more actively interact. Such a pragmatic approach has been further stressed during November 2006 visit of President Hu Jintao in both China and Pakistan³⁷.

During this occasion China confirmed once again the adoption of a balanced attitude towards both India and Pakistan³⁸. Officially China considers Indo-Pakistani rapprochement a major step toward regional peace and stability and it has welcomed the recent positive developments the “Kashmir issue” has

³⁶ During this visit, official representatives of both countries also signed agreements on combating terrorism, separatism and extremism. An “early harvest programme” deepened the commercial and economic relations. This agreement offered special tariff arrangements to 767 items and has become the basis for potential negotiations on a hypothetical free-trade area. Under this programme, all exportable items of Pakistan, including textile goods, surgical and sports goods, vegetable, fruits, rice, citrus and mangoes, will have an easy market access in China. At the same time, it will be easier for Pakistan to import machinery and raw material from China.

³⁷ During this visit, President Hu Jintao and President Musharraf issued a wide-ranging joint statement oriented at enhancing cooperation in military, economic, trade, energy and anti-terrorism areas.

³⁸ Recently, China has already adopted a more neutral approach, stating that India and Pakistan should solve the Kashmir dispute through peaceful negotiations. This attitude was confirmed first in 1999 during the Kargil War; a “mini-war” in Kashmir caused by an infiltration of Pakistani soldiers and Kashmiri militants into some positions on the Indian side of the Line of Control, when China refused to support Pakistan and expressed its preference for a bilateral settlement of the Kashmir issue. Second, during the 2002 Indo-Pakistani crisis, an 8-month military stand-off all along both sides of the International Border and the Line of Control initiated by India in response to a terrorist attack on the Indian Parliament on December 2001, when China felt extremely uncomfortable with Pakistan threatening to use its nuclear weapons against India.

experienced³⁹. From the Chinese point of view, as both India and Pakistan have a lot to gain from the current rapprochement, they should assume a realistic approach towards the Kashmir conflict, urging peaceful negotiation. Indeed, during his recent visit to India Hu Jintao restated that his country could help forge peace between the South Asian rivals, as “a peaceful and prosperous South Asia was beneficial for the whole world”⁴⁰. Further, during his Pakistan visit Hu Jintao praised President Musharraf’s statement that “Pakistan desires a peaceful environment in the region in the interest of regional development and to raise the living standard of the people of the two countries. Consistent with this aspiration, Pakistan seeks peaceful resolution of all issues with India, including the longstanding Jammu and Kashmir dispute”⁴¹.

Dealing with the US

Since the end of the Cold War the United States have payed much more attention to the Asian region and the growing powers in it. In order not to lose their influence in Asia, and in order to maintain the current balance of power, the US seem pursuing a careful strategy towards both China and India.

During the Cold War, despite the official position of non-alignment, India developed close ties with the Soviet Union and received extensive military support from the U.S.S.R.. However, the end of the Cold War significantly affected Indian foreign policy, urging the country to strengthen its diplomatic and economic ties with other countries.

In the late 1990s a strategic rapprochement between India and the US began. This rapprochement was based on the idea of a partnership between the ‘largest’ and the ‘oldest’ democracies in the world, and it involved growing

³⁹ Since November 2003, India and Pakistan have effectively maintained a ceasefire along the “Line of Control” separating their respectively controlled segments of Kashmir. Meanwhile, the two counties have officially expressed their willingness in finding a long-term solution to this troublesome and intractable issue and they seem interested in start handling summit meetings between the two countries’ top leaders and regular official consultations.

⁴⁰ “China lauds India-Pakistan peace”, *BBC News*, 22 November 2006.

⁴¹ “Pakistan, China vow to build on time-tested friendship”, *BBC Monitoring International Reports*, 23 November 2006.

cooperation in the defence and military fields. Further, there are some experts who consider this rapprochement as a breakthrough in the US strategy of China containment: the US might see the establishment and the enhancement of India as another super-power in Asia a counter-weight to the strong power and still growing influence of China in the region⁴². Following this path, the US recently approached India, a non-signatory country of the Nuclear Non-Proliferation Treaty, with a nuclear accord. This agreement has been the object of major worries for both the United States and China.

The deal on civil nuclear cooperation was announced in March 2006, during President Bush's visit to India. Under this agreement, India will be allowed to access the civilian nuclear technology in return for placing its atomic reactors under global safeguards. Some members of Congress and other observers have express concern regarding the pact,

because it leaves India free to pursue its nuclear weapons programs, and threatens to undermine the Non Proliferation Treaty. [...] Others have asserted that this initiative permits India to expand its nuclear arsenal [and] that the initiative with India will undermine [American] efforts to curb Iran and North Korea's nuclear ambitions, because it creates an alleged 'double standard'⁴³.

Despite these disapproving judgments, both the Congress and the Senate have preferred to stress the benefits of the proposed agreement: "it will enable the United States to sell India nuclear reactors and an array of related equipment.

⁴² The current scenario is even more complicated as the US-Indian rapprochement might affect the relationship between the US and Pakistan. Pakistan is actually a fundamental US ally in the war on terror, even if its unreliability is extensively recognized. Nevertheless, some experts think that the US is now following a two level strategy, according to which India and Pakistan are no more part of the same categories. That is, while Pakistan appears as a basic ally on the war on terror, India is considered an equally primal counter-weight to Chinese growing influence within the Asian region. This means that the US is now deeming both countries as allies, without deeply considering the contrasts between them.

⁴³ Crook, John, "U.S.-India Civil Nuclear Cooperation Faces Congressional Scrutiny", *The American Journal of International Law*, (Vol.100, No.3, July 2006), pp. 717.

It should also help cement an increasingly close strategic and diplomatic relationship with India”⁴⁴. For India, the agreement is strategically important for facing its energy needs modernizing its power plants.

From a purely strategic perspective, American interest in deepening its ties with India has been interpreted as a way for creating a counterweight to China in Asia. Indeed, even after the normalization of their bilateral relations, China and the United States still have reasons for reciprocal concern. In the Joint Communiqué on the Establishment of Diplomatic Relations of 1979, the US for the first time officially recognized the People’s Republic of China and that Taiwan is a part of China. Moreover, during the following three years the two countries signed several economic, cultural, scientific and technological bilateral agreements.

Sino-US relations have been strained by the Tiananmen protest in June 1989, after which the United States suspended the high-level official exchanges and it imposed the economic sanction that broke the trade relationship. During President Clinton administration, both countries get once again closer, and while Chinese President Jiang Zemin visited the US in 1997, President Clinton flew to China in 1998. Despite criticism, in this period the two countries have been able to sign new agreements on trade and nuclear issues.

During the late ‘90s the relationship between the two countries slowed down once again further to the NATO bombing of the Chinese Embassy in Belgrade in 1999 and the air crash of April 2001. However, China and the United States got back on track immediately after the September 11, 2001 terrorist attacks. While China offered a strong public support to the war on terrorism, the United States moved their primary security threat from the People’s Republic of China to the Middle East.

At the same time, whether China was seen as a potential strategic ally for containing the terrorist threat, its exponential economic growth accompanied by a

⁴⁴ Ganguly, Sumit and Dinshaw Mistry, “The Case for the U.S.-India Nuclear Agreement”, *World Policy Journal*, (Vol.23, No.2, summer 2006), pp. 11.

significant increase in commercial imbalances between the two countries placed emphasis on the hypothesis of containing China creating a counterweight to its power in Asia. India is the only country that can play this role, and this is one of the main reasons why the United States opts for strengthening their links with India.

However, this strategy creates concern for Beijing. Indeed, during Hu Jintao's visit to India, the Chinese President proposed the Indian's one to promote cooperation in the field of nuclear energy as "expansion of civilian nuclear energy programme is an essential and important component of their national energy plans to ensure energy security. [Moreover], as two countries with advanced scientific capabilities, they stress the importance of further deepening cooperation bilaterally as well as through multilateral project such as ITER, and enhance exchanges in the related academic fields"⁴⁵.

Strengthening not only nuclear collaboration but also cooperation in several fields like, among others, trade, industry, finance, agriculture, and infrastructure, Beijing seems trying to both prevent the United States transforming India in a counterweight to China within the Asian region and exploring the potential for a constructive relationship with New Delhi⁴⁶.

Conclusion

Considering the frameworks both interdependent and hegemonic stability theories have offered, it seems more likely to affirm that China and India are trying to build and strengthen their relationship in a collaborative and coordinated way. Even if some variables strengthening the position of the hegemonic stability

⁴⁵ Joint Declaration by the Republic of India and the People's Republic of China, 21 November 2006. <<http://www.mea.gov.in/declarestatement/2006/11/21jd01.htm>> Accessed: 8 December 2006. ITER is a joint international research and development project that aims to demonstrate the scientific and technical feasibility of fusion power. The partners in the project are the European Union, Japan, The People's Republic of China, India, the Republic of Korea, the Russian Federation and the United States.

⁴⁶ The other fields of cooperation envisaged are: water resources, energy, environment, transportation, information technology, health, education, media, culture, tourism and youth affairs.

theory are clearly recognizable within the region, as it is understandable to illustrate China and India as countries struggling for gaining more influence in Asia, the roles other countries in and outside the region (like Pakistan and the United States) are playing cannot be neglected. As the paper has shown, clues for cooperation within an institutional framework seem more influential.

Indeed, it seems that in the complicated and interrelated Asian framework, the costs of competition appear too high for every player. Therefore, every country might find more opportunities to pursue interaction and to reconcile conflicting interests in a transparent and widely recognized structure such as the one provided by international or regional institutions.

From the proceeding analysis, a growing trend of engagement between China and India can be identified. These countries are trying to find an understanding over their contentious border; they have strengthened diplomatic, economic and strategic interactions; and they seem more and more interested in developing a peaceful neighbouring relationship in order to promote a fast economic development. Moreover, the recent spread of international organizations within the region further highlight the interest of Asian countries in emphasizing the idea of consensus based cooperation.

However, even though India and China seem guided by a realistic approach coming from both foreign policies interests and domestic issues, and even though some scholars have predicted that this situation might lead the two countries towards a more supportive approach among themselves, it is also evident that the basis of China and India cooperation is still delicate. Indeed, as Somini Sengupta affirmed during President Hu Jintao's visit to India, "as India and China tend their flourishing economies and strive to expand their global reach, they also increasingly find themselves scrambling for natural resources and political influence around the world"⁴⁷. At the same time, it has been widely recognized that China-India relationship cannot be considered a relation of

⁴⁷ Somini Sengupta, "Competition between China and India goes beyond borders", *The New York Times*, 21 November 2006.

equals. Except for the size of the software industry, India lags behind on most developmental indicators.

Further, some geopolitical factors that may impair China-India relations can be easily recognized. Among them, the long-lasting relationship between Pakistan and China and the sense of competition between India and China as rising powers. From this point of view, it seems that China does not feel comfortable with the perception India has of becoming the second most powerful country after China in Asia. At the same time, India would like to play a leading role in the region, rather than simply appearing as a counterweight to China.

Finally, the implications of the Indo-US strategic rapprochement for China might be twofold. If on the one hand China might appear very concerned about such a rapprochement, on the other hand this might become a reason for enhancing the Indo-Chinese rapprochement as well. In China, indeed, the opinion that-in the light of the improvement of Indo-US relationship-it might become even more dangerous for China to keep a hostile approach towards India might fast and easily consolidate. This attitude and this opinion might push China and India towards becoming partners rather than rivals.

In conclusion, indeed, it can be affirmed that most analysts at the moment seem inclined to believe more in complementarities rather than in competition. As Sanjoy Majumder pointed out, despite all reasons for concern, distrust and dispute China and India have (Kashmir, Pakistan, US, Tibet, influence in Myanmar and Nepal), “many in India believe that it is possible and in fact important to do business with China”⁴⁸. Similarly, Jairam Ramesh, the Indian Minister for Commerce, during Hu Jintao’s visit publicly affirmed that “Indian would do well to stop racing with the Chinese and start admiring”⁴⁹. At the same time, Chinese President Hu Jintao during his visit stressed several times its commitment in making the positive development of bilateral relations in recent years an irreversible trend.

⁴⁸ Majumder, Sanjoy, “India-China ties at a crossroad”, *BBC News*, 21 November 2006.

⁴⁹ Somini Sengupta, “Competition between China and India goes beyond borders”, *The New York Times*, 21 November 2006.

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