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„The evolution of the Sino-Indian relations since the 1970s between conflict and cooperation"

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Abstract

The relations between the People's Republic of China and the Republic of India have been fluidly moving between hostility over their persisting border conflicts and cooperation through growing trade and engagement in a range of bilateral and multilateral fora. Today they are the emerging economies with the biggest consumer markets in the world, after China began their economic liberalization in the late 1970s followed by India in the early 1990s. The aim of this master's thesis is to discuss the developments of the Sino-Indian relations and to identify issues and trends that will shape the future of their relations. The analysis is based on the contradictions of Kenneth Waltz' theory of structural realism with Robert Keohane and Joseph Nye's concept of complex interdependence. Whereas India and China are involved in a classic security dilemma over the disputed border and increasingly compete over resources and markets, their bilateral relations are characterized by pragmatism and the awareness that they both are progressively engaged far beyond Asia within the world economy and global governance networks. The case studies on the Tibet factor and the access to the Indian Ocean are exemplary for their diverse bilateral relations. In conclusion, this thesis argues that China has garnered much more economic and political power than India because their reforms have been much more thorough. Nonetheless India remains an important counterweight to China's growing power in Asia and worldwide because of its expanding diplomatic and economic networks.

Kurzfassung

The Beziehungen zwischen der Volksrepublik China und der Republik Indien bewegen sich fließend zwischen Feindseligkeit wegen der andauernden Grenzkonflikte und Kooperation durch wachsenden Handel und Teilhabe in einer Reihe bilateraler und multilateraler Foren. Indien und China sind heute die beiden Schwellenländer mit den größten Verbrauchermärkten weltweit, nachdem Chinas wirtschaftliche Liberalisierung in den späten 1970ern begann und Indien in den frühen 1990ern folgte. Das Ziel dieser Masterarbeit ist die Entwicklungen der chinesisch-indischen Beziehungen zu diskutieren und zukünftige Probleme und Trends zu identifizieren. Die Analyse basiert auf den Widersprüchen zwischen Kenneth Waltz Theorie des strukturellen Realismus und Robert Keohanes und Joseph Nyes Konzept der komplexen Interdependenz. Obwohl Indien und China in einem klassischen Sicherheitsdilemma verwickelt sind wegen ihrer strittigen Grenze und der wachsenden Konkurrenz über Ressourcen und Märkte, sind ihre bilateralen Beziehungen gezeichnet von Pragmatismus und dem Bewusstsein, dass beide weit über Asien hinaus immer intensiver in der Weltwirtschaft und Global Governance Netzwerken involviert sind. Die Fallstudien zum Faktor Tibet und dem Zugang zum indischen Ozean sind exemplarisch für ihre vielfältigen bilateralen Beziehungen. Abschließend lässt sich sagen, dass China deutlich mehr wirtschaftliche und politische Macht als Indien erlangt hat, da seine Reformen wesentlich tiefgreifender waren. Nichtsdestotrotz bleibt Indien ein wichtiges Gegengewicht zu Chinas wachsender Macht in Asien und der Welt wegen seiner wachsenden diplomatischen und wirtschaftlichen Netzwerke.

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BBC	British Broadcasting Corporation
BJP	Bharatiya Janata Party
BRICS	Association of Brazil, Russia, India, China and South Africa
CCP	Chinese Communist Party
CIA	US-American Central Intelligence Agency
EAS	East Asia Summit
FDI	Foreign Direct Investment
FP	foreign policy
FTA	Free Trade Agreement
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
IMF	International Monetary Fund
INC	Indian National Congress
IO	Indian Ocean
IONS	Indian Ocean Naval Symposium
IOR	Indian Ocean region
IORA	Indian-Ocean Rim Association
IR	International Relations
LAC	Line of Actual Control
NAM	Non-Aligned Movement
NEFA	North-East Frontier Agency
NPC	National People's Congress
NPT	Nuclear Non-Proliferation Treaty
NSG	Nuclear Suppliers Group
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PM	Prime Minister
PLA	People's Liberation Army
PRC	People's Republic of China
SEZ	Special Economic Zone
SLOC	Sea Lines of Communication
TAR	Tibet Autonomous Region
UNSC	United Nations Security Council
WTO	World Trade Organization

INTRODUCTION

> *"China and India, two big Asian countries living next door to each other,*
> *are destined to be together."*
> Li Keqiang,
> Premier of the People's Republic of China[1]

With the launch of India's Mars orbiter 'Mangalyaan' in November 2013 and China's successful moon landing with the 'Chang'e-3' spacecraft about five weeks later, news media all over the world is calling for the Sino-Indian space race, previously the two Asian giants have been called to be engaged in arms races, races for Africa, and energy resources, as well as the always present question who will be the leading power in Asia.[2] At the same time the buzzword 'Chindia' gets more than 1.3 million hits on Google which hails the two as the Asian power couple within the global economy.

China and India as the two most populous countries not only in Asia but in the world as well share a more than 3,000 kilometers long border along the Himalaya Mountains. Whereas historically their relations were characterized by very little political interaction but relatively rich mutual cultural and economic exchanges, their relationship expanded in both hostile and peaceful ways in dimensions that have never been experienced before after both states settled into their current political systems in the late 1940s – the Republic of India in 1947 and the People's Republic of China (PRC) in 1949. Nehru's idea of a 'Resurgent Asia' and the famous slogan 'Hindi-Chini bhai-bhai'[3] envisioned a close relationship between the PRC and India to bring Asia back to former strength after centuries of foreign rule got shattered relatively quickly and culminated in the Sino-Indian War of 1962. The reason for this war were foremost the four territorial conflicts that remain mostly unsolved up until today, among those the conflict over Tibet with the Dalai Lama and the fellow Tibetan diaspora living as refugees in India since 1959. Although those conflicts are ever present their relations have evolved into a strong cooperation on the governmental level and economic exchange. They are among each other major trading partners and pursue a 'Strategic and Cooperative Partnership for Peace and Stability' since 2005. At the same time they are – alongside Japan – the most powerful economies in Asia

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[1] Li, Keqiang. "A handshake across the Himalayas." The Hindu. http://www.thehindu.com/opinion/lead/a-hand-shake-across-the-himalayas/article4730374.ece (accessed May 25, 2013).

[2] Clark, Natasha. "China's moon landing: the space race with India." The Telegraph. http://www.telegraph.co.uk/ science/space/10518111/Chinas-moon-landing-the-space-race-with-India.html (accessed December 14, 2013). Hume, Tim. "Is India's Mars mission the latest escalation in Asia's space race?" CNN. http://edition.cnn.com/2013/ 11/04/world/asia/india-mars-space-race/ (accessed November 6, 2013).

[3] Meaning 'India and China are brothers' in Hindi

with ever growing influence on the global scale. According to the World Bank, in 2012 China ranked second place after the USA in terms of the size of their Gross Domestic Product (GDP) and India ranked 10th.[4] These developments have been made possible especially with the economic reforms introduced in China in the late 1970s and in India in the early 1990s. Additionally, after the border war of 1962 India and China reestablished their diplomatic relations officially in 1979. Therefore, the 1970s are the starting point of the analysis. Similar to other Asian states Indian and Chinese economic liberalizations were not only introduced but as well strongly pushed be the respective government. Yet, whereas both India and China have reformed their economies their measures, reach, and policies, and ultimately their outcomes have differed greatly.

The motivation for this thesis has stemmed from discussing the Sino-Indian relations and giving a realistic representation of the main issues that form them. Literature of the topic moves between two extremes: the idea of 'Chindia', as an overly optimistic notion on cooperation first presented by the Indian politicians Jairam Ramesh in 2005[5], and the China Threat Theory or a cold war between the two countries on the other side of the spectrum.[6] Within the field of International Relations (IR) and its theories, their relations could be explained from different perspectives and approaches. With further research on the topic and trying to find an appropriate and encompassing approach to put into per-spective the mentioned dichotomy between cooperation and rivalry, it became evident that this is a general problem of IR theory and it has been a topic of a multitude of ap-proaches. It is an essential difference between the theories of liberalism and realism within IR whereas the first largely upholds the possibility of peaceful cooperation between states and the latter is based on a state's single minded quest for survival.

Therefore, this thesis will introduce a theoretical framework based on Kenneth Waltz' structural realism which allows a deeper understanding of the international system and how relations are shaped by self-interest and subsequent competition where particularities of domestic politics take a backseat to security concerns. Yet, neorealism fails to give an in-depth reflection on relations of interdependence and how domestic decision-making

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[4] The World Bank. The World Bank Data Catalog. http://data.worldbank.org (accessed August 8, 2013).
[5] Ramesh, Jairam. Making sense of Chindia: reflections on China and India. New Delhi: India Research Press, 2005.
[6] Saalman, Lora. "Between 'China Threat Theory' and 'Chindia': Chinese Responses to India's Military Modernization." The Chinese Journal of International Politics 4 (2011): 87–114.

processes influence foreign policy making. Yet this is particularly important within a globalized world and economy where exchanges and mutual dependencies exist beyond the nation-state level. Robert O. Keohane and Joseph S. Nye have attempted to broaden the research program and proposed the idea of Complex Interdependence to add an alternative to Waltz' theory.

To highlight the specifics of the Chinese and Indian economic and political systems as well as societies both will presented in the second chapter. Those factors of influence are detrimental for the states' policy making processes. Furthermore, to give a more encompassing picture an overview of the Sino-Indian common history will be presented, including the establishment of the McMahon Line, which is the British imperialist heritage establishing the Himalayan border between the two countries and essentially the prerequisite for the border conflicts, and the war of 1962. The fourth chapter explores chosen dimensions - military, economy, and energy - of the Sino-Indian relations reflected through both the neorealist and the neoliberal approach. This will be supported by two case studies that follow: First the meaning of Tibet as a continuously sore point between the two countries largely based on past incidents and the colonial heritage and the second more significant for the future is the situation on the Indian Ocean (IO) which is the stage of large amounts of economic exchanges and energy resources, military exercises and the main transport route between Africa, the Arabian Peninsula, and Asia. Finally, the conclusions will offer an overview of the analysis and case studies as well as an interpretation of their meaning for the future of the Sino-Indian relations within today's globalized world by negotiating the different issues from the neorealist and neoliberal approaches.

CHAPTER ONE - THEORETICAL FRAMEWORK

Since their independence the relations between China and India have undergone different phases, ranging from downright hostility in the early 1960s, to a time of very little contact until the 1970s, and since the 1980s growing trade relations and diplomatic cooperation with continuously reoccurring hostility in the background. As mentioned in the introduction, most IR theories seem to be lacking in a certain aspects when one aspires to analyze apparent contradictions in states' behavior. Since theories are abstractions of reality their scopes are naturally limited due to the fact that they are based on specific assumptions and context which make up the theory itself- Only within the range of these paramenters a theory offers logically sound explanations and conclusions.

Furthermore, IR theories are strongly shaped by their historical context since the most well-known theories have advanced in the USA and western Europe in a post-1945 environment.- In general IR theory has problems to explain the political situation in Asia since theories fail to appropriately reflect reality.[1] Therefore this thesis argues to join two approaches that appear to be mutually exclusive at first glance. Yet they have a great potential for a more encompassing analysis. This chapter will introduce Waltz' neorealism as the groundwork since it offers the best basis to analyze the Sino-Indian relations and generally security concerns between nation-states. Structural realism has one major blind spot: its focus on security as the main state interest in the international arena. Consequently, it neglects particularities of domestic politics and the influence of other parts of politics such as the economy. Therefore, the concept of Complex Interdependence according to Keohane and Nye will be introduced allow a more encompassing analysis of the Sino-Indian relations.

1.1 The Groundwork: Structural Realism

Realism within politics as well as IR is the oldest and most frequently applied theory. Historically, its origin can be traced back to Thucydides and Sun Tzu. Yet as an umbrella theory within IR, it has become dominant after the Second World War. Further influenced by thinkers such as Niccolo Machiavelli and Thomas Hobbes many different types of realism have been developed ever since.

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[1] Acharya, Amitav, and Barry Buzan. Non-Western International Relations Theory: Perspectives on and beyond Asia. London: Routledge, 2010, p. 2-4.

Steans, Pettiford et al. identify a range of assumptions that are immanent to all types of realism: (1) the centrality of the state (2) as the sovereign, independent actor within the realm of international relations; (3) the nature of states, like of humans, is unchanging and selfish, therefore (4) driven by self-interest; (5) states' main goals are consequently "power, security and pursuit of the 'national interest'"; (6) anarchy within the international relations, there is no central authority, (7) which makes conflict "an unavoidable and ever-present reality of international relations"; (8) alliances among states can balance out power aspirations of another one and security threats; (9) alliances, international institutions and international law are only effective if they are "backed by force or effective sanction", because (10) "Power is the key to understanding international behaviour and state motivation. For realists the main form of power is military or physical power."[2] Additionally, (11) actors behave rationally which is an assumption most other theories share as well due to the "rise to dominance of *rational choice theory* in the Political Science community".[3]

For the purpose of this thesis one specific example among the multitude of realist theories was chosen: Kenneth Waltz published his work 'Theory of International Politics' in 1979. Today his structural realism is mostly know as neorealism and is one of the most influential as well as most discussed works within IR. Waltz proposes a very precise, hence limited, analysis of the international system which aims to explain reality drawn from historical observation and not to from predictions. Whereas many other strands focus on the state as the central actor of the international system, Waltz emphasizes the structure of the international system, anarchy, and what that means for states' behavior. In juxtaposition to international anarchy is the structure of domestic politics, hierarchy, which offers a certain security to its actors and encourages them to organize and specialize freely. Whereas within a state, actors, generally called units, *co*-act units of an anarchic system only *inter*act and therefore remain functionally similar.[4] Since an anarchic system is essentially a system of self-help, actors rather defer to balancing as "a strategy for survival, a way of attempting to maintain a state's autonomous way of life"[5] since permanent alliances or dependencies could have negative consequences for them in the uncertain future.

[2] Steans, Jill, Lloyd Pettiford, Thomas Diez, and Imad El-Anis. An Introduction to International Relations Theory: Perspectives and Themes. 3rd ed. Harlow, England: Pearson Longman, 2010, p. 57.
[3] Brown, Chris, and Kirsten Ainley. Understanding international relations. 3rd ed. Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2005. p. 40. Compare: Keohane, Robert O. "Theory of World Politics: Structural Realism and Beyond." In Keohane, Robert O. (ed.) Neorealism and its Critics. New York: Columbia University Press, 1986: 158-203, p. 165.
[4] Waltz, Kenneth N. Theory of International Politics. Reading, Mass.: Addison-Wesley Pub. Co., 1979, p. 104.
[5] Waltz, Kenneth N. "Structural Realism After The Cold War." International Security 25, no. 1 (2000): 5-41, p. 38.

"States do not willingly place themselves in situations of increased dependence. In a self-help system, considerations of security subordinate economic gain to political interest."[6] Another strategy is what Waltz coined 'bandwagoning' among states. According to him it is more frequent among weaker states and "requiring less effort and extracting lower costs while promising concrete rewards."[7]

Waltz further draws an analogy from microeconomics, comparing states to companies within a domestic system, their main goal is survival so all further decisions are guided by this principle.[8] Whereas Waltz recognizes that states are not the only actors within the international system they are the most powerful, hence the most important. They constrain each other's behavior within the anarchic system:

> *"International structures are defined in terms of the primary political units of an era, be they city states, empires, or nations. Structures emerge from the coexistence of states. No state intends to participate in the formation of a structure by which it and others will be constrained."[9]*

By coexistence Waltz refers to the distribution of power between the states. Power in this case is relative not absolute and its distribution is changing over the course of time since state actors emerge, change, and fail. "The structure of a system changes with changes in the distribution of capabilities across the system's units."[10] States that strive for more power within the system have to constantly be aware that other states will try to challenge or balance out this redistribution of power through alliances. Waltz calls the maximum of power a state can gather "universal domination".[11]

Acts and negotiations of balancing and bandwagoning lead to alliances and coalitions between states with different capabilities and different forms of polarities within the international system emerge to achieve a balance of power. Alliances or coalitions between states are formed to gain relative security compared to another state or an alliance of states that are perceived as a threat to the respective states' survival. Ideally, those arrangements are temporarily since dependence should be avoided. Polarity is negotiated peacefully and forcefully between states that are most influential within the system and sooner or later tend to aspire hegemonic power. Those are called great powers or superpowers. For a state to become a great power, Waltz is mostly in agreement with Hans Morgenthau's

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[6] Waltz, Theory of International Politics, p. 107.
[7] Waltz, Structural Realism After The Cold War, p. 38.
[8] Waltz, Theory of International Politics, p. 91.
[9] Waltz, Theory of International Politics, p. 91.
[10] Waltz, Theory of International Politics, p. 97.
[11] Waltz, Theory of International Politics, p. 118.

definition: "Their rank depends on how they score on a combination of the following items: size of population and territory, resource endowment, economic capability, military strength, political stability and competence."[12] Also, both put great importance on a state's nuclear capabilities as one of the greatest changes within international warfare of the 20th century.[13] A state's will to become a great power is a structurally logical step.[14] Waltz identifies bipolarity as the most peaceful form. Although one should realize that the US-Soviet Cold War of Waltz' time was fuelled by a range of proxy wars and conflicts which question the expected peace within the international system. Waltz insists on the bipolar system "because allies add relatively little to the superpowers' capabilities, they concentrate their attention on their own dispositions."[15] Multipolarity includes three or more great powers within the system, like the Concert of Europe after the Congress of Vienna. Waltz argues that multipolarity is most stable when there are four or five great powers involved, yet "there are too many powers to permit any of them to draw clear and fixed lines between allies and adversaries".[16]

Theories are always shaped by their contemporary history. Waltz' neorealism explains history and at the same time is shaped by the Cold War and the Soviet-American bipolarity. After the end of the Cold War, many scholar claimed that this would mean an end of validity of (neo-)realism within IR theory but Waltz claims that the breakup of the Soviet Union is not a change of the system itself, which would be profound for neorealist theory, but rather a change *within* the system which is a regular incidence and "occur at the unit level."[17] Therefore, although domestic politics and government systems have undergone profound changes through history, states' behavior in the international arena has remained the same.[18]

Like all theories Waltz' neorealism lives from abstractions and generalizations, therefore states are treated like black boxes that generally have the same characteristics: "We abstract from every attribute of states except their capabilities. [...] What emerges is a positional picture, a general description of the ordered overall arrangement of a society written

[12] Waltz, Kenneth N. "The Emerging Structure of International Politics." International Security 18, no. 2 (1993): 44-79. p. 50.
[13] Waltz, Structural Realism After The Cold War, p. 5.
[14] Waltz, Structural Realism After The Cold War, p. 34.
[15] Waltz, Theory of International Politics, p. 171.
[16] Waltz, Theory of International Politics, p. 168.
[17] Waltz, Structural Realism After The Cold War, p. 5.
[18] Waltz, The Emerging Structure of International Politics, p. 45.

in terms of the placement of units rather than in terms of their qualities."[19] Although Waltz acknowledges the general importance of domestic characteristics, he emphasizes that since the "units of an anarchic system are functionally undifferentiated"[20] their form of government, ideology, or the like do not matter primarily, only how capable states are to perform the same tasks, thus the relative distribution of capabilities and power within the system. Waltz argues that whereas a state's capabilities are unique and therefore not part of his analysis the *distribution* of capabilities *among* states is not and therefore "a system-wide concept".[21] Whereas, as previously mentioned, the capabilities of a state are clearly drawn from characteristics and developments of the individual domestic system, Waltz only considers the conclusions drawn from these in relation to other states as part of his theory. This is clearly an attempt to make the theory more accessible as well as timeless with which he succeeds, yet it is also a point where a lot of criticism stems from. Waltz contradicts himself in various moments when he discusses or omits the influence of domestic politics and dynamics on the international realm. For example, he argues that if external pressure is strong enough it has a stronger influence on a state's behavior than internal habit.[22] One could conclude that this is actually not the normal situation but rather situational. A second example for contradiction is when Waltz argues that the USA mainly got involved in the Bosnia War in 1995 because of "internal political pressure and national ambition" and not because of a specific security threat to themselves.[23]

Since domestic particularities are largely glossed over in neorealist analysis, it is only logical that Waltz calls economics "low politics" compared to matters of security and survival. Nonetheless he acknowledges that it "has replaced military concerns at the top of the international agenda", yet this was not reflected in political reality of the international realm of the 1970s.[24] In his essay 'The Emerging Structure of International Politics' published in 1993, Waltz acknowledges "great power status cannot be maintained without a certain economic capability" like the end of the Soviet Union demonstrated. Yet the characteristics of a great power are less connected than in the past.[25]

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[19] Waltz, Theory of International Politics, p. 99.
[20] Waltz, Theory of International Politics, p. 97.
[21] Waltz, Theory of International Politics, p. 98.
[22] Waltz, Structural Realism After The Cold War, p. 34.
[23] Waltz, Structural Realism After The Cold War, p. 29.
[24] Waltz, Theory of International Politics, p. 152.
[25] Waltz, The Emerging Structure of International Politics, p. 50-51.

In line with this reasoning is Waltz' stance on interdependence. He argues that actual interdependence happens at the unit level, where it should be called integration, therefore it does not occur in the discussion of a theory based on structure. He identifies two ways „in which the structure of international politics limits cooperation of states": (1) "A state worries about a division of possible gains that may favor others more than itself." and (2) "A state also worries lest it become dependent on others through cooperative endeavors and exchanges of goods and services."[26] Furthermore, he charges that most attempts to explain interdependence within the international system forget to include the importance and influence of its structure on the processes of interdependence. "[E]conomic interdependence varies with the size, and not necessarily with the number, of great powers. [...] The larger a country, the higher the proportion of its business it does at home."[27] Whereas international integration and division of labor are theoretically possible and would promise to be more profitable than regular trade between state-actors the structure of the anarchic system makes it impossible. Only for states that are "small and ill-endowed" such an extensive dependency would be an option considering the costs of their isolation.[28] States are faced with a classic 'prisoners' dilemma' due to the structure of the international system. This structure creates a downward spiral that most likely ends in conflicting interests and in the worst case in war since the dilemma can only be overcome by changing the structure of the system; that on the other hand can only be solved when states dedicate themselves to changing the structure itself which is difficult since their priority is survival not change.[29] In regards to economic interdependence, Waltz emphasizes the advantage of being the monopoly supplier of a good or a service, like the USA with soybean export in the 1960s, yet interdependence in general clearly remains a two-way street where supplier and buyer ideally enter a mutual beneficial relationship.[30] What is also interesting in a globalized economy, the term 'multinational corporation' is in Waltz' opinion misleading since the state in which the headquarters of a company is based holds the most control over it. Although factories and offices abroad are under the jurisdiction of said states the most important decision are made in the headquarters. Waltz emphasizes the contemporary superior position of the USA in his book.[31]

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[26] Waltz, Theory of International Politics, p. 106.
[27] Waltz, Theory of International Politics, p. 145.
[28] Waltz, Theory of International Politics, p. 105-106.
[29] Waltz, Theory of International Politics, p. 109.
[30] Waltz, Theory of International Politics, p. 145.
[31] Waltz, Theory of International Politics, p. 151.

A study on economic interdependence from a realist perspective conducted by Katherine Barbieri analyzes dyadic relationships between 1870 and 1938 where close trade relations could not prevent 14 wars and 270 militarized interstate disputes.

> Her conclusion is that *"in most instances trade fails to deter conflict. Instead, extensive economic interdependence increases the likelihood that dyads engage in militarized dispute; however, it appears to have little influence on the incidence of war. The greatest hope for peace appears to arise from symmetrical trading relationships."*[32]

Yet one should consider the situation within the international system before the Second World War. One cannot ignore the political strain caused by fierce nationalism, expansionist strategies, and the international arms race which culminated in the devastating First World War, as well as the complicated post-war situation, and the humanitarian and economic crises due to the 1918 flu pandemic and the Great Depression. This period was overall not a peaceful one for interstate relations.

Let's take a look at recent data: Economic interdependence is expressed through a state's trade volume. "Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product", according to the World Bank. Their data suggest that the average trade volume of a state was almost 95 percent out of 199 states in 2011. The USA was at 32 percent, Germany's share was at 95 percent, whereas Singapore peaked at 387 percent and Brazil has the lowest score with 25 percent. A 59 percent of the GDP of the PRC was generated through trade. India's share was slightly lower at 54 percent.[33] According to the data Brazil is the least economically interdependent country within the international system. Unsurprisingly, the small state of Singapore scores the highest in this comparison.

1.2   Neoliberal Objection: Complex Interdependence

Liberalism in IR originated in the 18th century with Immanuel Kant's essay 'Perpetual Peace' from 1795 as one of the most influential works. But only with the end of the First World War, this school of thought became more popular since only cooperation and engagement between states seemed to be able to prevent a repetition of the past war atrocities. With the establishment of the League of Nations, an intergovernmental organization with the mission to maintain world peace, this was reflected in international politics:

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[32] Barbieri, Katherine. "Economic Interdependence: A Path To Peace Or A Source Of Interstate Conflict?" Journal of Peace Research 33, no. 1 (1996): 29-49, p. 42.
[33] World Bank Data. "Trade as % of GDP." World Development Indicators. http://data.worldbank.org/indicator/NE. TRD.GNFS.ZS?order=wbapi_data_value_2010+wbapi_data_value+wba%20pi_data_value-last&sort=asc   (accessed November 29, 2013).

"However, idealism dominated the academic study of International Relations between the First and Second World Wars with its basic faith in the potential for good in human beings and in the promise of the rule of law, democracy and human rights and continues to be influential within liberal IR theory today."[34]

Yet, the liberal school of thought in IR is not to be confused with the liberal theory in economics. Furthermore even within the discipline of IR, liberal thinking is fragmented and diverse. Therefore only the main thoughts will be presented in this thesis and details will be limited to argue the presented case.

To begin with the main assumptions of liberalism according to Steans, Pettiford et al. will be introduced: (1) "Rationality and inherent good nature are the defining characteristics of human kind", there is a potential for (2) harmony of interests between people, and (3) so is cooperation which "is in fact a central feature of all human relations, including international relations", (4) there are relationships and activities that transcend the boundaries between the domestic and international realms.[35]

The neoliberal approach in particular is in many ways a rebuttal of neorealist theory like Waltz'. Whereas neoliberals do not disagree with some neorealist assumptions and observations they draw different conclusions for international politics. In 1977 Robert O. Keohane and Joseph S. Nye published their book 'Power and Interdependence: World Politics in Transition' which is the basis for their approach called neoliberal institutionalism or 'Complex Interdependence' which as a term itself had already been introduced by Raymond Leslie Buell in 1925. Their cooperation began in the early 1970s and has produced a multitude of publications ever since. Of course their works have been criticized, especially by realist scholarship. In the 1980s, they agreed that Complex Interdependence is not a proper theoretical alternative to realism and Keohane published 'After Hegemony: Cooperation and Discord in the World Political Economy' in 1984 trying to synthesize their approach with structural realism which is known as 'neoliberal institutionalism' or 'modified structural realism'. Keohane and Nye do not reject neorealism but take it as a starting point for their analysis by pointing out weaknesses, such as that neorealism has no answer to international regime change and to properly explain states' behavior. "Yet

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[34] Steans, An Introduction to International Relations Theory, p. 23.
[35] Steans et al., An Introduction to International Relations Theory, p. 31.

the ambitious attempt of Structural Realist theory to deduce national interests from system structure via rationality postulate has been unsuccessful."[36] Predictions made based on this are often incorrect. Their idea is to introduce a multi-dimensional approach to analyze world politics which structural realism would be a part of since it is a logical approach that offers a lot of merit yet it is limited in its simplification. Their Complex Interdependence is therefore consciously presented as another ideal type within IR in opposition of neorealism. Consequently, they acknowledge that neither can fully reflect all situations of real international politics.[37]

"As an analytical word, *interdependence* refers to situations in which actors or events in different parts of a system affect each other. Simply put, interdependence means mutual dependence."[38] The term as such implies no judgment or evaluation and it occurs at all levels of human interaction. Complex Interdependence, as a concept of IR and "an ideal type of international system"[39], means that an actor's autonomy within the international arena is limited by the reciprocal relations it has with other actors. Those mutual dependencies limit the actors' behavior and yet give new opportunities. According to Keohane and Nye Complex Interdependence has three main characteristics - especially when referring to situations of economic and ecological interdependence - that essentially contrast structural realism[40]:

(1) The *multiple channels* that connect societies and through which exchange and communication occurs. There are three kinds of channels: "interstate, transgovernmental, and transnational relations". Especially the latter emphasizes that exchanges happen beyond governments and that there are other actors than states in the international arena, such as corporations and nongovernmental organizations, as well as personal face-to-face communication between national elites. Furthermore, the authors point out how policies are rarely either limited to the domestic or the international realm but touch upon both, as well as the fact that domestic decisions of one government have effects on another country.

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[36] Keohane, Theory of World Politics, p. 190. Compare Keohane, Robert O., and Joseph S. Nye. Power and Interdependence. 3rd ed. Glenview, Ill.: Scott, Foresman, 2001, p. 20.
[37] Keohane, Theory of World Politics, p. 190-191.
[38] Nye, Joseph S. Understanding International Conflicts: An Introduction to Theory and History. New York, NY: HarperCollins, 1993, p. 210.
[39] Keohane, Robert O., and Joseph S. Nye. "Power And Interdependence Revisited." International Organization 41, no. 04 (1987): 725-753, p. 731.
[40] Keohane and Nye, Power and Interdependence, p. 21-25.

(2) The *absence of hierarchy among issues* implies that different issues dominate international relations at different points in time as well as the diversity of the decision and policy making processes within a state, simply explained: Foreign policy is more diverse than (neo-)realism makes it out to be. The many international and intergovernmental organizations are platforms for different topics and issues. Furthermore, not every issue that foreign policy deals with threaten a state's security yet it is still necessary to deal with them.

(3) Finally, states within the same region or involved in relations of complex interdependence *refrain from using military force*. Keohane and Nye state that especially "among industrialized, pluralist countries, the perceived margin of safety has widened: fears of attack in general have declined, and fears of attacks *by one another* are virtually nonexistent" which is clearly a reference to Kant's idea of democratic peace. The European Union is by far the most cited proof for this, where there are not only long-term peace and commitment among the member-states but also deep-rooted interdependence on multiple levels. Furthermore, the authors argue military "force is often not an appropriate way of achieving other goals (such as economic and ecological welfare) that are becoming more important." One could even argue that the costs of military conflicts have become too high within today's international arena particularly in the face of the destructiveness of nuclear weapons and the uncontrollable consequences on the multitude of interconnections between states. According to Keohane and Nye, military force could play a role between states „whose relations approximate complex interdependence" when because of a drastic change within one domestic system military force becomes a relevant tool of foreign policy, or "a country uses military force to protect another may have significant political influence over the other country."[41]

Due to the revaluation of issues, meaning the lack of hierarchy, states follow a range of goals and adjust their strategies accordingly. Neoliberalism expands the neorealist view that only security and military issues are part of higher politics which leads to more diverse perception of political processes. This clearly rattles the neorealist worldview where a great power could be identified mostly by its military and economic strength. Now the distribution of power has to be analyzed issue by issue. At the same time neoliberalism acknowledges that strategies and the distribution of power get negotiated not only on the international level of governmental but also on the domestic and transnational levels. The authors argue that linkage of issues and strategies will become more problematic since the

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[41] Keohane and Nye, *Power and Interdependence*, p. 24.

importance of issues will become more equal in a world of complex interdependence. What will actually become more important in power politics are asymmetries in interdependent relations which grant one actor leverage over the other. Consequently, these new considerations lead to a change in agenda setting of states since they are now influenced by a diverse range of issues and actors.[42]

Although neorealism understands states as coherently acting units in the international arena, complex interdependence makes us acutely aware of the "ambiguity of the national interest". Neorealist argue states only act based on their self-interest. „Under complex interdependence, this conventional wisdom begs to important questions: which self and which interest?" Keohane and Nye support their argument with the example of channels of communication between bureaucratic agencies which ultimately could be the interest of the individual and face-to-face communication not the overall goal of a government.[43] Closely related to the different channels of communication within the international system is the role of perception within relations of interdependence that Nye emphasizes.[44] This means that how relations develop depends on among all the factors mentioned also on the perception of the actors.

As previously mentioned Keohane and Nye acknowledge that states are not the only influential actors within the international system. International organizations which they consider „not as sources of definitive law but as entities that institutionalized policy networks and within which transgovernmental policy coordination and coalition-building could take place" and which represent physical entities.[45] Whereas the effectiveness of international organization can surely be questioned, they have undeniable grown in importance and they are great communication platforms for government agencies and officials - this goes of course beyond official channels. Therefore, international organizations play an important role in terms of agenda setting and they have given especially smaller and weaker states platforms to connect.[46] The rise of international organizations is closely connected to the rise of multilateralism. John Gerard Ruggie defines multilateralism as "an institutional form which coordinates relations among three or more states on the basis of "generalized" principles of conduct" and is therefore at the core of today's international

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[42] Keohane and Nye, Power and Interdependence, p. 25-29.
[43] Keohane and Nye, Power and Interdependence, p. 30.
[44] Nye, Understanding International Conflicts, p. 211.
[45] Keohane and Nye, Power And Interdependence Revisited, p. 738.
[46] Keohane and Nye, Power and Interdependence, p. 31.

relations.[47] Keohane and Nye argue already in 1984 that the USA could not afford its "global unilateralism" because it focused mostly on security issues while the costs and the lost opportunities in other dimensions of power were plenty. Therefore, they advocate for a "coherent strategy based on a realistic understanding of the conditions for effective multilateral cooperation" instead of the "recurring fantasies of global unilateralism".[48]

Often interdependence gets associated with overly positive and hopeful attributes as if it would guarantee conflict free exchanges. But Keohane and Nye emphasis that this is not the case. "The distribution of benefits [...] is a zero-sum situation in which one side's gain is the other's loss. The result is that there is always some political conflict in economic interdependence."[49] This means the relative gains of the parties involved. Whereas one engages in a situation of mutual dependence to raise their personal absolute gains, conflict arises or pressure is applied in terms of relative gains. Therefore, interdependence is by no means a guarantee for peace or that "cooperation will replace competition" which is how some liberal economists envision globalization. Trade sanctions as well as trade agreements are part of an interdependent economy.[50] The same applies to cooperation which is defined by Keohane as "intergovernmental cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a process of policy coordination."[51] Cooperation is accompanied by negotiations and by no means free of conflict since policies need to be adjusted on each other's terms.

Another important topic is how change can happen within the international system. Nye addresses this through costs of independence which he differentiates between „short-run sensitivity and long-term vulnerability: *Sensitivity* refers to the amount of pace of the effects of dependence", meaning the time it takes that change in on part of the system leads to change in another part through networks of interdependence. This becomes most evident at the worldwide stock exchanges where events in the world are mirrored with little delay. On the other hand, "*vulnerability* refers to the relative costs of changing the structure of a

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[47] Ruggie, John Gerard. "Multilateralism: The Anatomy Of An Institution." International Organization 46, no. 03 (1992): 561-598, p. 571.
[48] Keohane, Robert O., and Joseph S. Nye, Jr. "Two Cheers for Multilateralism." Foreign Policy 60, no. Fall (1985): 148-167, p. 167.
[49] Nye, Understanding International Conflicts, p. 212.
[50] Nye, Understanding International Conflicts, p. 212.
[51] Keohane, Robert O. After Hegemony: Cooperation and Discord in the World Political Economy. Princeton, N.J.: Princeton University Press, 1984, p. 51.

system of interdependence" or to put it differently how quickly and at which costs an actor adapts to change.[52]

Although Keohane and Nye also discuss the concept of international regimes, which was first introduced by John Ruggie in IR literature in 1975, it will not be a subject of this chapter to focus the analysis on the most important arguments.

To close this overview, one could even claim that economic interdependence is the single most important feature when one speaks of the globalized world. Realism and neorealism mostly fail to explain this. Nye argues that "globalization is the subset of interdependence that occurs at global distances."[53]

1.3 Conclusions

The neoliberal approach as introduced by Keohane and Nye has been thoroughly discussed and criticized not only by realists but as well by fellow liberals which lead to rebuttals and changes by the authors themselves. Many criticized that their approach is actually not a theory on its own right with which both agreed, emphasizing that Complex Interdependence has been created in reverse to neorealist assumptions and has not been fully integrated within liberal IR theory. They called it a "thought experiment" instead of a theory in their follow-up paper 'Power And Interdependence Revisited' in 1987.[54] As previously mentioned, their initial intention was to broaden the research program and to present Complex Interdependence in juxtaposition to neorealism. This serves the purpose of the thesis very well since structural realism has its limitations especially when it comes to acknowledging the particularities of domestic politics and trade relations.

From a neorealist perspective the state's main goal is maintaining its autonomy and security to which other parts of politics are subordinated to. "Defense spending, moreover, is unproductive for all and unavoidable for most. Rather than increased well-being, their reward is in the maintenance of their autonomy."[55] Since the structure of the system is defined by anarchy, state-actors cannot trust one another. "Structures encourage certain behaviors and penalize those who do not respond to the encouragement."[56] Yet, as North

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[52] Nye, Understanding International Conflicts, p. 214.
[53] Nye, Understanding International Conflicts, p. 210.
[54] Keohane and Nye, Power And Interdependence Revisited, p. 737.
[55] Waltz, Theory of International Politics, p. 107.
[56] Waltz, Theory of International Politics, p. 106.

Korea and Myanmar have proven, isolation comes with big economic and political costs. Keohane and Nye respond to this as follows: "From a foreign policy standpoint, the problem facing individual governments is how to benefit from international exchange while maintaining as much autonomy as possible."[57]

Engaging in mutually beneficial interdependency is therefore only possible and advisable from the neoliberal perspective. Cooperation is real between the nation states when it serves a certain purpose. This fact does not stand in contrast with neorealism or neoliberalism - but the motivation for engaging in cooperation is where the two approaches differ fundamentally.

Analyzing a state's behavior from the neorealist approach is dependent on a relatively few characteristics. Keohane and Nye create a much more complex picture and argue that „to account adequately for state behavior" one needs information about the decision making processes of the individual actors, the structure of system, furthermore "the character of international and transnational interactions and the nature of international institutions."[58] Therefore, the next chapter is dedicated to both main actors of the analysis: the PRC and the Republic of India.

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[57] Keohane and Nye, Power And Interdependence Revisited, p. 730.
[58] Keohane and Nye, Power And Interdependence Revisited, p. 745.

CHAPTER TWO - TWO ASIAN GIANTS BETWEEN INTERNAL STRUGGLES AND ECONOMIC GROWTH

This chapter will introduce the two countries whose bilateral relations will be analyzed. As the previous chapter has outlined domestic politics and characteristics are actual of importance when (foreign) policies are decided on. Therefore this chapter attempts to establish the most important facts on the history, government, economy, society, and foreign policy (FP) of the People's Republic of China and the Republic of India separately. The aim is to give appropriate information and point out the most significant facts. In the fifth chapter aspects regarding military, economy, and energy are selected for a more in-depth analysis of their bilateral relations.

2.1   People's Republic of China

Over the centuries China has seen many regimes rise and fall. Since 1949, the People's Republic of China has not only consolidated its power over mainland China but also achieved astonishing economic reforms and growth since the late 1970s. China remains one of the few still existing socialist states in the world. The PRC is a one-party system in which the essential decision-making power lies with the Politburo of the CCP. Their decision are then proposed to the National People's Congress (NPC) to vote which in reality means giving their approval. Per constitution, the NPC is China's legislature and represents the world's largest parliament. Yet, its actual power is rather limited. Open elections are held at a local and regional levels. The PRC is divided into 22 provinces, five autonomous regions where ethnic minorities are dominant (Tibet, Inner Mongolia, Ningxia, Xinjiang, and Guangxi), four municipalities (including Beijing and Shanghai), and two Special Administrative Regions with special political autonomy (Hong Kong and Macau) for administrative purposes.

The cultural domination of the Han Chinese goes back to the Han Dynasty (206 BC to 220 AD) since they managed to expand their territory greatly, as well as growing to become the world's largest economy of its time and introducing Confucianism to the population. The imperial Qing Dynasty (1644 to 1912) was fighting against European imperialist domination which was taking over large parts of Asia. This included the two Opium Wars against the United Kingdom (1839 to 1842 and 1856 to 1860). In 1911 the Xinhai Revolution ended the Qing Dynasty and the Republic of China was established a year later. With the successful Northern Expedition the Chinese Nationalist Party, known as

the Kuomintang regime, took over power 1928 moving the capital to Nanjing. The Chinese Communist Party (CCP), founded in 1921, opposed the ruling government and soon clashed with the Kuomintang. The Chinese Civil War broke out in 1927. With the interruption due to the Second Sino-Japanese War (1937 to 1945), it continued until 1950 when the CCP's People's Liberation Army (PLA) won over Chiang Kai-shek's Nationalist troops. The People's Republic of China was established on 1 October 1949. The Kuomintang fled to the island of Taiwan. Until today no peace treaty between the two parties has been signed and both governments claim to be the rightful government of China.

Leading personalities of the PRC's politburo were among others, Chairman of the CCP's central committee, central Politburo, as well as central military committee, Mao Zedong and Zhou Enlai as his Vice Chairman held the position of the Premier and Minister for Foreign Affairs. Mao's personal brand of Communism ruled over China until his death in 1976. Similar to the socialist model of the Soviet Union, "the process of a systemic transformation, impacting all major spheres of China's social, economic, political, and cultural domains"[1] began with five year plans including rapid industrialization in the heavy industry and the Land Reform Act of 1949 to collectivize and communize formerly private ground, as well as nationalize the output of the farms. The 'Three-Anti' and 'Five-Anti' movements in the early 1950s targeted bureaucrats and private business owners to bring them in line with the communist ideology, abolishing private ownership and business completely by 1958. In 1955 this was continued with the 'socialist transformation' movement which was the „end for private economic activities".[2] To accelerate economic growth as well as the development into a communist society, the government initiated the Great Leap Forward in 1958. But Mao's reform program turned into a nation-wide disaster: Agricultural production decreased detrimentally leading to the Great Chinese Famine killing more than 30 million people especially in rural areas and leaving the nation starving between 1959 and 1961. As a consequence Mao stepped down from his public leadership position and a readjustment policy was introduced. Yet "China's economy remained structurally rigid and functionally inefficient. After more than a quarter century of Mao's development stratagem, China remained among the ranks of the world's underdeveloped nations."[3] To remain in control, Mao initiated the 'Great Proletariat Cultural Revolution'

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[1] Mantzopoulos, Victoria, and Raphael Shen. The political Economy of China's systemic Transformation: 1979 to the Present. New York: Palgrave MacMillan, 2011, p. 1-3.
[2] Mantzopoulos and Shen. The political Economy of China's systemic Transformation, p. 5.
[3] Mantzopoulos and Shen. The political Economy of China's systemic Transformation, p. 1-8.

(1966–1976) essentially trying to cleanse Chinese society and the CCP of potential ene-
mies costing millions of people their jobs as well as their lives. After Mao's death, China
was left with severe structural imbalances and an inefficient economy focused on heavy
industry failing to feed and serve its fast growing nation. Furthermore, the centralized and
planned economy was left relatively isolated internationally after the Sino-Soviet split in
1961 putting further pressure on the population to be self-sufficient and substituting im-
ports.[4]

2.1.1   China's Transformation and Economic Reforms

Although he had been shunned by Mao for his criticism before, Deng Xiaoping "had
consolidated his power as China's de facto supreme leader" by 1980 but the path for his
groundbreaking reforms had already been laid out in late 1978. Deng and the more liberal
members of the politburo were distancing themselves from Mao's failed policies as well
as the personal cult surrounding him. "Broadly interpreted, Deng sought economic
growth without compromising the communist regime's control and leadership" which
explicitly separated the popular nexus of liberal economic reforms and democratization
from the beginning. He referred to the reforms as the 'Second Revolution'. Although
much less radical than Mao, Deng defended his course of action when the "[r]eal archi-
tects and movers of [the] reform - both economically and politically –" Zhao Ziyang and
Hu Yaobang, both Chinese Premiers, were removed from power due to their too forward
approaches particularly on political and social matters in the late 1980s.[5]

China's systemic transformation is characterized by a pragmatic and realistic assessment
of the situation which was constantly adjusted to find the most appropriate and successful
approaches often moving from small-scale experimental trials to large-scale public poli-
cies. The CCP's approach argued that a market economy was not an exclusive character-
istic of capitalism but combinable with a socialist system just like capitalist systems made
use of economic planning. Similar is the argumentation in comparison with the East Asian
model of economic growth: Whereas the economic reforms as such are quite alike to
reforms in South Korea, Taiwan or Japan, the Chinese leadership now emphasizes the
differences to avoid the logic of democratic reforms that could follow.[6] China's economic

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[4] Mantzopoulos and Shen. The political Economy of China's systemic Transformation, p. 16-18.
[5] Mantzopoulos and Shen. The political Economy of China's systemic Transformation, p. 21-24.
[6] Cho, Young Nam, and Jong Ho Jeong. "China's Soft Power: Discussions, Resources, And Prospects."Asian Survey 48,
no. 3 (2008): 453-472, p. 464.

reforms can be divided into four phases: the first phase from 1979 to 1984 meant the end of isolationism and a focus on attracting foreign business and investments. "The second stage reforms (1984-1985) focused on urban areas and on state-owned enterprises. […] The third (1988-1993) and fourth (1994-1998) stages of reforms focused on the creation of a socialist market economy."[7] One of the key reforms was the decentralization of the Chinese economy meaning wages, investment, production, distribution, pricing, and consumption were gradually less state mandated but negotiated on the market, and solely coordinated by the state as well as legally protected through multitudes of new laws. To "attract foreign capital, technology and management skills, China established four major SEZs [Special Economic Zones] (Shenzhen, Zhuhai, Shantou and Xianan)" in 1980 as well as 'Coastal Open Cities' in 1984[8] which proved to be a very successful model. "Controls on foreign exchange have been loosened over the years, particularly for foreign-invested/managed firms."[9] Furthermore, decision-making got decentralized and they reduced "the central administration by decentralizing authorities and responsibilities to regional and local entities" which the central government focus on macro coordination and the local authorities responsible for micro management.[10] Gradually the fiscal system got reformed including great changes in the 1980s, instead of extracting a guaranteed surplus from all transactions including, the state created a taxation system including "value-added tax, sales tax, resource depletion tax, business and personal income taxes and property tax".[11] Logically, a fundamental reform of the financial system was necessary. Aside of allowing private commercial banks,

> *"Structurally, the People's Bank was officially transformed to become the state's central bank in September 1983 […] exercising the traditional functions of a central bank […]. A branch bank, The Bank of China, was created from the former People's Bank, tending exclusively to foreign currency banking activities."[12]*

China's gradual but persistent reform process has been enormously successful. From 1980 to 1990 the annual growth rate was at an average of 9.5 percent (see Table 1) and trade expansion was three times the world's average at more than 15 percent.[13] This meant a

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[7] Athwal, Amardeep. China-India relations: Contemporary Dynamics. London: Routledge, 2008, p. 80-81.
[8] Singla, Surinder Kumar. India and China: Comparative Economic Performance. New Delhi: New Century Publications, 2011, p. 55.
[9] Wei, Shang-Jin. "Open Door Policy and China's rapid Growth: Evidence from City-level Data." In Pacific Basin Working Paper Series 93-09, Federal Reserve Bank of San Francisco, 1993, p. 75.
[10] Mantzopoulos and Shen. The political Economy of China's systemic Transformation, p. 47-49.
[11] Mantzopoulos and Shen. The political Economy of China's systemic Transformation, p. 48.
[12] Mantzopoulos and Shen. The political Economy of China's systemic Transformation, p. 49.
[13] Wei, Shang-Jin. "Open Door Policy and China's rapid Growth: Evidence from City-level Data." In Pacific Basin Working Paper Series 93-09, Federal Reserve Bank of San Francisco, 1993, p. 73-74.

complete change of the pre-reform period. The PRC turned itself from an isolated country with very little growth into Asia's economic power house. "The key sectors wherein the productive potentials could be actualized included foreign investment and foreign trade, agriculture, industry, and financial markets."[14] Its continuing economic growth challenges the USA as the world's leading economy as well as becoming the world's manufacturer. Thanks to its 'Open Door Policy', the PRC has managed to attract up to a quarter of all FDI inflows to the developing world every year (7.87 percent world's share, see Table 2 for FDI growth) "becoming the largest FDI recipient in the global economy in 2002"[15]. In the first decade of the reforms, FDI inflows concentrated on the service sector especially real estate. Since 1991 the focus has shifted to the manufacturing industry. The focus China's manufacturing industry has developed from labor-intensive textile and garment production during the 1980s to "capital and technology-intensive sectors" like IT and telecommunication since the 1990s. China's largest FDI supplier by far has been Hong Kong, followed by Japan and the USA. Yet, China's FDI inflows are known to be exaggerated like their growth rates.[16] With reforms of the 1990s, China's leadership favored foreign businesses financed by FDI over domestic firms which made a rerouting of FDI almost necessary. "Until 2005, many of the high-tech and so-called strategic industries were declared off-limits to domestic private entry. Indigenous private entrepreneurs, many highly capable, could grow their businesses only via foreign registration [like Lenovo, Wahaha, and Haier]."[17] The consequence has been that in 2005 before reforms to adjust this imbalance were introduced, the indigenous private sector was at 22 percent wherein the foreign sector toward over it at 28.8 percent. "To the extent that the Chinese economy is capitalistic, it is based on foreign capital, not on indigenous private capital."[18] Yasheng Huang comments how this nurtured an urban business practice that is dependent on the political elites and prone to corruption and cronyism. The reforms of the early 1990s are called the 'Tiananmen interlude' and meant "a systematic crackdown on the private sector". After a political leadership crisis over how to handle the student and workers protests on the Tiananmen Square and the violent shut down of the protests by the government in June 1989, the domestic private sector suffered severely when investments and credits collapsed and it never managed to recover fully.[19]

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[14] Mantzopoulos and Shen. The political Economy of China's systemic Transformation, p. 42.
[15] Das, Dilip K. China and India: A Tale of two Economies. London: Routledge, 2006, p. 95.
[16] Singla, India and China: Comparative Economic Performance, p. 82-84.
[17] Huang, Yasheng. Capitalism with Chinese Characteristics: Entrepreneurship and the State. Cambridge: Cambridge University Press, 2008, p. 4.
[18] Huang, Capitalism with Chinese Characteristics, p. 18.
[19] Huang, Capitalism with Chinese Characteristics, p. 18-23.

"Chinese growth experience should be able to account for its well-known successes as well as its equally well-known failings (such as a weak financial sector, rising income disparities, constraints on private-sector development, etc.). The key to our understanding of the China story is that China reversed many of its highly productive rural experiments and policies beginning in the early 1990s. In the 1990s, Chinese policy makers favored the cities in terms of investment and credit allocations and taxed the rural sector heavily in order to finance the state-led urban boom. The policy changes in the 1990s were not experimental; rather they were rooted in a technocratic industrial policy blueprint and a heavy urban bias."[20]

2.1.2 Development of the Population

Although China has experienced a remarkable growth story and the global balance of power has shifted in their favor, it changed and uprooted the country as well. According to the World Bank it is an upper middle income country but the PRC is facing multiple challenges such as energy security, environmental concerns and sustainability, rapid urbanization, domestic imbalances, the increasing income disparity (GINI coefficient was at 42.1 in 2009[21]), demographic concerns like the superannuation of the population, and severe human rights concerns. China's population is very homogeneous in terms of ethnicity: According to the Census of 2010, 91.51 percent of China's nationals are of Han nationality. The others were of multiple minorities such as Zhuang, Manchu, Uyghur, Hui, Miao, etc.[22] China is the most populous country in the world and has seen phases of extensive population growth: „China's population grew by 63.0 percent between 1952 and 1976."[23] The PRC introduced various measure to control the population growth, among those the most famous and controversial family planning policy, rather known as the one-child policy, which was introduced in 1979. The policy lead to a rise in infanticide especially among female children, children given up for adoptions or abandoned all together. In late December 2013, a resolution was passed to end the one-child policy. "[T]he policy has become increasingly unpopular and that leaders fear the country's ageing population will both reduce the labour pool and exacerbate elderly care issues. By 2050, more than a quarter of the population will be over 65."[24] Since 2007 the annual population growth is down to 0.5 percent. According to the OECD, in 2012 the PRC had 1.37 billion inhabitants with a significant gender gap.[25] Today roughly 50 percent of them live in urban

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[20] Huang, Capitalism with Chinese Characteristics, p. xv.
[21] The World Bank Data Catalog.
[22] National Bureau of Statistics of People's Republic of China. "Sixth National Population Census of the People's Republic of China" http://www.stats.gov.cn/tjsj/ndsj/2010/indexeh.htm (accessed December 7, 2013).
[23] Mantzopoulos and Shen. The political Economy of China's systemic Transformation, p. 15.
[24] ―――. "China formally eases one-child policy." BBC News. http://www.bbc.com/news/world-asia-china-25533339 (accessed January 10, 2014).
[25] Organisation for Economic Co-operation and Development (OECD). OECD.StatExtracts. stats.oecd.org/ (accessed October 10, 2013).

areas which is a 13.5 percent increase compared to the last Census of 2000. Life expectancy was at 75 years in 2011.[26] Estimates say that more than 20 percent of the rural population lives below the poverty line of less than US $1.25 per day and 9 percent of the Chinese population is undernourished.[27] The United Nations estimate that at medium fertility India will overtake China as the world's most populous country in 2028. China's population is projected to shrink to 1.38 billion in 2050 and down to 1.08 billion in 2100, having reached its peak at 1.453 billion in 2030.[28]

2.1.3   Chinese Foreign Policy

China's foreign policy had long been characterized by suspicion and isolationism growing from a sense of being surrounded by adversaries and downright enemies who cooperate with the USA, like Taiwan, Japan, South Korea, and India. With its economic liberalization began its gradual opening and the establishment of a wider diplomatic network also due to the Sino-Soviet split, e.g. the PRC established foreign relations with the USA in 1978. But China experienced diplomatic and economic isolation in protest of the Tiananmen crackdown of 1989. During the 1990s ties were gradually reestablished followed by significant GDP and FDI growth (see Tables 1 and 2). There China has become the most successful and largest economy in Asia. The attention has shifted towards engagement and cooperation especially in Asia. Although China had become a nuclear power in 1964, they only joined the Non-Proliferation Treaty in 1992. Deng Xiaoping shaped China's foreign and security policy with the „twenty-four character" strategy: "observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership".[29] It is argued that the Asian financial crisis of 1997 was a turning point for China's FP "that China's economic fortunes - and thus domestic political stability - were inextricably linked with what happens elsewhere." Therefore, economic success and prosperity are instrumental to achieve stability of the system as well as the CCP's leadership.[30]

> The aim of China's foreign policy has been to *"[...] construct an image of China as a 'responsible great power' -* fuzeren de daguo*or sometimes just* fuzeren daguo *- that does*

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[26] The World Bank Data Catalog.
[27] Pant, Harsh V. (ed.). The Rise of China: Implications for India. New Delhi: Foundation Books, 2012, p. 32.
[28] United Nations, Department of Economic and Social Affairs, Population Division (2013). World Population Prospects: The 2012 Revision, DVD Edition.
[29] Wang, Vincent Wei-Cheng. "'Chindia' or Rivalry? Rising China, Rising India, and Contending Perspectives on India-China Relations." Asian Perspective 35 (2011): 437-469, p. 440.
[30] Breslin, Shaun. "Understanding China's regional rise: interpretations, identities and implications." International Affairs 85, no. 4 (2009): 817-835, p. 820-821.

not threaten the interests of others, does not challenge the existing global order, and provides an opportunity for continued regional (and indeed global) economic prosperity [...].[31]

Since Hu Jintao's leadership the PRC put emphasis on the strategic use of soft power especially with "the introduction of the peaceful rise theory in 2003 and the Beijing Consensus in 2004" to expand its global influence and argue against the various threat scenarios that existed. Furthermore, the peaceful rise theory (*heping jueqi*) has been a sign of a more encompassing FP that focuses on China's multilateral and multi-level engagement in the world to expand its global influence and responsibilities with a clear focus on regional leadership in Asia. Logically, this more multifaceted approach includes hard power as well. "In summary, China's "peaceful rise" is a comprehensive long-term strategy leveraging globalization as a catalyst to accelerate China's economic development and elevate China's power and stature."[32] In 2005, the idea of a peaceful rise got mostly rhetorically updated to the peaceful development theory which put emphasis on mutually beneficial and harmonious development.[33] "[T]he civilization of China, one of Asia's ancient suzerains along with India, is China's greatest soft power asset."[34] In terms of soft power this mostly means using its history as well as its cultural legacies, such as Confucianism which has a great reach especially in East Asia. Worldwide their Confucius Institutes have been spreading all over the world to promote Chinese culture and teach Mandarin. Whereas in the past, China has long been suspicious of multilateral organizations and forums it now uses them to contain adversaries and secure goals[35], like it has been seen in meetings with the Association of Southeast Asian Nations (ASEAN) since 1997, the United Nations and its Security Council (UNSC), as well as China's membership in the East Asia Summit (EAS) since 2005. The Chinese leadership calls this 'summit diplomacy' and outlined its diplomatic philosophy in 2007 in line with the presented facts in an eight-point agenda.[36] China's main activities focus on Asia as their regional focus and on economic engagement and cooperation as their area of expertise. Although the country is still engaged in a range of territorial and maritime conflicts, China's foreign policy is mostly pragmatic and peaceful using the conflicts and their leverage as an economic superpower to temporarily exert pressure on the other countries, like Japan and India. "China has likewise not become

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[31] Breslin, Understanding China's regional rise, p. 822.
[32] Wang, "Chindia" or Rivalry?, p. 442.
[33] Cho, China's Soft Power, p. 459, 468-469.
[34] Cho, China's Soft Power, p. 471.
[35] Wang, "Chindia" or Rivalry?, p. 442.
[36] ———. "Foreign Ministry Spokesman Qin Gang's Regular Press Conference on March 1, 2007" Ministry of Foreign Affairs, the People's Republic of China. http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t300654.shtml (accessed January 20, 2014).

increasingly aggressive in managing its territorial disputes as its relative military and economic power has grown since 1990."[37]

2.2   Republic of India

Historically the territory of today's Republic of India has been politically, culturally, and economically disintegrated for a long time. With the arrival of European colonialism which lead to the establishment of the British East India Company in 1600 and later on with Queen Victoria being proclaimed Empress of India in 1876 united today's states of India, Pakistan, and Bangladesh under British sovereignty with local authorities as their middlemen. Colonialism has been a fundamental experience in Asia, South America, and Africa and continues to shape their borders, governments, and societies up until today. India gained independence from the British on 15 August 1947. The constitution of the democratic republic came into effect in 1950 with the first general elections following a year later. Ever since India has been one of the most populous democracies worldwide. As a federal republic India is divided into 28 states and seven union territories which are ruled by the central government expect for the union territories of the National Capital Territory of Delhi and Puducherry.

The first big insurgency against the colonial control was the Indian Rebellion of 1857 which was repressed by the British. The result was the end of the British East India Company and the establishment of direct British control called British Raj to strengthen British control. Yet, the demands self-governance and protest against the British colonial rule could not be stopped. The organization Indian National Congress (INC) originally founded by British and Indian intellectuals in 1885 quickly became a driving force of the Indian independence movement led by Mahatma Gandhi and Jawaharlal Nehru. Since the 1930s, the two-nation theory became popular especially advocated by the All Indian Muslim League to separate the British Raj into an Islamic and a secular state. Similar to other colonies, India suffered from mismanagement which caused famines and poor industrialization. Furthermore many Indian soldiers had to serve for the British during both world wars causing many fatalities. The influenza pandemic of 1918 killed between 12 and 17 million people which accounts to 5 percent of the population due to poor access to health care. In June 1947, the partition of British India was announced by the British dividing

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[37] Fravel, M. Taylor. "Power Shifts And Escalation: Explaining China's Use Of Force In Territorial Disputes." International Security 32, no. 3 (2008): 44-83, p. 45.

the territory into the Union of India and the Dominion of Pakistan. Jawaharlal Nehru became India's first Prime Minister (PM). With the first general elections in 1951/52 the INC established itself as India's leading political party with a landslide victory endorsing Nehru's government. Nehru himself maintained his position as PM until his death in May 1964. His daughter Indira Gandhi followed in his footsteps. The INC and the Nehru-Gandhi family are firmly entwined ruling India alone or in coalitions with interruptions for more than 50 years since independence. Its major opponent has become the Hindu-nationalist Bharatiya Janata Party (BJP). Therefore the Indian political system has been called a single-party system or simply the 'Congress system'.[38]

With independence, Nehru opted for a socialist model for the Indian economy which was based on central planning according to Five Year Plans. This led to the nationalization of many branches of the industry, protectionism and import substitution, endorsing the development of heavy industry, controlled wages, and first land reforms taking it from big landowners favored by colonialism. Yet the Indian version of central planning did not equal the Soviet or the Chinese model since they maintained private business and industry exercising different forms of direct and indirect control over them, especially through licensing business endeavors. "The license-permit-raj enabled politicians and bureaucrats to generate rents from free market economic activity and, at the same time, engage in preferential treatment to political supporters."[39] This created a distinctive problem of Indian politics and economy, the too large public administration that is characterized by inefficiency and corruption. In 1965 Indira Gandhi introduced land reforms to fight against widespread famines: "The Green Revolution in a very short time turned India from a net importer of agricultural produce to a major exporter of the latter."[40] Although it profoundly changed agriculture in India, its benefits were limited to farmers with medium-sized and large farms from the growing lower-middle classes. The majority of the farmers as well as the many landless rural laborers were largely excluded from bigger revenues.[41] I. Gandhi's first run (1966-1977) as Prime Minister is unfortunately most famous for the almost two-year period of State of Emergency beginning in 1975. After protests

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[38] Schwecke, Sebastian. New Cultural Identitarian Political Movements. The Bharatiya Janata Party between Cultural Identity and Middle Class Interests. Leipzig: Hochschulschrift der Universität Leipzig, 2009, p. 60-61.
[39] Schwecke, New Cultural Identitarian Political Movements, p. 40.
[40] Schwecke, New Cultural Identitarian Political Movements, p. 62.
[41] Frankel, Francine R. India's Green Revolution. Economic Gains and Political Costs. Princeton, N.J.: Princeton University Press, 1971, p. 91.

against election fraud and government policies, low economic growth, as well as the consequences of the oil crisis of 1973, I. Gandhi tried to enforce law and order through persecution of political enemies, abuse of prisoners, destruction of slums and other lower class housing areas, forced sterilization as a family planning measure, and other severe human rights violations, as well as postponing upcoming elections. The State of Emergency ended with the elections and the first non-INC government headed by Morarji Desai and his Janata movement in 1975. I. Gandhi returned to politics and got reelected in 1980 when India suffered from very high inflation and unemployment as well as a slow collapse of its big textile industry which for the first time forced the government to take a loan from the International Monetary Fund (IMF) but without introducing substantial economic reforms. On 31 October 1984 I. Gandhi was assassinated by one of her bodyguards. Her son Rajiv Gandhi became her successor. During his time in office R. Gandhi introduced further modest reforms to reduce the license-permit-raj and directed investments to the IT and service sector. The INC and R. Gandhi lost in the general elections after allegations of corruption and mismanagement in 1989 and India entered a period of political turmoil and economic downfall.[42]

2.2.1   India's Economic Crisis and Economic Reforms

India's economic crisis had been a long time coming due to its inefficient economic and fiscal policies. What is known as the Hindu rate of growth refers to the low growth rates between 1961 and 1980 which stagnated on average around 3 percent, during the 1980s it recuperated rising up to 6 percent (see Table 1).[43] Since the early 1980s the fiscal deficit, the government's internal debt and their interest payments had risen rapidly which resulted in a balance of payments crisis in 1991: "Inflation was rising, industrial production was declining, foreign exchange reserves at one billion US dollars were at the lowest level ever, and the possibility of international default was real".[44] With the collapse of the Soviet Union and their own economy quite literally at a dead end, Indian politicians who had been unwilling to consider economic liberalization because of ideological and political reasons began supporting the long overdue changes. The newly elected minority INC-government headed by Prime Minister P. V. Narasimha Rao along with his Finance Minister Manmohan Singh, who later would become PM, turned to the IMF for much needed

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[42] Athwal, China-India relations, p. 83-86.
[43] Frankel, Francine R. India's Political Economy, 1947-2004: The Gradual Revolution. 2nd ed. New Delhi: Oxford University Press, 2005, p. 584.
[44] Singla, India and China: Comparative Economic Performance, p. 52-54.

loan which was granted under the condition of a range of reforms. More loans came from the World Bank and the Asian Development Bank. India's macroeconomic reforms were focused on liberalizing and deregulating the economy to allow more private investments as well as FDI (see Table 2). This means that the license-permit-raj was abolished completely and state monopolies were mostly taken over by private sector competition. Tariffs and the tax system as well as the capital market got freed of restrictions and outdated policies, like the fixed exchange rate of the rupee. The reforms and loans helped the economy to recover and "the balance of payments crisis was over by 1993."[45] GDP growth was at an average of 6.3 percent between 1992 and 2001 (see Table 1) but for the first time "it was achieved mainly without resort to large external borrowings which rendered the earlier gains unsustainable after the balance of payment crisis in 1991."[46] Yet this first wave of fundamental reforms was not followed by a second one hence never fulfilling the IMF's conditions completely and leaving the Indian economy unbalanced between old and new. The first reforms focused largely on trade and industrial policy but other problems were left untouched like the extensive subsidies e.g. for the agricultural sector, inefficient public sector enterprises and large parts of the banking system, as well as the poor infrastructure which remained closed off of FDI along with many other industries. "The neglect of agriculture and the failure to implement land reforms (except in the states of Kerala and West Bengal) are both important reasons for India's slow growth and widening income inequalities."[47] This lack of follow-up reforms is partially due to the political turmoil of the mid-1990s: in 1994 government members were involved in corruption scandals and opposition parties heavily criticized the economic reforms mostly based on ideological claims. Necessary legislation got postponed or sidelined. Another reason is that while the first reforms focused on macro-economic policies created by the union government in New Delhi, the second wave of reforms should have carried this general policy change to the state and regional level with very different results across the Indian federation.[48] Rao's INC-government lost elections in 1996, India saw three governments win and lose trust in less than four years. Public debt soared again when the Asian financial crisis hit the continent. With the elections of 1999, the Hindu-nationalist BJP returned to power heading a coalition of 24 parties. PM A.B. Vajpayee's government successfully continued the reform process focusing on privatization of state-owned corporations,

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[45] Ahluwalia, Montek S. "Economic Reforms In India Since 1991: Has Gradualism Worked?" Journal of Economic Perspectives 16, no. 3 (2002): 67-88, p. 67.
[46] Frankel, India's Political Economy, p. 595.
[47] Bhalla, A. S. "Sino-Indian Growth and Liberalization: A Survey." Asian Survey 42, no. 3 (2002): 419-439, p. 422.
[48] Pant, The Rise of China: Implications for India, p. 34.

FDI, infrastructure and education. While China has the reputation as the world's manufacturer, India became the world's call center and back office. Thanks to the reforms and investments in education, the GDP-share of services grew from 40 percent in 1980 over 50 percent in 1999 to 57 percent in 2012 (see Table 3). Whereas this would be regular development in a post-industrial country, in which first industrial output grows compared agricultural output and then the service sector advances over the industrial sector, but India's industrial output has stagnated at 24 to 28 percent since the 1980. This is problematic since it literally does not service the Indian population at large but much rather niches and the English-speaking world at large.[49]

2.2.2 Development of the Population

India's labor market is characterized by high unemployment especially young people in rural areas, underemployment, a large informal sector, and "overstaffing was recently estimated at 30 percent".[50] Similar to China, India's economy is characterized by large disparities between the different regions as well as an urban bias. Whereas regions like Delhi and Gujarat have industrialized on a high level other states like Haryana and Bihar still focus on agricultural production.[51] Along with growing income disparities (GINI coefficient was at 33.9 in 2010, meaning that in India the income disparity is lower than in China), India remains a lower middle income country[52] with a growing population that has to handle a wide range of challenges in providing enough energy as well as battle poverty and environmental concerns. According to estimations, more than 40 percent of the rural and 36 percent of the urban population have less than US $1.25 per day and live therefore below the poverty line. Under-nourishment affects 20 percent of the Indian population.[53] Since 2008, annual population growth leveled at 1.3 percent and according to the OECD, in 2012 India had 1.23 billion inhabitants with a significant gender gap.[54] Life expectancy was at 66 years in 2011.[55] The United Nations' World Population Prospects estimate that at medium fertility India will overtake China as the world's most populous country in 2028. India's population is projected to grow to 1.62 billion in 2050 and then to go down to 1.54 billion in 2100, having reached its peak at 1.64 billion in 2063.[56]

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[49] The World Bank Data Catalog. Frankel, India's Political Economy, p. 611.
[50] Ahluwalia, Economic Reforms In India Since 1991, p. 71
[51] Frankel, India's Political Economy, p. 603-605.
[52] The World Bank Data Catalog.
[53] Pant, The Rise of China: Implications for India, p. 32.
[54] OECD.StatExtracts.
[55] The World Bank Data Catalog.
[56] United Nations, World Population Prospects: The 2012 Revision.

As homogenous China's Han-dominated population is as diverse is the Indian population. The constitution offers a multitude of provision to maintain the diversity. Whereas Hindi and English are nation-wide the official languages, there are 21 officially recognized languages along with an estimation of 844 dialects. 80.5 percent of the population identify as Hindu. There have been violent conflicts and discrimination against followers of different faiths especially with the 13.4 percent Muslim population.[57] Another form of social stratification unique to South Asia and most prominent in India is the caste system. Although it is often stereotyped as a quinquepartite rigid model of Hindu society, historically it is a dynamic system of social stratification that originated in villages or networks of villages: "it is *the* unit of endogamy, organization, and political control within the system".[58] Measures of reservation of jobs in public administration as well as access to public educational institutions are provided within the constitution as well as regulated by the local governments to provide for lower castes and classes. Positive discrimination is heavily debated in India. Because of the rapid economic changes and urbanization since independence, caste has become similar to an ethic group but not obsolete as Gandhi and Nehru had envisioned. Social classes sometimes similar to former caste stratification have added a new dimension. Furthermore, caste functions as a local person-based social network within politics and business.[59]

Separation of powers is guaranteed per constitution. India's parliamentary system is based on the Westminster system with the president as the representative head of state and the prime minister as a member of the parliament and the head of government. The legislative is the bicameral parliament: Rajya Sabha mostly representing local governments and the Lok Sabha is directly elected by the Indian people. Currently more than 30 parties have elected representatives in the parliament, therefore, finding a stable majority is challenge. "According to their [party experts'] findings, Indian parties are characterized by rampant factionalism, clientelism, dynastic rule and near complete lack of internal democracy, a necessary criterion for consolidation of party systems not yet mentioned."[60] With the general elections in May 2014, the National Democratic Alliance headed by the BJP won almost 52 percent of the seats in the Lok Sabha. The BJP is now the strongest party (31

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[57] National Portal of India. India at a glance. Profile. http://india.gov.in/india-glance/profile (accessed November 25, 2013).

[58] Klass, Morton. Caste. The Emergence of the South Asian Social System. Philadelphia: Institute for the Study of Human Issues, 1993, p. 92.

[59] Béteille, André. "Caste in Contemporary India." In Fuller, C.J. (ed.): Caste Today. New Delhi: Oxford University Press, 1997: 150 – 179, p. 172.

[60] Betz, Joachim. "How to Understand the Internal Functioning of Indian Parties". In Voll, Klaus and Doreen Beierlein(eds.): Rising India – Europe's Partner? Foreign and Security Policies, Politics, Economics, Human Rights and Social Issues, Media, Civil Society and Intercultural Dimensions. Berlin: Weißensee, 2006: 483-491, p. 484.

percent) and their head Narendra Modi has become the new PM. The INC's election result were the worst in history winning only 8 percent of the seats in the parliament.

2.2.3 Indian Foreign Policy

India's foreign policy was characterized by the idea of third world solidarity in the first decades after independence hence its interest in establishing close ties among other developing countries like its Chinese neighbor in the 1950s. Since then Indian FP objectives have been based on the 'Five Principles of Peaceful Coexistence' of the Panchsheel Treaty of 1954.[61] Those objectives developed into the ten Bandung principles of 1955 which are the foundation of the Non-Aligned Movement (NAM). Formally established in 1961, the NAM is a collection of developing states that were unwilling to side with neither the Soviet Union nor the USA during the Cold War. Nonetheless India kept close ties with the Soviet Union culminating the Indo-Soviet Treaty of Friendship and Cooperation of 1971 to balance out China and Pakistan as well as the US-involvement in the conflict. One of the main topics as well as their most problematic one is its relationship to Pakistan. India and Pakistan have fought four wars against each other and have been involved in a range of violent skirmishes and related terrorist attacks. Furthermore India actively supported the Bangladeshi independence from Pakistan in 1971. After India's defeat against China in 1962 and the Indian-Pakistani war of 1971, India became nuclear in 1974 with the detonation of its first bomb which was the beginning of a nuclear arms race between India and Pakistan. When India set off a nuclear bomb in 1998, the Indian Foreign Minister at the time, George Fernandes, commented with the famous line that the PRC is "potential threat number one" for India and not Pakistan. The weapons test itself was met with vehement protests from the international community and followed by diplomatic and economic sanctions.[62] Although a nuclear power, India has not joined the Nuclear Non-Proliferation Treaty (NPT) remaining steadfast to criticism. With the rapprochement to the USA since 2000, the two countries struck a nuclear deal in which India accepted the international safeguards of the International Atomic Energy Agency and the USA agree to civil nuclear cooperation. The U.S.-India Civil Nuclear Agreement was preceded by multiple years of negotiations to work around existing international contracts as

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[61] The five principles are "(1) mutual respect for each other's territorial integrity and sovereignty, (2) mutual non-aggression, (3) mutual non-interference in each other's internal affairs, (4) equality and mutual benefit, and (5) peaceful co-existence". Originally from the "Agreement (with exchange of notes) on trade and intercourse between Tibet Region of China and India." In United Nations. Treaty Series. Treaties and international agreements registered or filed and recorded with the Secretariat of the United Nations. Volume 299. 1958: 57-81. https://treaties.un.org/doc/ publication/unts/volume%20299/v299.pdf (accessed December 15, 2013), p. 70.
[62] Frankel, India's Political Economy, p. 595.

well as building new trust between the two countries. Based on a framework between the two governments in 2005, the deal was implemented in 2008. Perkovich summarizes the reasoning for the deal as follows: "Balance-of-power competition supersedes rule-based international regimes in practice and, in some cases, moral-political principle [...]."[63] States can rarely be forced into accepting international rules and regimes when one wants to avoid force and the costs of military intervention, yet states can be engaged through exchange and trade. India interested in expanding its civil use of nuclear power to secure energy supply was willing to submit to international rules in exchange. Furthermore, the deal secured closer ties between the two countries balancing out creating a joined advantage over other powers like China. "The U.S.-India nuclear deal and its transformation into the NSG [Nuclear Suppliers Group]-India nuclear deal involved making and unmaking international rules."[64]

Similar to China, India expanded and diversified its diplomatic relations with its economic liberalization. One of its most pursued strategies is the 'Look East' policy established by PM Rao in 1991. Relations to states like Japan, Singapore, and Vietnam that had formerly been limited gradually intensified as well as relations to the formerly shunned Burmese military junta. India has emerged as a new player in the (Asia-)Pacific region with growing influence. Brahma Chellany calls this geopolitical pragmatism when India outgrew the ideological dedication to nonalignment of its past foreign policy. Now India is much rather "multialigned while preserving nonalignment's kernel – strategic and policy making autonomy."[65] Furthermore, India took new interest in international organizations and platforms: "Interestingly, however, the current engagement goes beyond just activism, and suggests that India has learnt to use international institutions proactively and to its advantage."[66] In 1992 it began a dialogue with ASEAN, further cooperation included an India-ASEAN Business Summit in New Delhi in 2002, culminating in the first East Asia Summit in 2005. India's engagement in East Asia has often been aided by Japan since both countries are interested in balancing out China's economic superpower within the region. Yet India remains reluctant to engage in anti-Chinese activities due the growing

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[63] Perkovich, George. "Global implications of the U.S.-India deal." Daedalus 139, no. 1 (2010): 20-31, p. 22.
[64] Perkovich, Global implications of the U.S.-India deal, p. 22-23.
[65] Chellaney, Brahma. Asian Juggernaut: The rise of China, India, and Japan. New York: Harper Business, 2010, p. 237-238.
[66] Narlikar, Amrita. "All That Glitters Is Not Gold: India's Rise to Power." Third World Quarterly 28, no. 5 (2007): 983-996, p. 984.

Indian trade deficit. Japan and India also support each other in the demands for permanent seats in the United Nations Security Council (UNSC). Reforms of the UNSC to keep up with the global political and economic realities have been on the table for more than 15 years. Alongside Japan and India, Germany and Brazil are mentioned most often as new permanent members. The four united as the 'Group of Four' to advocate for their common cause in 2004. All permanent members of the UNSC but China have been supporting the expansion of permanent seats. More recently, China is less reluctant and advocates for a 'reasonable' reform supporting a greater inclusion of developing countries. A possible reform receives widespread support, India's bid for a permanent seat has been specifically supported by the USA.[67] Indian foreign policy has similar to China been pragmatic, multialigned and increasingly diversified. Yet, "there is a glaring and unsustainable discrepancy between India's apparent influence abroad and the poverty of its domestic politics."[68] Narkilar and Pant specifically criticize a lack of consensus among policy makers and politicians on India's strategic framework and vision concerning its FP and global power aspirations.[69] Those grand aspiration have largely been unmet since India's economic performance and policies remain unstable, as well as because of the lack of consensus and political decision-making riddled by corruption and quarrels.

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[67] Malik, China and India, p. 285-298. Chellaney, Asian Juggernaut, p. 405. Henry, Ed, and Sara Sidner. "Obama backs permanent seat for India on Security Council." CNN. http://edition.cnn.com/2010/POLITICS/11/08/obama.india. address/index.html (accessed December 20, 2013).
[68] Narlikar, All That Glitters Is Not Gold, p. 994.
[69] Pant, Harsh V. Contemporary debates in Indian foreign and security policy: India negotiates its rise in the international system. Basingstoke: Palgrave Macmillan, 2008, p. 1.

CHAPTER THREE - HISTORICAL BACKGROUND: SINO-INDIAN RELATIONS BEFORE THE 1970s

## 3.1 The McMahon Line and its Legacy

Hans Morgenthau and Kenneth Waltz agree that among other factors a state's territory, meaning the favorable condition and the combination of shape, stability and other geopolitical characteristics, is an essential feature of the question whether a state can be called a great power. Most importantly, it also refers to its territorial integrity. Through the centuries of human history shapes and spheres of influence have been constantly changing. With the political invention of the state, territorial integrity became one of the key features of political power within and outside a state. After the end of the Second World War and the retreat of European powers from Asia, the new governments were left to consolidate not only their domestic and international power but also their borders. This chapter will summarize the different territorial conflicts between the China and India which ultimately lead to the war of 1962 which will be discussed in the following chapter. Similar to other disagreements over territory, different perceptions of history, interpretations of past agreements, and an overlapping sense of entitlement have made an amicable solution impossible. Yet, this chapter only serves as an overview. More details especially concerning the conflict over Tibet will be presented in the 6th chapter.

The Himalaya Mountains serve as a natural border between the two states, yet due to the rough and almost impassable landscape a defined border which stretches over 3,000 kilometers has been difficult to achieve. Whereas historically there have been no border conflicts between them since large stretches of the territory are inhabitable due to its rough climate and geography, the colonial legacy of territorial integrity of a state started an ongoing series of disputes. Those are geographically divided into the eastern and the western sector. The eastern sector refers to the disputed 'McMahon Line' involving the territories of Tibet, Arunachal Pradesh – the former North-East Frontier Agency (NEFA) – , and Sikkim[1] which amounts to an area of about 90,000 km² that is claimed by China but administered by India. The conflict in the western sector is centered around what the Indians refer to as their state of Jammu and Kashmir which is claimed by Pakistan in its entirety and partly by China who refers to its claim as Aksai Chin which is actually administered by the PRC and encompasses an area of about 38,000 km². (See Graphic 1 below.)

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[1] Sikkim, not depicted on the map, is situated between Bhutan and Nepal in the south of Tibet.

The thesis pays closer attention to the eastern sector since the Tibet question will be discussed later on and allows better focus on the initial questions.

Vertzberger aptly summarizes the Sino-Indian border conflict as "a collision between two essentially different patterns of legal thought". Although his analysis focuses more on the Indian side of the equation, his categorization of the legal claims can be condensed to different perceptions of reality in an anarchic international system: (1) validity of agreements like the Simla Agreement, (2) interpretation of past patterns of behavior, (3) "claims based on historical possession of territories" (4) or related to the "natural geographical border", and finally whether the validity of legal agreements is affected by (5) regime change or (6) the changes in objective conditions since the time an agreement has been signed.[2]
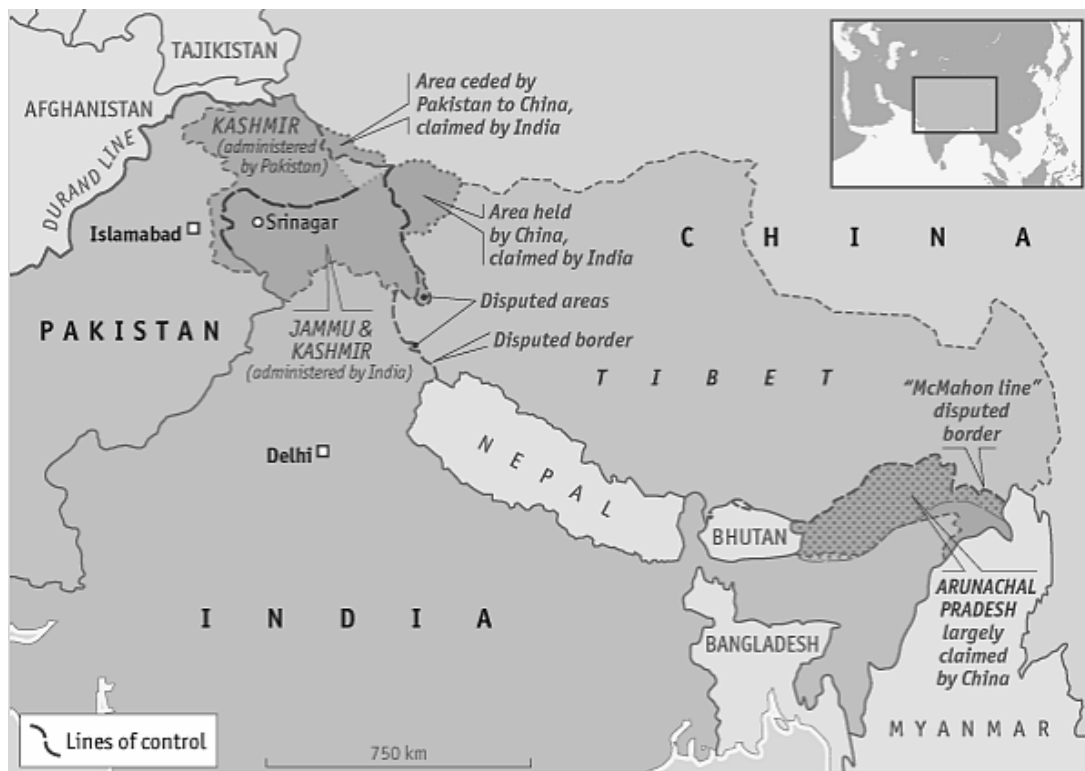
Graphic 1: Border conflicts along the Himalaya Mountains. Source: The Economist 2013.[3]

The demarcation line around the conflict in the eastern sector is the McMahon Line named after Sir Arthur Henry McMahon, foreign secretary of the British government of India. Whereas the British claimed control over the Assam region already in the 1820s,

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[2] Vertzberger, Yaacov. "India's Border Conflict With China: A Perceptual Analysis." Journal of Contemporary History 17, no. 4 (1982): 607-631, p. 607-609.
[3] ———. "South-Asian territorial claims. Current boundaries." The Economist. http://www.economist.com/blogs/dailychart/2011/05/indian_pakistani_and_chinese_border_disputes (accessed November 7, 2013).

the first time an actual definite border was drawn was with the Simla Accord of July 1914. The conference in Simla was attended by representatives of British India, Tibet, and the Chinese Republic, the latter who were pressured by the British to resolve the issue. During the tripartite talks a proposals was introduced which would divide the Tibetan territory into 'Outer Tibet' under Chinese suzerainty and 'Inner Tibet' which would be under China's sovereignty. This solution was strongly in the British interests to uphold Tibet as a buffer state. Ultimately, the Chinese refused to sign the draft proposal due to domestic unrests and dissatisfaction over the proposed border between Inner and Outer Tibet. The Tibetan and British representatives remained and ultimately settled on a proposal by Sir McMahon, an 890 kilometers long border line following "the watershed of the Himalayan range as the natural divide between the Tibetan plateau and the valleys leading down to the plains of Assam".[4] During the following years, the Nationalist Kuomintang regime was politically too unstable to stake their claim along the Himalayas. The land within the Sino-Tibetan border region remained largely in the hands of native chieftains. Even the British showed relatively little interest in establishing control over the area. The Simla Accord itself was published only in 1938 along with an earlier published map depicting the McMahon Line as the Tibetan-Indian border for the first time.[5] Caught up in the Second World War and the Sino-Japanese War along with a Civil War respectively, both the British and the Kuomintang showed little advancements nor proper negotiations over the demarcation. Only between 1947 and 1949, there were formal inquiries on the issue by the Chinese. Yet due to the changes in government and reorganization of the political systems in both countries no change of the situation was achieved. In his essay Hsiao-Ting Lin traces the history of dispute over the eastern sector between 1914 and 1947 and concludes that "the professed sovereignties claimed by both Republican China and British India over the Assam-Tibetan tribal territory were largely imaginary, existing merely on official maps and political propagandas."[6] Just like the Indian National Congress inherited the British claims over the disputed territory in 1947, the new Communist government over mainland China which took over power in January 1949 incorporated the previous claims as political reality. "With hindsight, however, an ironic yet undeniable fact is that,

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[4] Lin, Hsiao-Ting. "Boundary, Sovereignty, And Imagination: Reconsidering The Frontier Disputes Between British India And Republican China, 1914–47." The Journal of Imperial and Commonwealth History 32, no. 3 (2004): 25-47, p. 27.28.
[5] Lin, Boundary, Sovereignty, And Imagination, p. 32-33.
[6] Lin, Boundary, Sovereignty, And Imagination, p. 26.

for most of the time prior to 1947, neither Republican China nor British India exercised effective authority over the frontier lands that were later fought over in the 1962 war.”[7]

With the political new beginnings in both countries, Jawaharlal Nehru envisioned the idea of a resurgence of Asia to former power with India and China as the leading powers bonded by the idea of Asian solidarity. The famous slogan 'Hindi-Chini bhai-bhai'[8] was coined and India was one of the first countries to establish diplomatic relations with the new leadership in Beijing.[9] Yet Nehru overemphasized the Sino-Indian friendship since historically the ties were neutral or nonexistent and those feelings were not reciprocate by the Chinese leadership. The Indian government headed by Nehru did not participate at the conference in San Francisco to finalize Treaty of Peace with Japan since they proclaimed to be non-aligned as well as because the PRC government was excluded from the negotiations. Furthermore, the India supported the Beijing regime as the righteous holder of the Chinese UN-mandate and not the Republicans from Taiwan. In India of the early 1950s a fascination and admiration with Chinese culture and society became en vogue and many intellectuals went to China to study its culture thanks to the Friendship Association with China founded in 1952. Yet, this admiration and keen interest remained largely one sided.[10]

Nehru as India's first Prime Minister as well as Minister for External Affairs explicitly claimed the McMahon Line as India's legitimate border in 1950 and it would be not up to discussion unless the Chinese would initiate it. The new Chinese government did not raise the question but had effectively taken control over Tibet in 1951 which turned most of the McMahon Line directly into the questioned demarcation between India and the PRC. In April 1954 they signed the 'Agreement on Trade and Intercourse' which is known as the Panchsheel Treaty for its 'Five Principles of Peaceful Coexistence'.

In contrast to the eastern sector, historically there is no claim of exact demarcation in the western sector. During the British raj the border question was largely left open and after independence a tentative map was published by India which depicted "a very "forward" boundary line in this area" reaching as far as the Aksai Chin plateau. Claiming the mainly

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[7] Lin, Boundary, Sovereignty, And Imagination, p. 39.
[8] Meaning 'India and China are brothers'.
[9] Wang, "Chindia" or Rivalry?, p. 448.
[10] Vertzberger, India's Border Conflict With China, p. 616.

desert area of about 37,000 km² as part of the Ladakh district according to the proposed Johnson Line of 1865 which back then had been quickly discarded by the British themselves. This version was instituted as the official map of India in 1954 whereas since 1950 the ancient trade route crossing the claimed area was used by the People's Liberation Army (PLA) to reach western Tibet. Furthermore, the Chinese built a more extended 1,200 km long road through Aksai Chin connecting Xinjiang and Tibet crossing the area claimed by India which to their great shock the Indians only found out about in 1957 since the territory is more difficult to access from the Indian side than the Chinese. As previously mentioned the conflict in the western sector is tripartite. The main conflict revolves around the whole area of Jammu and Kashmir what is claimed in its entirety by Pakistan and India. During the partition of British India in the 1940s, Lord Mountbatten as the last viceroy of British India was decisive to separate the territory into two separate states according to religion of its inhabitants. Regions with a Hindu majority should belong to secular India, regions with a Muslim majority to Islamic Pakistan: The Two Nation Theory was born. In rapid succession Pakistan and India declared their independence and then on 17 August 1947 the Radcliffe Line was published as the official demarcation line between India and Pakistan. During the following chaotic and dramatic months 88 million people were displaced and made refugees due to their religious beliefs and ethnicities. The princely state of Jammu and Kashmir with a mostly Muslim population and a Hindu Maharaja originally opted to remain independent from both states just like Sikkim at the time. Yet when militia sponsored by Pakistan infiltrated the territory, Mountbatten offered British support under the condition that Jammu and Kashmir would join the Union of India. Later on a plebiscite led by the United Nations should solve the question once and for all. Yet before those plans could be realized the first Indo-Pakistani war over the status of Jammu and Kashmir broke out. It lasted from October 1947 to the beginning January 1948 and ended with the establishment of the Line of Control dividing the region into separate territories administered by either India or Pakistan. This first war was followed by three more in 1965, 1971, and 1999, as well as a nuclear conflict, violent skirmishes and standoffs along the border, and the support of terrorist attacks. Despite this bloody past and standing unsolved issues, the Indo-Pakistani relations can be called an „ugly stability" since there have long been tentative projects to engage both sides and to further stabilize the region.[11] At the time during the late 1950s, Pakistan and the PRC had begun

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[11] Mukherjee, Anit. "A Brand New Day or Back to the Future? The Dynamics of India-Pakistan Relations." India Review 8, no. 4 (2009): 404-445, p. 436.

becoming closer allies since they had common interest in the region and more importantly a common opponent, India. Their cooperation began to extend to economic, diplomatic, and cultural matters but most importantly China would become Pakistan's main arms dealer over time, and they then would sign a border treaty in 1963. Their relations have been of geopolitical importance especially during the Cold War when the Sino-Pakistani alliance relationship had to be considered vis-à-vis the close Indo-Soviet relations. Hence China supported Pakistan in Indo-Pakistani wars of 1965.[12]

In the mid-1950s the PRC was settling its border dispute with Burma accepting after negotiations the McMahon Line as the final Sino-Burmese border. In 1956 Premier Zhou Enlai put the same offer on the table for the Sino-Indian conflict in the eastern sector. Apparently in a misunderstanding Nehru concluded that negotiations would not be necessary anymore. Beginning in December 1958, Nehru and Zhou Enlai began exchanging letters on the matter of the border demarcation in both sectors. Whereas the Indian side did not believe there could be an actual dispute since the McMahon Line was accepted as legal reality and were only willing to negotiate on minor details, the Chinese on the other hand did not accept the McMahon Line or any other historical demarcation since none of those was based on in their opinion binding legal document that was agreed upon by the PRC government and its legal Indian counterpart. Zhou Enlai regarded the existing boundary as a provisional solution that was up to negotiations. At least since those contrary argumentations the fundamentally different perceptions between the two countries of legally binding agreements and their validity over time had turned from a mere suggestion into complete opposition.

After several years of unrest, Tibet Uprising of 1959 broke out in its capital Lhasa. Although the rebels received help through the US-American Central Intelligence Agency (CIA), they were poorly equipped and outnumbered compared to the PLA. Forced to leave the country, the 14th Dalai Lama and some government members left along with large groups of refugees and were granted asylum in India. Because of said asylum, the explicit support of Indian public to the Tibetans, and decline of the public opinion of Beijing, as well as "the first border clash at Longju on the McMahon Line in August 1959"

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[12] Sidky, Mohammad Habib. "Chinese World Strategy and South Asia: The China Factor in Indo-Pakistani Relations." Asian Survey 16, no. 10 (1976): 965-980, p. 967. Malik, Mohan. China and India: Great Power Rivals. New Delhi: Viva Books, 2012, p. 72.

the Sino-Indian relations deteriorated further.[13] Mao Zedong had long been harboring suspicions towards India including that they wanted to seize Tibet. After the rebellion was shut down, Mao initiated an official statement by the Xinhua news agency accusing Nehru and other "Indian expansionists" of an "anti-China slander campaign" whose goal was to maintain Tibet as a "sort of buffer zone between China and India" denying its people reform and development. Yet as far as official and private documents are concerned, Indian officials had never planned to seize control over Tibet but to support its autonomy under PRC's sovereignty with a special and more sentimental interest in shared cultural history. There is further evidence for this in their treatment of exiled Tibetan government, Nehru's actions after the uprising "amounted to an effort to placate Beijing at the expense of the Dalai Lama and Tibetan independence."[14] In 1959 Soviet leader Nikita Khrushchev explicitly defended India's innocence and Nehru personally to be culpable of the Tibetan uprising. Beijing undeniably must have felt surrounded by opponents with the international outcry over the uprising and masses of refugees, USA actively supporting Tibetan resistance, deep mistrust of the Indian government, the closer Indo-Soviet ties and the impending Sino-Soviet split. The year 1960 was characterized by intense negotiations between the two states including four visits of Zhou in India. After a bloody border clash at the Kongka Pass, at first he proposed a demilitarized zone of 20 kilometers in all directions in all sectors. The unofficial second offer was a barter trade "that China drop its claims in the eastern sector in exchange for India dropping its claims in the western sector". [15] Nehru was unwilling to agree with either offer arguing again that the Indian claims were based on historical and legal reality calling the Chinese occupation of the territories illegal. The border negotiations had reached a dead lock. Each side accusing the other one of refusing to negotiate. Vertzberger comments that in retro perspective Nehru was not taking the issue as serious as he should have. The Indian Prime Minister was merely buying time postponing a final solution of the border issue and never considered war between the two countries as a viable possibility. "He [Nehru] attributed China's behaviour to the abnormal conditions it was facing because of an economic crisis and isolation. Nehru was convinced that, in the final analysis, war between China and India was mutually unfeasible."[16]

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[13] Maxwell, Neville. "China And India: The Un-Negotiated Dispute." The China Quarterly 43 (1970): 47-80, p. 60-62.
[14] Garver, China's Decision for War with India in 1962, p. 12-16.
[15] Garver, China's Decision for War with India in 1962, p. 29-30.
[16] Vertzberger, India's Border Conflict With China, p. 618.

Believing to be in the right and furthermore under growing domestic pressure of politicians and the general public alike not to move away from their stance on the demarcation line, Nehru decided along with Lt General B.M. Kaul, Chief of General Staff of the Indian Army, on a new course for the border protection known as the 'Forward Policy' by the end of 1961 which included a greatly increased number of military personnel and outposts along the Sino-Indian border most of them in the northern part of the McMahon Line. Due to the Forward Policy the situation became increasingly hostile. Yet, Nehru made an essential mistake by interpreting China's mere warnings against the new policy by the Indians as a military weakness. Yet, from the Chinese point of view the Forward Policy was perceived not only as arrogant provocation as well as the predicted and dreaded Indian expansionism towards Tibet. Along with the growing hostility along the border, Mao's conviction grew that India, the USA and the UDSSR were conspiring together against China.[17]

Similar to other border disputes between states is the fact that the states accept their respective stance within their own national realm, concerning law, military, cartography, and jurisdiction. Their perceptions of reality differ fundamentally in the respective case. Since there is no international authority and law as encompassing as the national ones a definite assessment of a border conflict is impossible. International anarchy makes it impossible. Both, India and China accuse the other one of refusing to negotiate since their stances on the existing border are mutually exclusive.

3.2 The Sino-Indian War of 1962

Although the war did not begin officially until the 20 October, the earlier months of 1962 were filled with skirmishes along the border between the two armies.[18] In July there was also a change in India's Forward Policy when the military was allowed use of force not only as self-defense as before but when they were threatened by Chinese military. China unlike India began preparing for a possible military attack especially in the eastern sector around Tibet and the NEFA. There were further attempts from both sides to engage the other in diplomatic negotiations but to no avail since both governments were entrenched in their positions also due to a lot of domestic pressure. Already during those first skirmishes China's military predominance became visible. India's military capabilities were

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[17] Garver, China's Decision for War with India in 1962, p. 6. Vertzberger, India's Border Conflict With China, p. 624.
[18] A detailed account of the events leading up to the war can be found in Garver's essay "China's Decision for War with India in 1962" and Pringsheim's "China, India, and Their Himalayan Border (1961-1963)."

relatively limited because they had missed making necessary investments since independence as India's focus was on peaceful non-alignment. "The 1954 Agreement on Trade and Intercourse was permitted to lapse on June 2, 1962."[19] In June the Indian army established a military post called Dhola at the Thag La Ridge which lay north of the McMahon Line arguing that this was meant to be the demarcation point since the establishment of the line itself. Then in early September the Chinese army moved in occupying parts of the Thag La Ridge effectively surrounding the Indian outpost. Neither side opened fire for two weeks before it came to two forceful clashes. The last attempt for negotiations was Zhou's visit to New Delhi on 3 October promising a peaceful solution for the conflict which was declined by the Indian government. Subsequently, the PRC leadership began planning a military operation. Although the Indians were outmatched by the Chinese manpower at the post, India did not think China would be ready for war since a lot of their troops had actually been moved from the area to encounter a possible intrusion from Chiang Kai-shek's nationalist troops. Yet the PRC was planning to teach India a lesson through a large scale military attack. Nehru's refusal to negotiate without preconditions, the troop advancements close to the McMahon Line and "the approaching winter, all contributed to making the use of force seem attractive, inevitable and even worthwhile."[20] The situation escalated relatively quickly with more violent clashes along the border. Nehru proclaimed that the Indian army would be ready to free their territory from Chinese occupation. PRC officials secured Soviet support in case of an Indian offensive. The Soviet leadership moved away from their previous neutrality probably to secure China's support in case it would come to blows with the USA over the Cuban Missile Crisis.[21]

The Chinese offensive by the PLA was launched in both sectors on 20 October claiming to have acted in self-defense. In the eastern sector Tawang was seized after only four days. "In the western sector, the offensive [in Aksai Chin] continued until 27 October" which was followed by a three week long pause. The US-American and the British government expressed their sympathy with the India. The United Kingdom was even quick to offer an arms shipment which the Indian army was in desperate need of and therefore entering in similar negotiations with the USA. Although the Indian government was conscious to avoid an alliance with the USA rather asking for mere 'support' to maintain their non-

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[19] Pringsheim, Klaus H. "China, India, and Their Himalayan Border (1961-1963)." *Asian Survey* 3, no. 10 (1963): 474-495, p. 481.
[20] Vertzberger, India's Border Conflict With China, p. 625.
[21] Garver, China's Decision for War with India in 1962, p. 54-56.

aligned status and sidestep future implications or offend the Soviet Union. Several millions US-dollars' worth of equipment were delivered in the first two weeks of November.[22] Zhou offered the possibility of peace negotiations with the conditions of the border settlement which Nehru declined since India could not accept these. On 14 November the Indian army started their offense in the NEFA area. "Chinese forces responded by launching a pre-planned massive offensive on 18 November. Indian defenses in the east rapidly crumbled. PLA forces would not halt until Chinese soldiers looked out from the Himalayan foothills to the broad valley of the Bramaphutra River." The whole time the Indian forces had been hopelessly outnumbered in manpower and military equipment. Furthermore the rough geographical and climate conditions alone had cost a lot of lives. In the face of Chinese advancements in NEFA, Nehru without consulting his cabinet or the parliament asked for an indirect American military intervention on 19 November, requesting 14 squadrons of US-American fighter planes. This appeal was in complete contrast to Nehru's previous pledges to non-alignment and the core principles of Indian foreign policy. But in the face of losing large parts of the NEFA region this appeared to be a price Nehru was willing to pay. On the same the day and before any definite decision could be made by the Americans, faced with a possible US-engagement in the war Zhou declared a unilateral ceasefire to start on 21 November which marked the end of the Sino-Indian war. China withdrew to the Line of Actual Control in the western sector and 20 kilometers north of the McMahon Line.[23]

Malik claims that the war of 1962 could be partially explained with the diversionary theory of conflict "wherein leaders create international conflicts to divert public attention from domestic conflicts" since Sino-Indian border war coincided with the catastrophic end of the Great Leap Forward and the Great Chinese Famine it had caused.[24] This would be the opposite of Nehru's expectation instead of refraining from violence because of domestic turmoil the Chinese used the war as a distraction strategy. M. Taylor Fravel interprets the situation differently and focuses more on the perceived threat. In his study he concludes from comparing different conflict scenarios in the PRC's history: "In its territorial disputes, China has usually used force as its relative power in a given dispute declined, not increased."[25] Therefore, China's grave domestic situation including the unrests

[22] Brecher, Michael. "Non-Alignment Under Stress: The West and the India-China Border War." *Pacific Affairs* 52, no. 4 (1980): 612-630, p. 613-614.
[23] Brecher, Non-Alignment Under Stress, p. 617-620. Garver, China's Decision for War with India in 1962, p. 59-61.
[24] Malik, China and India: Great Power Rivals, p. 79.
[25] Fravel, Power Shifts And Escalation, p. 47.

in Tibet and Xinjiang as well as a nation-wide famine, the threats along their borders from both India and Taiwan left the CCP cornered and the power balance shifted to their disadvantage. Garvers comes to the conclusion "that *both sides* bear onus for the 1962 war, China for misconstruing India's Tibetan policies, and India for pursuing a confrontational policy on the border."[26]

After the war which for India was a great humiliation and defeat, they began to invest in their military capabilities. The Forward Policy was abandoned and the Nehru government heavily criticized for its diplomatic and military failures. "The 1962 defeat did mark a huge setback in India's confidence and international standing and tilted the regional power balance in China's favor."[27] Nonetheless, China's international public image was branded as the aggressor. Yet there was never a legal document produced to secure the border between the two Asian giants for the future. In the western sector the Line of Actual Control, meaning that Aksai Chin essentially belonged to China, and in the eastern sector along the McMahon Line were the new or rather the previous demarcations. Furthermore, the war solidified the Asian power alignments during the Cold War era with the Beijing-Islamabad axis in one corner opposing New Delhi-Moscow in the other. Whereas Nehru's government leaned towards the USA at that moment the US-Indian relations remained ambiguous.[28] This war has cast long shadows over the Sino-Indian relations heightening the aggression and on the Indian side a sense of betrayal and humiliation. Nehru's idea of Asian solidarity had failed. What followed was what can only be called a cold war until in 1979 diplomatic ties were tentatively reestablished. [29]

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[26] Garver, China's Decision for War with India in 1962, p. 3.
[27] Malik, China and India: Great Power Rivals, p. 79.
[28] Malik, China and India: Great Power Rivals, p. 79.
[29] Wang, "Chindia" or Rivalry?, p. 450.

CHAPTER FOUR - DIMENSIONS OF THE SINO-INDIAN RELATIONS SINCE THE 1970S

4.1 Military Dimension

According to realist theory, a state's security threat originates from other states threatening its status and integrity. The worst case is therefore a war between states or alliances of states. This definition holds true for the case presented in the previous chapter: The Sino-Indian War of 1962 when both states claimed the same stretches of land as their own and previous negotiations had failed. Yet, as it has been presented the decision makers' motivations stemmed not only from realist security concerns and questions of supremacy but also rather strongly from matters of domestic politics as well as misguided perceptions of the situation. Furthermore, the war of 1962 had been a very well calculated risk by the Chinese since their forces clearly outmatched the Indian and China made no move to actively bring new territory into their control nor was there any bilateral agreement on a consensual demarcation line. Although China and India are still at a stalemate over the territorial conflict in general its priority in their individual security concerns as well as part of their bilateral relations has fluctuated but generally declined in significance since the 1950/60s. The end of the Cold War signified an important restructuring of international politics that affected the Sino-Indian relations too, entering a phase of US-unipolarity which is being replaced by multipolarity. According to the logic of interdependence as well as in a world post-Cold War and post 9/11, the issues in international relations in general and security issues in particular have diversified and compete with one another in significance. Aside from military safety and a threat of war against another state, new dimensions of security are maritime piracy, natural disasters, terrorism, epidemic diseases, water and energy scarcity, as well as environment concerns, sustainable economic growth, and social security, and so forth. Whereas many of these topics are not new phenomena, there are more and more perceived as fundamental to states' stability and power.

As previously mentioned, India and China entered a phase resembling a cold war seeking allies and supporters regionally and globally after the events of 1962 although both countries were relatively closed off. Only in 1976 the two countries exchanged ambassadors again, bilateral trade was resumed in 1978 and a year later the diplomatic relations tentatively.[1] Although China had won the war of 1962 its position was not strong enough

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[1] Wang, "Chindia" or Rivalry?, p. 463.

internationally to impose a new demarcation lines or even establish itself on Indian soil. The next significant incidents along the border were the 'Nathu La Incident' and the 'Chola Incident' in the region of Sikkim in 1967. At the time Sikkim had still been a kingdom under Indian suzerainty after a referendum in 1975 it joined the Republic of India but China kept portraying it as an independent state on official maps. "China eventually recognized Sikkim as an Indian state in 2003, on the condition that India accept Tibet as a part of China. This mutual recognition led to a thaw in Sino-Indian relations."[2] The most serious situation since the 1962 war was the "standoff at Sumdorong Chu in the eastern sector from October 1986 to March 1987" when both troops confronted each other because of an Indian military exercise in the border region.[3] In the western sector at the most northern point under Indian control at Daulat Beg Oldi in the Ladakh region two mentionable incidents happened one in 2000 and from April to May 2013. Official border talks began in 1981 followed by the installation of Joint Working Groups and a Diplomatic and Military Experts Group. With interruptions due to the aforementioned tensions and disagreements, talks on different governmental and administrative levels as well as meetings between military personnel along the border itself have continued up until today. The Line of Actual Control (LAC) became contractual reality between the two states through the Agreement on Maintenance of Peace and Tranquility along the Line of Actual Control in the India-China Border Areas signed in Beijing in 1993. This 4,000 kilometers long demarcation is therefore effectively the de-facto Sino-Indian border and should ideally be a demilitarized zone. Regardless of the territorial claims that are acknowledged in the agreement, the LAC divides the territory along actually administered land. In the eastern sector the LAC coincides mainly with the McMahon Line. The treaty is based on the Pansheel Agreement emphasizing non-aggression and non-interference.[4] Followed by agreements in 1996, 2006, as well as 2012. They have fluctuated in their commitment and specificity. Singh Sidhu and Yuan describe the border conflict as "a long-term issue of a relatively stable nature"[5]. Although the agreements of confidence-building measures follow a broad approach including political, economic, and military issues they remain limited in their intensity because of mutual lack of trust between China and India. Nonetheless the agreed upon measures are firmly in place and help to avoid

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[2] Wang, "Chindia" or Rivalry?, p. 465.
[3] Singh Sidhu, Waheguru Pal, and Jing-Dong Yuan. "Resolving the Sino-Indian Border Dispute: Building Confidence Through Cooperative Monitoring." Asian Survey 41, no. 2 (2001): 351-376, p. 353.
[4] ———. "Agreement On The Maintenance Of Peace Along The Line Of Actual Control In The India-China Border" Stimson Center. http://www.stimson.org/research-pages/agreement-on-the-maintenance-of-peace-along-the-line-of-actual-control-in-the-india-china-border/ (accessed February 20, 2014).
[5] Singh Sidhu, Resolving the Sino-Indian Border Dispute, p. 376.

large-scale military conflicts between the two states. For example the 5th Meeting of the Working Mechanism for Consultation and Coordination on India-China Border Affairs took place in February 2014 in New Delhi. Yet Singh Sidhu and Yuan maintain that "long-term peace and stability in bilateral relations require significant changes in Beijing and New Delhi's threat perceptions, avoidance of open rivalry over regional issues, […] and the eventual resolution of territorial disputes."[6] Over the course of the last four decades, different disputed places have been used to provoke and pressure the other party. China in particular is known for using its economic leverage to bring up the conflict regularly mainly through state media, troops movements, and high-level bureaucrat statements. Especially the years 2007 to 2009 saw a heated debate concerning the status of Arunachal Pradesh which even led to China blocking a loan by the Asian Development Bank for a watershed project in the area.[7] According to the latest reports, Indian foreign ministry officials would essentially be considering a barter trade exchanging the official recognition of Arunachal Pradesh as part of Indian territory for Chinese Aksai Chin. There has been no official statement concerning this possibility but it would be a novel progression after many unfruitful boundary talks.[8]

In the last four decades, both India and China invested generously to modernize their armed forces. As the two most populous countries they have the largest armed forces in the world yet their equipment and levels of efficiency remained largely outdated for a long time. Thanks to their economic success and more diversified diplomatic and trade relations, both states have been in the capacity to make said investments and technological progress. Those have been necessary to adept to the new challenges security and military are facing "to transit from mechanization to information-based warfare."[9] According to latest study of the Stockholm International Peace Research Institute, in 2012 China had the second largest budget for military expenditures in the world after the USA, India ranked 8th. According to their estimations, China spent US $166 billion which is 2.0 percent of its GDP. Although India spends 2.5 percent of its GDP on military purposes this

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[6] Singh Sidhu, Resolving the Sino-Indian Border Dispute, p. 354-360.
[7] Malik, China and India, p. 147-150.
[8] Shukla, Saurabh. "India 'ready to let China keep Aksai Chin' if neighbour country drops claim to Arunachal Pradesh." Mail Online India. http://www.dailymail.co.uk/indiahome/indianews/article-2515187/India-ready-let-China-Aksai-Chin-neighbour-country-drops-claim-Arunachal-Pradesh.html (accessed December 13, 2013).
[9] Pant, The Rise of China: Implications for India, p. 85.

only amounts to US $46.1 billion because they had to significantly cut spending due to its economic decline.[10]

The PRC introduced their 'structural reorganization' plan in 1985. Specifically this meant a modernization program with three stages beginning in 1992 and by 1999 their reforms were gaining momentum to acquire "the potential to project power abroad."[11] Whereas Chinese FP statements explicitly argue against hegemonic aspirations this could change with growing capabilities and a changing perception of threats. The modernization process included the restructuring of the chain of command, a professionalization of the armed forces including higher salaries and level of education of the personnel, the formation of highly specialized units like Rapid Response Forces, the digitalization of the communication technology, and of course investments in modern hardware in all branches of the People's Liberation Army. As the world's biggest exporter of manufactured goods and their dependency on energy supply largely via oil shipments, one of China's main security goals is securing their long own coastal line as well as their preferred sea lanes. "It is estimated that a quarter of the capital expenditure of the country's defense budget is allocated each to the naval and air forces."[12] In its naval presence, China has become more assertive in the East China Sea and the South China Sea where they are involved in a maritime and territorial conflict with a range of neighboring countries because the areas are supposed to have oil and gas resources. It continues to remain China's strategic focus until now. There have been discussions about a potential naval base overseas for the first time in 2008. The first Chinese air carrier was finished in 2012, three more are supposed to follow. Naval modernization plans extend to the year 2040 when the Chinese Navy wants to be able to project power worldwide.[13] Similar to many other countries as well as India and in the interest of their multilateral global relations, China regularly participates in joint military exercises focusing mainly on counter piracy and counter-terrorism as those are globally the major security concerns. After a five years break, a Sino-Indian joint 'hand-in-hand' counter-terrorism exercise was held in Novem-

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[10] Perlo-Freeman, Sam, Carina Solmirano , Helen Wilandh, and Elisabeth Skönes. "Trends in world military expenditure, 2012." SIPRI Fact Sheet. books.sipri.org/files/FS/SIPRIFS1304.pdf (accessed July 20, 2013).
[11] Pant, The Rise of China: Implications for India, p. 85-87.
[12] Pant, The Rise of China: Implications for India, p. 96.
[13] Athwal, China-India relations, p. 37.

ber 2013. Interestingly, the exercise was "held in China's Chengdu Military Area Command, which controls Tibet and almost the entire disputed LAC". There is also the proposal for joint naval exercises in the near future.[14]

Since India's defeat in 1962, the country had come to the realization that even with a self-image as a peaceful, soft power country (not considering its enemy Pakistan) needed well-functioning armed forces to feel secure in its own neighborhood which has been closely linked China's growing military power. Until more recently, India's reach of interest and influence has been firmly regional focusing on neighboring countries as their interventions in Bangladesh, Sri Lanka and the Maldives in the 1970/80s have shown. Their main security concern has been Pakistan so most of its strategy had been on containment and investing in superior capabilities. South Asia has been unstable for a long time. According to Failed States Index of 2013 compiled by the think-thank Fund for Peace, all of India's neighboring countries, but China and Bhutan, are within the top 30 and gained the label 'alert' according to their analysis based on social, political and economic indicators.[15] Whereas China has managed to establish diplomatic ties with those countries engaging them economically, equipping their military and its 'string of pearls' strategy with a multitude of naval bases, India is catching up in this department.[16] Similar to China, India's area of interest has widened with its growth to a regional and more and more a power with global influence. Yet compared to China India's armed forces are only up to par in terms of "professionalism, higher training levels, air-to-air missiles, re-fuelling, interdiction, high altitude combat, interdiction on high seas, etc."[17]. Reports estimate that China outmatches the Indian combat power 3:1 and India is missing 15 years of modernization and investment.[18]

> *"Although the Indian armed forces have drawn up elaborate plans for modernizing and qualitatively upgrading their capabilities for future combat, including the ability to secure the sea lanes of communication and project power in India's area of strategic interest, the pace of modernization*

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[14] Pandit, Rajat. "India, China to hold military exercises from November 4 after five years." The Times of India. http://timesofindia.indiatimes.com/india/India-China-to-hold-military-exercises-from-November-4-after-five-years/articleshow/22007225.cms (accessed August 23, 2013). Krishnan, Ananth. "With focus on terrorism, India-China begin joint military drills." The Hindu. http://www.thehindu.com/news/international/world/with-focus-on-terrorism-india-china-begin-joint-military-drills/article5317800.ece (accessed December 15, 2013).

[15] ———. The Failed States Index 2013. The Fund for Peace. http://ffp.statesindex.org/rankings-2013-sortable (accessed February 17, 2014).

[16] Kanwal, Gurmeet. India's Military Modernization: Plans and Strategic Underpinnings. The National Bureau of Asian Research. http://www.nbr.org/research/activity.aspx?id=275 (accessed December 7, 2013).

[17] Pant, The Rise of China: Implications for India, p. 99.

[18] Singh, Rahul. "India far behind China's combat power." Hindustan Times. http://www.hindustantimes.com/india-news/india-far-behind-china-s-combat-power/article1-1161711.aspx (accessed February 23, 2014).

has been slow due to the lack of adequate funding, delayed decision-making, and a low-tech defense industrial base."[19]

Nonetheless, India has ambitious plans to modernize its armed forces as well as its high-technology industrial production sites. One of the latest examples for their growing military capabilities is their plan to build a strategic missile force which includes the Indian military tested Agni-V missiles in 2012 and 2013 built in India, with a range of about 5,000 km which means it can reach Beijing as well as Europe.[20] Since "roughly 90% of India's external trade by volume and 77% by value is seaborne"[21] including the majority of their natural gas and oil deliveries, the focus in terms of securing their own interest is based on the development of an efficient navy force, for example the Indian Navy plans to increasingly equip their submarines with nuclear capabilities. Their main area of interest is of course the Indian Ocean, stretching from the Gulf of Aden to the Strait of Malacca, yet they are expanding their reach since Indian navy ships have been sighted in the South China Sea to China's displeasure. Both states follow a very similar strategy with a focus on naval expansion and maritime power projections. India's multi-alignment strategies naturally extends into the military domain too. Whereas the USA and the European Union both refuse to export weapons to China since the Tiananmen Square protests in 1989, the USA lifted its arms embargo on India shortly followed by the EU in 2001. The next big step in closer US-Indian relations was their nuclear deal a few years later. Interestingly the Chinese reaction was not aggression but attempts to engage India further when the presidents discussed nuclear and space cooperation as well as acknowledging them as a 'great power' for the first time in 2006.[22] Furthermore, China's longtime enemy Japan has become an important partner to India: Their 'Global and Strategic Partnership' of 2006 intensified their defense cooperation. In the same year, the Japanese Prime Minister Shinzō Abe proposed a multilateral alliance including the two countries as well as Australia and the USA which would be clearly directed against China. But India's Prime Minister Singh followed a much more realistic approach and quickly signaled disinterest to such plans.[23] In the following year, the Indian navy alongside Japan, USA, and Australia, plus Singapore held the six-day long joint naval exercise called 'Exercise Malabar' in the

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[19] Kanwal, Gurmeet. India's Military Modernization: Plans and Strategic Underpinnings. The National Bureau of Asian Research. http://www.nbr.org/research/activity.aspx?id=275 (accessed December 7, 2013).

[20] Dash, Jatindra. "India tests nuclear capable missile with range as far as Beijing." Reuters. http://www.reuters.com/article/2013/09/15/us-india-missile-idUSBRE98E03L20130915 (accessed September 20, 2013).

[21] Ladwig, India and Military Power Projection, p. 1174.

[22] Saalman, Lora. "Between 'China Threat Theory' and 'Chindia': Chinese Responses to India's Military Modernization." The Chinese Journal of International Politics 4 (2011): 87–114, p. 87.

[23] Ganguly, Sumit. "India In 2007: A Year Of Opportunities And Disappointments." Asian Survey 48, no. 1 (2008): 164-176, p. 172.

Bay of Bengal based on their Quadrilateral Security Dialogue.[24] Their defense cooperation culminated in the Japanese-Indian Security Pact in 2008. Here again, one can see the same pattern since Japan so far only had had security pacts with Australia and the USA.[25] Considering these patterns of diplomatic and military cooperation as well as the rhetoric of news reports, China has remained India's main adversary still intruding into its territory - called the 'China Threat Theory'. In 2009 news sources reported a secret military exercise called 'Divine Matrix' considering a possible attack by the Chinese before 2017. "In the military's assessment, based on a six-month study of various scenarios before the war games, China would rely on information warfare (IW) to bring India down on its knees before launching an offensive." Further scenarios envisioned Pakistan as an active ally to China opening a two-front war, as well as Bangladesh and Myanmar siding with them.[26]

As the most populous countries in the world with overlapping interests and similar strategies in terms of trade as well as diplomatic ties and there troublesome history of territorial conflicts, there is a probability that interests could clash in the future but "differences of perceptions and capabilities have not been directed against each other in a concerted manner so far."[27] Even though both states act pragmatically by engaging each other along with regional and global partners, China and India continue to perceive each other as threats as this chapter has shown and the incidents along the disputed border. Their growing military powers are often referred to as an arms race although India lags behind significantly and would not be capable to stand up alone against the Chinese armed forces. Yet, China has complicated relationships with other neighboring countries like Japan and Taiwan which carry potential for aggression aswell and India has not been Chinese priority military-wise for a long time. But because of rising Indian investments in military and naval expansion, along with growing US-support and the axis New Delhi-Tokyo, China has begun to take them more seriously since the early 2000s focusing on their nuclear exchange, naval expansionism in the IO and beyond, and missile defense projects.[28] India's security concerns towards the PRC are focused on the close Chinese relations with

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[24] Ghosh, Madhuchanda. "India And Japan's Growing Synergy: From A Political To A Strategic Focus." Asian Survey 48, no. 2 (2008): 282-302, p. 288.

[25] Miglani, Sanjeev. "India, Japan in security pact; a new architecture for Asia?" Reuters. http://blogs.reuters.com/pakistan/2008/10/25/india-japan-in-security-pact-a-new-architecture-for-asia/ (accessed May 10, 2013).

[26] Singh, Rahul. "Indian Army fears attack from China by 2017." Hindustan Times. http://www.hindustantimes.com/india-news/newdelhi/indian-army-fears-attack-from-china-by-2017/article1-393140.aspx (accessed Feburary 23, 2014).

[27] Pant, The Rise of China: Implications for India, p. 97.

[28] Saalman, Between 'China Threat Theory' and 'Chindia', p. 91-97.

India's neighbors like Bangladesh and its historical enemy, Pakistan. China remains Pakistan main arms dealer and has sold missile and nuclear technology in violation of the NPT China had signed in 1992.[29] Furthermore, India is concerned with Chinese investments in military infrastructure and logistics along their shared border including missile deployments and the network of highways and railways in greater Tibet.[30] Even in the face of rising perceptions as threats, India and China are continuously engaging each other in the military domain to counteract possible tensions. The costs of a violent dispute or even a war are much too high for two nuclear neighbors whose goal is to reach US $100 billion bilateral trade in 2015. The Sino-Indian relations are caught in a contradiction where old rivalry is opposite of economic engagement which is an act of balancing out the other one's power.

4.2 Economic Dimension

For both countries economic liberalization has been a door-opener on various levels to engage with other countries, welcoming and exchanging products, ideas, technology, and people. Globalization and networks of complex interdependence have been created by both countries and have deeply influenced their economies and societies. India and China managed to end their isolation and self-sufficiency to enter the global market and become two of the fastest growing economies with the two largest consumer markets in the world. Bilateral trade has also been the key to their relations to each other. Their strategies on trade expansion made a peaceful environment necessary putting their differences aside in favor of building mutual trade networks since they have begun rebuilding their relationship in 1976.

In 1984, both governments established the first Joint Working Group for promoting mutual trade and commerce and a few years later the 'Joint Economic Group on Economic Relations and Trade, Science and Technology' which both still structure their trade and commerce relations on an institutional level supported by a Joint Business Council. [31] Then in 1992, thanks to those improvements in their bilateral relations and the end of the Cold War, the border trade in the Himalayas was resumed as well as civil travel after 30 years, and their diplomatic relations resumed properly on all levels. Yet, at the same time

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[29] Malik, China and India, p. 248. Pant, The Rise of China: Implications for India, p. 102.
[30] Pant, The Rise of China: Implications for India, p. 100.
[31] Athwal, China-India relations, p. 87.

during the 1980s India underwent its economic and financial crisis while China began experiencing strong economic growth. This imbalance is still evident in their comparative economic performance: "In terms of the oft-used indicators of economic and social progress, China has left India far behind. It has also made a significant niche in the global economy."[32] (See also Table 3 for more detailed information.) With India's economic liberalization their trade and commerce relations really began to grow. Since then both countries have been functioning as market economies though both are restricted by their individual inistitutional regulations. "Between 1995 and 2005, bilateral trade multiplied by 16 from 1.2 to 18.7 billion USD"[33] which is evidently an immense growth but it should be acknowledged that it started at almost nothing compared to their total trade volume: "In aggregate terms, however, Sino-Indian trade remains low as a percentage of total Chinese and Indian trade (1 percent and 5 percent respectively) [in 2006]."[34] Their bilateral trade expansion has been accompanied by a range of agreements to facilitate trade, as well as technology and bureaucratic exchange, furthermore there have been regular official high level visits. After India's nuclear test in 1998 while referring to China as India's "potential threat number one" their trade relations were negatively affected but recuperated relatively quickly.

A key event for global as well as their bilateral trade was China's accession to the World Trade Organization (WTO) in December 2001. Whereas India had been a founding member of the WTO's predecessor, the General Agreement on Trade and Tariffs (GATT), and became a WTO member with its official ratification in 1995, China's negotiations took 15 years. By joining the multilateral trade system, China gained a lot of advantages that facilitate international trade and commerce. This has been regarded pessimistically by a lot of nations including India fearing they would be swamped with cheap Chinese products. The PRC and India have been competing for example in the textile sector where China had a clear comparative advantage of lower prices and more effective supply chains. On the other hand, the WTO represents a forum where cases of price dumping can be discussed and settled. Furthermore, China's accession meant a greater visibility of developing economies in opposition to US-American and European dominance within the

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[32] Das, China and India, p. 26.
[33] Holslag, Jonathan. „The Myth of „Chindia". Assessing Interdependence between China and India." *Asia Paper* 3, no. 2 (2008): 1-13, p. 7.
[34] Athwal, China-India relations, p. 86.

WTO. Chinese and Indian officials together are known as likely spokespersons for concerns such as the G-33 food security plan in December 2013.[35]

Another important global forum where China and India meet are the BRICS. Based on an idea by the US-American bank Goldman Sachs, first mentioned in 2001, Brazil, Russia, India, China, and since 2010 South Africa are considered to be the five emerging economies most likely to rise to global economic as well as political power. Since 2009 they are holding yearly summits to expand their economic, political, and cultural engagement with each other. Whereas the respective statuses as prime emerging economies and their constructed similarities have been hotly debated, it is undeniable that they have gained significant power in the sphere of global governance. For the next summit in summer 2014, they plan to formally introduce the BRICS New Development Bank which would be big step in institutionalizing South-South cooperation as well as joining the financial clout they have garnered.[36]

In 2005, the two governments entered a "strategic and cooperative partnership for peace and stability". In the same year during a visit to Bangalore, China's Prime Minister Wen famously said, that "Cooperation is just like two pagodas, one hardware and one software. Combined, we can take the leadership position in the world." This clearly refers to China's strength in hardware exports, meaning manufactured goods, and India's focus on software development and commercial services. During Chinese President Hu Jintao's visit to India in November 2006, the two sides adopted a ten-point strategy to further strengthen the bilateral relationship which included first tentative talks about a Free Trade Agreement (FTA). Whereas they both have more than ten active FTAs individually with other nations or blocs especially in their immediate neighborhood like the ASEAN countries, the Sino-Indian talks on the matter have come to a standstill. India's reluctance is mostly based on the fear of being overrun by cheap Chinese goods and their own already immense trade deficit. Nonetheless, their bilateral trade is increasing, so is the mutual awareness for each other's growing global reach as well as bilateral importance. The year 2006 saw two big diplomatic gestures, first Indian PM Singh explained that it was a misconception that the

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[35] Singla, India and China: Comparative Economic Performance, p. 68-76. Sidhartha. "WTO meeting: China, India differ on food subsidy." The Times of India. http://timesofindia.indiatimes.com/business/india-business/WTO-meeting-China-India-differ-on-food-subsidy/articleshow/26814991.cms (accessed January 26, 2014).

[36] Li, Xiaoyun and Richard Carey. "The BRICS and the International Development System: Challenge and Convergence?" IDS Evidence Report 58 (2014). http://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/3599/ER58%20The%20BRICS%20and%20the%20International%20Development%20System%20Challenge%20and%20Convergence.pdf?sequence=5 (accessed March 12, 2014), p. 4-16.

two countries were competitors, later on Chinese President Hu called India a 'great power' for the first time. In 2010 the countries' leaders set the goal to increase bilateral trade up to US $100 billion by 2015 which at the time meant doubling their trade volume which speaks of their bilateral commitment to each other and their markets. The first 'Strategic and Economic Dialogue' took place in 2011.[37] Bilateral trade between the two countries peaked at US $73 billion in 2011. In 2012 and 2013, it slowed down to US $66 billion. There is a significant imbalance because India's trade deficit of US $29 billion. China clearly outperforms India not only on the global market but also in their bilateral trade relations. Yet already in 2008 China replaced the USA as India's largest trading partner.[38]

The concept of 'Chindia' originates from the previously mentioned idea of economic and industrial complementarity first elaborated in the book 'Making sense of Chindia' by the Indian politician Jairam Ramesh published in 2005. Ramesh collects evidence for 'Chindia' mainly from their bilateral trade but from history and culture as well by acknowledging the differences and disagreements between the two states. Therefore his case remains rather broad and vague in terms of evidence and predictions for the future.[39] "What is significant in building this so-called 'Chindia' is the emphasis on mutual learning and trust."[40] There are plenty of journalists and authors who have picked up Ramesh's idea mostly focusing on their status as neighboring emerging economies from the Global South which makes 'Chindia' a mostly Western concept with very little back-up in actual politics or the population since their differences are staggeringly obvious.[41] This leaves the conclusion that "the emergence of "Chindia" requires a leap of faith that is not supported by evidence."[42] Whereas there are clearly opportunities to create complementary businesses or industries especially in the IT or automotive sector, there is clearly a lack of political will to do so:

> *"India becomes aware that the division of labour is in fact a hierarchy of labour in which China is much more successful to generate jobs and to reap export revenues. This awareness is starting to affect the political economy of the relationship profoundly. At the bilateral level, pledges for*

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[37] Holslag, The Myth of "Chindia", p. 8. Wang, "Chindia" or Rivalry?, p. 459. Saalman, Between 'China Threat Theory' and 'Chindia', p. 90.

[38] ———. "India-China Bilateral Relations." Embassy Of India, Beijing. http://www.indianembassy. org.cn/Default.aspx (accessed August 7, 2013). Krishnan, Ananth. "India's trade deficit with China nears record $30 b." The Hindu. http://www.thehindu.com/business/indias-trade-deficit-with-china-nears-record-30-b/article545 6546.ece (accessed December 15, 2013).

[39] Ramesh, Jairam. Making sense of Chindia.

[40] Nankervis, Alan R., and Samir R. Chatterjee. "The resurgence of China and India: Collaboration or competition?" Human Systems Management 30 (2011): 97-113, p. 100.

[41] Among others: Engardio, Pete. Chindia: How China and India are revolutionizing global business. New York: McGraw-Hill, 2007. Sheth, Jagdish N. Chindia Rising: How China and India Will Benefit Your Business. New Delhi: Tata McGraw-Hill, 2008.

[42] Wang, "Chindia" or Rivalry?, p. 461.

trade protectionism against China are impeding the liberalist government to push trough [sic] *its plans for more openness. India and China also vie for access to the same countries and regions for exports and attracting investments.*"[43]

The comparative advantage in their respective sectors has led to a stronger drive to diversify the portfolio in both countries. Their interests and investments have begun to overlap more and more, both in sectors with China's move to services and spaces like Africa and Latin America where they operate as well as the FDI they acquire.[44] Whereas networks of interdependence cannot be denied within the globalized world especially regarding the economy, in a system that remains based on nation-states as the most important actors entering a state of strong economic complementarity seems unreasonable in particular for two neighboring states that argue over predominance. Diversifying a nation's product portfolio and trade network is as much a national security concern as a diversified energy supply. Furthermore, whereas the share of IT and services in the Indian economy is much higher than in the Chinese (see Table 3), China's total share exceeds the Indian by far since the Chinese economy is much bigger.[45] Not only is the volume of Sino-Indian trade relatively unbalanced but so have been the products they trade with: „Raw materials and iron make up 80 percent of India's exports to China, whereas India's imports mainly cover finished goods such as machinery, office machines and telecommunications."[46] In accordance with this is the composition of the Chinese FDI in India which focuses among others on metallurgy. "Exports of auto components, pharmaceuticals and machinery items" have been growing constantly since about a decade. Athwal identifies six areas with the most potential within Sino-Indian trade: "(1) Pharmaceuticals; (2) Auto-components […]; (3) Dairy Industry […]; (4) Agricultural products; (5) Machinery and machine tools; (6) Organic and inorganic chemicals."[47]

Since 1991, China has managed to maintain a GDP growth of more than 8 percent per annum (see Table 1) as well as attracting FDI amounting to more than 2.5 percent of its GDP (see Table 2) every year. India on the other hand only experienced similar GDP growth rates during eight years in the same time span and FDI inflows only exceeded 2.5 percent during 2008 and 2009. In terms of poverty reduction and social development, India has not managed to catch up with the PRC yet as presented in the second chapter.

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[43] Holslag, The Myth of "Chindia", p. 7.
[44] Wang, "Chindia" or Rivalry?, p. 455.
[45] Athwal, China-India relations, p. 90.
[46] Holslag, The Myth of "Chindia", p. 8.
[47] Athwal, China-India relations, p. 89-94.

Bhalla explains the differences in regards to economic performance and development as follows:

> *"The reasons for India's failure seem to be a lack of adequate infrastructure, multiplicity of objectives, bureaucratic procedures, limited power of the local authorities, and uncertain and unpredictable investment incentives. The political structure and a multi-party system constrained reform implementation in India. Electoral competition between different political parties and popular democracy raise transaction costs by preventing reduction in public expenditure on subsidies, an essential element of Indian liberalization. The poorer Indian performance in trade and investment [...] may in part be due to higher transaction costs resulting from coalition politics. However, some transaction costs in India (better-developed legal institutions, for example, and protection of intellectual property rights) may actually be lower than those in China."[48]*

Especially in regards to attracting FDI and the overall economic strategy, Nankervis and Chatterjee add to the analysis above that

> *"[...] in many areas the government in China acts as an efficient entrepreneur while in India, except in a few rare cases, the role of the government is inefficient. In China the entrepreneurial force comes in a 'top-down' manner, whereas in India it is solely the prerogative of the private sector".[49]*

The global financial and economic crisis has been affecting both India and China. Yet while China's FDI inflows consolidated relatively quickly, India's have been sinking continuously (see Tables 1 and 2). Overall China has gained on significant influence within the global economy since it became the USA's main financier as well as by maintaining steady economic growth. According to the Asian Development Outlook 2014 of the Asian Development Bank, China will have to focus on "[c]ontaining credit growth while maintaining growth momentum" in the upcoming fiscal year. Sinking investments in India on the other hand have led to low economic growth, soaring inflation and a rising account deficit.[50] "India's current account deficit has exploded 1125 percent since 2007, going from US $8 billion to US $90 billion. In other words, India is importing US $90 billion more than it is exporting."[51] Naturally the biggest share of India's trade deficit is with its main trading partner China. The OECD Economic Outlook (see Figure 1) which takes into account the years 2009 to 2015 forecasts an improvement of India's fiscal and economic performance yet this is dependent on decisive policy-making and attracting necessary FDI in key areas such as infrastructure and manufacturing.

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[48] Bhalla, Sino-Indian Growth and Liberalization, p. 424.
[49] Nankervis, Alan R., and Samir R. Chatterjee. "The resurgence of China and India: Collaboration or competition?" Human Systems Management 30 (2011): 97-113, p. 101.
[50] Asian Development Bank. "Asian Development Outlook 2014: Fiscal Policy for Inclusive Growth." Mandaluyong City: Asian Development Bank, 2014, p. 129-136, 167-173.
[51] Kumar, Raghu. „7 reasons why India is staring at a currency crisis." NDTV Convergence Limited. http://profit.ndtv.com/news/forex/article-7-reasons-why-india-is-staring-at-a-currency-crisis-326532 (accessed November 20, 2013).

4.2.1 Common Employment and Social Challenges

Due to their fast growth of the population and in the economy, India and China have been undergoing profound social changes, especially regarding the labor market, and will keep doing so in the next decades. Therefore a short excursion into the future challenges regarding their labor markets and the challenges China and India have in common. "All in all, if one takes into account the natural growth of labour force, the current level of unemployment and the dramatic underemployment in the countryside, India and China will have to create 450 million more jobs by 2050."[52] As mentioned in the previous chapter, experts say that there are two economies in both countries: the urban and the rural. Analogous to this, there are the formal and the informal economy, the latter "has become the largest sector of nonagricultural employment in developing countries"[53]. "The informal economy defined as workers who have no security of employment, receive few or no benefits, and are often unprotected by labor laws in China today accounts for 168 million of the 283 million urban employed […]."[54] Since the beginning of the economic transformation, informal labor has experienced a sharp rise. A recently published research paper by Credit Suisse estimates that "[h]alf of India's GDP and 90% of employment are informal." Since informal productivity is difficult to measure this would mean that the Indian "GDP [is] likely underestimated by ~15%". Not only does the Indian state lose an immense amount of tax money but also the businesses and their employees are missing any kind of social security. Furthermore, a mostly informal economy makes investments of any kind problematic to realize and the market is difficult to navigate.[55] Additionally, informal businesses and labor encourage corruption and illicit business making: "Failure of the state to overcome corruption and growing unemployment and income inequalities has led to social unrest and alienation. China is similar to India in this respect."[56]

4.3 Energy Dimension

The energy dimension as the final selected dimension of the Sino-Indian relations connects developments and concerns of the previous two. As two of the largest economies

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[52] Holslag, The Myth of "Chindia", p. 3.

[53] Huang, Philip C. C. "China's Neglected Informal Economy: Reality and Theory." Modern China 35, no. 4 (2009): 405-438, p. 406.

[54] Huang, China's Neglected Informal Economy, p. 405.

[55] Mishra, Neelkanth and Ravi Shankar. "India's better half: The informal economy." Credit Suisse. Equity Research/Investment Strategy. https://www.credit-suisse.com/newsletter/doc/apac/aic2013/20130712_indiamkt.pdf (accessed December 20, 2013), p. 1 – 5.

[56] Bhalla, A. S. "Sino-Indian Growth and Liberalization: A Survey." Asian Survey 42, no. 3 (2002): 419-439, p. 437.

in the world which have undergone substantial growth – their populations and their economies alike – their need to fuel this growth so that the societies and economies can run smoothly must be fed with more and more energy supplies. Whereas both produce energy themselves, China and India have the fastest growing energy consumer markets worldwide and rely heavily on importing energy. "Traditional thinking on energy security is state-centric, supply-side biased, overwhelmingly focused on oil and tends to equate security with self-sufficiency".[57] Most states in the world are not self-sufficient and depend on imported energy supply mostly natural gas and oil but also nuclear energy and coal. Therefore they are more vulnerable to fluctuations of prices on the international markets and safe deliveries. Their domestic stability and economic output relies on the stability of their trade network and supplier countries. Energy and oil in particular have become a powerful foreign policy tool. To avoid dependence a diversified networks of suppliers with the appropriate infrastructure is necessary. Traditional energy sources like coal, oil, and natural gas have undergone significant price fluctuations due to increasing demand and decreasing reserves as well as global environmental concerns. Malik therefore states that "energy security challenges cut across multiple realms – foreign policy, geopolitics, military modernization, nuclear proliferation, economic development, and environmental concerns."[58] Consequently politicians and academia alike call this complex process 'resource diplomacy' since energy in particular has become a powerful foreign policy tool worldwide and access to cheap and reliable sources has become one of the most important goals of international politics. "Although energy competition alone is unlikely to trigger major conflict, it will contribute to tensions, strains and stresses, particularly in the Middle East and South and Central Asia."[59] Asian economies have undergone changes and experienced growth of global significance. Subsequently, their energy consumption has been growing significantly. "Around 75 percent of the growth in world's oil demand in recent years has come from Asia, and it is projected that Asia will account for around 50 percent of this growth in the coming years."[60]

Although the PRC is the world's biggest coal producers with an overwhelming 45.9 percent of the world's output, they are also the biggest net importer of coal. Furthermore they are number five of the world's crude oil producers with an output of 5.1 percent of

[57] Downs, Erica S. "The Chinese Energy Security Debate." The China Quarterly 177 (2004): 21–41, p. 23.
[58] Malik, China and India, p. 330.
[59] Malik, China and India, p. 335.
[60] Pant, Harsh V. Contemporary debates in Indian foreign and security policy: India negotiates its rise in the international system. Basingstoke: Palgrave Macmillan, 2008, p. 151.

the world's share and number seven of natural gas producers with 3.0 percent, yet they import the most oil worldwide after the USA. The Indian Republic is after China and the USA the third biggest producers of coal worldwide with an output of 7.5 percent of the world's share, yet they are number four on the world's net importer lists of both coal and crude oil. Of the world's produced nuclear energy 2.7 percent is Chinese which amounts to only 1.8 percent of their domestic electricity generation. But China is the leading country in hydroelectricity with a 20.5 percent of the production worldwide, India is producing only 3.3 percent of the world's share. Hydroelectricity amounts to 17.2 percent of the Chinese domestic electricity generation and 11.9 percent of the Indian.[61] India and China face essentially very similar problem: securing a diverse mix of energy resources due to the shortage of resources on their home soil. Whereas the share of renewable energy resources is growing, natural gas and above all oil remain the most important energy sources worldwide. India and China with its growing economies and consumer classes are no different. Considering that as the three biggest Asian powers "China, Japan, and India account for 19.3% of the world's oil demand yet control only 1.5% of the world's oil reserves"[62] on one hand makes room for cooperation in terms of securing trade lanes as well as technological innovations, yet there is also an immense potential for conflict and competition since they compete for the same sources and best prices. China's and India's oil consumption is supposed to grow above the global average at 5 to 8 percent if they can maintain economic growth.[63] The Indian government predicts an oil dependency of over 90 percent by 2025.[64] According to estimates, in 2035 India will rank 12th followed be the PRC in terms of energy self-sufficiency in Asia and the Pacific.[65]

Amardeep Athwal summarizes the Indian and Chinese energy security objectives as follows:

> *"India's foreign policy objectives in terms of energy policy thus appear to involve: (1) the mobilization of investment to augment domestic production as well as the expansion and diversification of foreign sources of oil and gas supplies; (2) ensuring the future presence of existing oil supplies by consolidating energy ties; (3) hedging against the risks of concentration in the external market; (4) evolving strategies to meet the challenges posed by unfolding conflicts in areas where energy is supplied; and (5) ensuring the safe transit of energy resources to India."[66]*

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[61] International Energy Agency. 2012 Key World Energy Statistics. Paris: Soregraph, 2012, p. 11-19.
[62] Sovacool, Benjamin K. , and Vlado Vivoda. "A Comparison of Chinese, Indian, and Japanese Perceptions of Energy Security." Asian Survey 52, no. 5 (2012): 949-969, p. 950.
[63] Ladwig, India and Military Power Projection, p. 1170.
[64] Hulbert, Matthew. "Chindia: Asia's energy challenge." Public Policy Review 17, no. 3 (2010): 152-156, p. 152.
[65] Asian Development Bank. "Asian development outlook 2013. Asia's energy challenge." Mandaluyong City: Asian Development Bank, 2013, p. 58.
[66] Athwal, China-India relations, p. 101.

"The main objectives of China's energy policy include: (1) increasing China's control over its energy supplies and maximizing the domestic output of oil and gas; (2) increasing investment in overseas oil fields and diversifying the sources of oil and gas supply; (3) the construction of a strategic petroleum reserve system and other infrastructure to bring oil and gas more easily to the Chinese market; (4) closing off oil fields in western China for emergency use; and (5) the continued development of Chinese naval forces to protect China's energy supplies [...]."[67]

In terms of diversification of supplier countries it seems like China has come to its senses much earlier than India. During the last two decades China has managed to establish a diverse network of energy suppliers through a versatile strategy that includes proactive foreign and trade policies and becoming an emerging donor of foreign aid especially to African countries. "However, India faces intense competition from China and often finds itself at a disadvantage wherever it goes for hydrocarbons – from Latin America to Africa to Asia [...] mainly because China is playing a geopolitical game while Indian oil firms are primarily commercial ventures."[68] This is due to the fact while the Indian government remains largely a diplomatic facilitator the PCR government is a proactive actor beyond diplomacy offering significant financial and military support based on their state-centered decision-making and their status as a global power. Already since 2000 China holds the 'Forum on China-Africa Cooperation' every three years and its engagement through „soft loans, development aid, arms transfers, and political support" has been supremely successful under close observation of the USA and the EU as well as academia. Therefore, "China's trade with Africa is more than double the amount of India." Only in April 2008 India officially established a multilateral engagement strategy very similar to the Chinese approach with the 'India-Africa Forum Summit'. It includes India-Africa energy conferences to engage stakeholders from different areas in business, politics, and science. Thanks to these advancements, India now imports more than 25 percent of its energy from African countries.[69] China's forward resource diplomacy has had financial repercussions since overseas extraction and exploration projects have remained relatively expensive without adding the appropriate surplus. Furthermore, it has proven to be prone to diplomatic misadventures since it caused conflicts with Japan, India and the USA. China has supported regimes in Sudan, Iran, and Pakistan. Yet, since the 2000s China has shown various attempts to engage other powerful nation in international organizations like the International Energy Agency as well as joining international criticism towards rogue regimes.[70] Overall – similar to the realms of military and economy – China is years ahead of

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[67] Athwal, China-India relations, p. 103.
[68] Malik, China and India, p. 339.
[69] Malik, China and India, p. 339.
[70] Pant, The Rise of China: Implications for India, p. 170-184.

India in terms of supplier networks and investments in Africa, South America and Asia particular in but energy consumption as well.

Aside from energy supply, safe transportation of said supplies has become an increasingly important worldwide. As countries with long coastlines, both India and China rely heavily on maritime trade overall so it is no surprise that large shares of their energy imports come in via ships through the Indian Ocean. "Approximately one-third of international trade and half of the world's oil pass through these sea lanes."[71] As mentioned previously security risks have become much more diverse therefore avoiding threats of maritime terrorism and piracy has become of outmost importance for all states relying on maritime trade. The IO is particularly vulnerable because of the two maritime bottlenecks, the Strait of Hormuz in the West and the Strait of Malacca connecting the IO to the South China Sea, Ghosh calls them the "'choke points' for global oil"[72]. Both the PRC and the Indian Republic are investing in securing their sea lanes through naval expansion and multilateral alignment. But they also seek alternatives such as expanding oil and gas pipelines and railway networks. As previously mentioned China has been engaging India's neighboring countries with the 'string of pearls' strategy to "ensure its energy security and shore up its oil supply route [...] by constructing facilities and securing access to ports around India, such as Gwadar Port in Pakistan, Hambantota in Sri Lanka, Chittagong in Bangladesh, and Sittwe in Myanmar".[73] Although the ports are all part of larger infrastructure projects and focus heavily on trade and energy supply transportation, there remains the possibility of militarization of them which is perceived as an explicit security threat by India. Pant summarizes potentials for conflict between the two nations as follows:

> *"But Sino-Indian energy initiatives can also become sources of conflicts, for example India's concern over China targeting the Indian Ocean, questioning Indian sovereignty over resource-rich Arunachal Pradesh, executing hydro-power projects on the river Brahmaputra like the one coming up at Zangmu in Tibet, with potentials to impact on the downstream flow into India's Arunachal Pradesh and undertaking power projects in Pakistan Occupied Kashmir."[74]*

Interstate conflicts are not the only potential threat to energy security: traditional fossil fuels are limited and have been causing a lot of harm to the environment. Climate change (although still much debated) has been rearing its ugly head. In the top 18 list of the cities most exposed to climate change two cities in India and five Chinese cities can be found

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[71] Ghosh, India And Japan's Growing Synergy, p. 287.
[72] Ghosh, India And Japan's Growing Synergy, p. 287.
[73] Wang, „Chindia" or Rivalry?, p. 451.
[74] Pant, The Rise of China: Implications for India, p. 190-191.

due to their densely populated coastal areas. Due to their vulnerability to climate change, "[t]he PRC and India could use up 1% - 12% of their annual GDP coping with climate refugees, altered disease vectors, and failing crops."[75] Especially India could be at risk where large parts of the population work in agriculture and the monsoon rain is an essential part of the harvesting process. Since China has much more metropolitan areas with heavy industry than India, they are dealing with heavier pollution which has become a severe health concern for the population. Growing populations and rising consumerism have been adding to the air and water pollution in both countries. Aside from environmental concerns, renewable energies have been becoming an attractive alternative to traditional fossil fuels since prices for their generation have been sinking due to technological advance, rising global investments, and their priority on the global political agenda. India has been the first country to set up a Ministry of Non-Conventional Energy Sources already in 1992, called Ministry of New and Renewable Energy since 2006.[76] Already in 2008 China has become the world's leader in renewable energy production with very high investments in renewable resources and green technology.[77] The professional services company Ernst & Young published their Renewable Energy Country Attractiveness Index evaluating a country's existing renewable energy capabilities and output as well as their future prospects. China ranks second after the USA and India comes in ninth. They are the only emerging economies within the top ten of this ranking.[78] Latest data shows that because the continuing global economic and financial crisis, the general investment rates including renewable energy have fallen, yet China has managed to expand its investments with a yearly growth rate of 18 percent up to US $54.2 billion, accounting for 29 percent of all the investments in the clean energy sector among the G-20 states. India comes in eight in an analysis of The Pew Charitable Trusts investing US $6.0 billion with a negative growth rate of -15 percent compared to 2012 due to its economic slowdown. Although India's targets remain ambitious "implementing the program remains a challenge, as bureaucratic delays curtailed investment levels in the wind and solar sectors."[79]

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[75] Asian Development Bank., Asian development outlook 2013, p. 61.

[76] Ministry of New and Renewable Energy. http://www.mnre.gov.in (accessed February 15, 2014).

[77] Jha, Alok. "China 'leads the world' in renewable energy." The Guardian. http://www.theguardian.com/environment/2008/aug/01/renewableenergy.climatechange (accessed November 15, 2013).

[78] Ernst & Young LLP. "Mapping India's Renewable Energy growth potential: Status and outlook 2013." Kolkata: Ernst & Young LLP, 2013. http://www.ey.com/Publication/vwLUAssets/Mapping_Indias_Renewable_Energy_growth_potential/$FILE/EY-Mapping-Indias-Renewable-Energy-growth-potential.pdf (accessed January 7, 2014), p. 4.

[79] ———. "Who's Winning the Clean Energy Race? 2013 Edition." The Pew Charitable Trusts. http://www.pewenvironment.org/uploadedFiles/PEG/Publications/Report/clen-whos-winning-the-clean-energy-race-2013.pdf (accessed February 17, 2014), p. 14-20.

From many different fields such as politics, economy and academia there are calls for better cooperation on the global energy market to create a sustainable and stable future as well as granting all nations access to energy resources. Cooperation between India and China so far have been limited and rather tentative, and they are more likely to happen in the sector of renewable energies than the traditional fossil fuels.[80] In 2006 the two governments passed the 'Memorandum for Enhancing Cooperation in the Field of Oil and Natural Gas' which "was always more a political gesture of 'South–South' cooperation than a framework capable of managing the frictions associated with competition to acquire upstream resources."[81] Chellaney argues that the biggest chance to prevent a bitter race for energy resources would be joint investments in the exploration of oil and gas fields which have happened in Africa.[82] Yet Malik identifies three conditions of China's energy cooperation with India: (1) Indian oil companies "play the role of the junior partner", (2) "Energy resources do not lie in India's immediate neighborhood", and (3) "Energy resources lie in countries or regions […] where China-India cooperation would potentially cause a wedge between India and the United States."[83] Athwal on the other hand argues that an "[e]merging Sino-Indian energy cooperation could be the beginning of the creation of a broader Asian energy market, with major geopolitical consequences for the United States"[84] which would clearly shift the current balance of power. Yet energy politics remains a largely national endeavor where international cooperation is limited. So far the geopolitical rivalry between India and China has prevented any kind of significant teamwork. One of the latest major deals, a Memorandum of Understanding, was signed in June 2012 between India's Oil and Natural Gas Corporation (ONGC) and the China National Petroleum Corp. (CNPC).[85]

As mentioned in the beginning matters of energy security are firmly settled within national politics, therefore India and China follow the international tradition of bilateral engagement securing long-term contracts with supplier countries through strategic and/or economic partnerships especially with countries of the Middle East and Persian Gulf. Within

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[80] Santamarta, José. "Wind energy in India: Chinese company sold 125 wind turbines of 2 MW." REVE. Wind Energy and Electric Vehicle Magazine. http://www.evwind.es/2011/04/12/wind-energy-in-india-chinese-company-sold-125-wind-turbines-of-2-mw/11182 (accessed August 23, 2013).
[81] Hulbert, Matthew. "Chindia: Asia's energy challenge." Public Policy Review 17, no. 3 (2010): 152-156, p. 152.
[82] Chellaney, Asian Juggernaut, p. 403-404.
[83] Malik, China and India, p. 349.
[84] Athwal, China-India relations: Contemporary Dynamics, p. 106.
[85] Reischer, Rosalind. "China and India Unite On Energy." The Diplomat. http://thediplomat.com/2012/07/china-and-india-unite-on-energy/ (accessed August 23, 2013).

Asia a lack of strong multilateral organizations is evidence and reason for a lack of collaboration at the same time. Malik explains this with a significant lack of common values among big Asian powers including Japan, China, Indonesia, and India, instead there are some common interests and strong competition between its greatest powers. Nonetheless, all actors realize that the most important regional and global issues, such as „resource security, climate change, terrorism, nuclear proliferation, and economic development" cannot be solved without the including those other actors. "However, cooperation on these issues is clouded by discord over traditional geopolitical issues."[86]

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[86] Malik, China and India, p. 314-315.

**CHAPTER FIVE - CASE STUDY 1: TIBET AND THE SINO-INDIAN TER-
RITORIAL CONFLICTS**

5.1 Historical Background

Tibet had for a long time been an independent entity and considering itself as historically, linguistically, and culturally distinct from China. In 1267 the Mongols gained control over Tibetan territory who were a few years later able to establish the Yuan Dynasty over most of the Chinese territory. To this date the PRC interprets this as evidence that Tibet has belonged to China since the 13th century. However only the Manchu Qing Dynasty managed to gain suzerainty over the Tibetan territory in the late 18th century granting them a lot of autonomy. After the end of the Manchu Qing Dynasty in 1911, Tibet declared its independence. As discussed in the third chapter, after British and the Tibetan officials signed the Simla Accord in July 1914 without the Chinese over a disagreement where the demarcation line between Inner and Outer Tibet should be. In the following years, a weak Chinese central government and warlordism were the reason that the Chinese Republic could not uphold or even enforce its original claims in the Tibetan region. Later on fierce nationalism made negotiations with the British or the Tibetans impossible: "The ideal 'five-race Republic (consisting of Han Chinese, Manchus, Mongols, Tibetans and Hui Muslims)', promoted by Sun Yat-sen, became the ultimate goal for the new authorities in Nanking."[1] During the Kuomintang rule the Sino-Tibetan highland was transformed into the province Xikang, 'West Kham'. Yet, this remained a largely administrative step rather visualized on official maps than actual governmental control. The land within the Sino-Tibetan border region remained largely in the hands of native chieftains. Aware of this the British did not outward challenge the Chinese on their merely theoretical claims exercising relatively little power too: "According to the British sources, until as late as 1939 the Tibetan traditional influence in this region remained omnipresent" culturally as well as fiscally. Only in 1937 the British published a 'New Map of India' which included the McMahon Line as the Tibetan-Indian border for the first time. In the course of the South-East Asian Theater of the Second World War British felt justifiably threatened by the Japanese advancements and the vulnerability of the northern borders of British India especially after fall of Rangoon, Burma, in March 1942. In 1944 for the first time since the Simla Accord of 1914, the British took active interest in securing the Tibet-Assam border and installed a previously missing administrative representation under heavy protests of

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[1] Lin, Boundary, Sovereignty, And Imagination, p. 29.

the local authorities that did not want to relinquish their power. Unsurprisingly, this had negative consequences for the British-Tibetan relations which consequently damaged the relationship with Lhasa for the impending independent Indian state. After failed attempts to consolidate power in the Tibetan region itself the Kuomintang government made several formal requests to the British and later the Indian embassy to discuss the border issue between 1945 and 1949 which were all declined.[2]

With the establishment of the PRC, the new government effectively reaffirmed Chinese sovereignty over Tibet with the 'Seventeen Point Agreement for the Peaceful Liberation of Tibet' of 1951 which was accepted by the Tibetan government. In the same year India "moved into Tawang and ordered Tibetan officials out" under heavy protest of the Tibetan government. Tawang is of cultural and strategic importance since the big Buddhist monastery Galden Namgey Lhatse is situated there. Although it lies south of the McMahon Line it had de facto always been under Tibetan rule and the British had considered giving the whole Tawang area back to Tibet.[3] On 29 April 1954 India and China signed the 'Agreement between the Republic of India and the People's Republic of China on Trade and Intercourse between Tibet Region of China and India'. As a signatory of this agreement, India essentially confirmed China's rule over Tibet. The border issue itself purposefully was excluded from the negotiations. The agreement served to facilitate civil exchanges focusing on trade and culture. It is based on five principles: "(1) mutual respect for each other's territorial integrity and sovereignty, (2) mutual non-aggression, (3) mutual non-interference in each other's internal affairs, (4) equality and mutual benefit, and (5) peaceful co-existence"[4] The Five Principles of Peaceful Coexistence, in India it is known as the Panchsheel Treaty, became part of the resolution of the Asian-African Conference in Bandung in 1955 as well as the Non-Alignment Movement with Nehru's advocacy. Furthermore it has remained an integral part of the Indian foreign policy until today. Chinese Ministry of Foreign Affairs on the other hand insists that the Principles where introduced by the Chinese Premier Zhou Enlai during the negotiations in Peking.[5]

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[2] Lin, Boundary, Sovereignty, And Imagination, p. 37-38.
[3] Maxwell, China And India: The Un-Negotiated Dispute, p. 52.
[4] United Nations. Treaty Series Agreement (with exchange of notes) on trade and intercourse between Tibet Region of China and India, p. 70.
[5] ———. "China's Initiation of the Five Principles of Peaceful Co-Existence." Ministry of Foreign Affairs of the People's Republic of China. http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18053.htm (accessed November 19, 2013).

Relatively quickly after the PRC had consolidated its power in Tibet, local protest became armed resistance in 1956. It turned into the Tibet Uprising of 1959 when the rebellion broke out in the Lhasa in March. Since the Tibetan army was not only poorly armed but also outnumbered by the stronger PLA the uprising only lasted for a few days. The 14th Dalai Lama and some government members left Tibet in fear for their safety. In the first two years after the uprising, the mass exodus of Tibetans amounted to about 80,000 people seeking refuge in India, Bhutan, and Nepal. After leaving Tibet, the Dalai Lama declared Tibetan independence and renounced the Seventeen Point Agreement. Since then the Dalai Lama and his Tibetan government in exile found refuge in India settling in Dharamsala, the state Himachal Pradesh, in May 1960.[6] Since 1957 the CIA had been supporting Tibetan rebels with military equipment as well as training not only on Tibetan soil but also in Indian territory where the rebels had fled. This did not go unnoticed by Chinese intelligence so that in 1958 the PRC government demanded the extradition of said rebels from India. Nehru denied this request but agreed „restricting Tibetan activities".[7]

For further coverage of the Sino-Indian War that followed please refer to the third chapter. In 1965, China officially declared the Tibet Autonomous Region (TAR). After the Sino-Indian War, India took a rather pro-Tibet stance for a while. Although they moved away from this position. Furthermore it is known that even the Dalai Lama relinquished the goal of Tibetan independence in the early 1970s. Official talks between Tibetan and Chinese representatives have begun in 1979.[8]

5.2   The Tibet Question and its Political Dimensions

The political status of Tibet is clearly a very complex and sensitive issue that has garnered global attention. Although it would be in the interest of both India and China to address their border question separate of the Tibet question this has become historically impossible with the Simla Accord and the Sino-Indian War. "The Tibetan issue also constitutes one of the CCP's core security concerns: territorial integrity and national unity."[9] India

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[6]Office of Tibet, New York, USA. "Government & Democracy." Government Democracy Comments. http://tibetoffice.org/exile-community/government-democracy (accessed January 17, 2014).
[7] Garver, John W. "China's Decision for War with India in 1962." In Johnston, Alastair I., and Robert S. Ross. (eds.) New Approaches to the Study of Chinese Foreign Policy. Stanford, Calif.: Stanford University Press, 2005. http://indianstrategicknowledgeonline.com/web/china%20decision%20for%201962%20war%202003.pdf (accessed October 20, 2013), p. 11. Also Vertzberger, India's Border Conflict With China, p. 621.
[8] Pant, The Rise of China: Implications for India, p. 227.
[9] Malik, China and India: Great Power Rivals, p. 126.

had been threatening both, so China's perception. Although India had no real interest in controlling the Tibetan territory themselves there had been a strong preference for simple Chinese suzerainty to maintain a more self-controlled Tibet which would have acted as somewhat of a buffer zone between two the countries. The reasons which had led to the Sino-Indian war, their mutual exclusive perceptions of the border situation, and the felt humiliation of India were obviously not a favorable situation for further negotiations on the topic during the 1960/70s. Yet with China's opening to the USA as well as the rest of the world in the early 1970s, India along with many other nations came into closer contact with the PRC mostly through trade. Diplomatic ties between them were tentatively reestablished in 1979. Ultimately, only in 1988 under PM Rajiv Gandhi India returned officially to Nehru's stance and the Panchsheel Agreement on Tibet: the "recognition of China's unquestioned sovereignty".[10]

In his speech in Strasbourg in 1988, the Dalai Lama publicly accepted Tibet becoming part of the PRC under the guarantee of certain autonomies and arguing for the 'Middle Path'.[11] One major reason why negotiations have failed so far is however one of interpreting history:

> *"The Chinese objection was not so much to the physical details of the McMahon Line location as to the legal foundations of the line itself. That treaty* [Simla Accord] *(1913-14) implies that Tibet has treaty-making powers and, therefore, was somewhat independent before 1950. This shakes the legal and moral foundations of the communist takeover of Tibet."[12]*

Secondly, the PRC and Tibet disagree on what Tibet actually should be: Whereas the Dalai Lama refers to the whole Tibetan Plateau with a population of about 7 million ethnic Tibetans the PRC leadership means simply the TAR with only 2.8 million Tibetans. The situation in TAR has remained fragile at best:

> *"Beijing stresses that it has not only „democratized" Tibetan society, but also brought about significant economic progress to Tibet in the last sixty years. Beijing hopes that economic development, improved infrastructure and steady demographic shifts will gradually ease the ethnic tensions that periodically erupt into violence. There is no denying that China has invested heavily in recent decades to improve the overall quality of life in Tibet, resulting in a doubling of life expectancy and higher living standards."[13]*

On the other hand, there are severe accusations of „serious human right violations, cultural suppression, environmental destruction, economic domination, discrimination in

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[10] Pant, The Rise of China: Implications for India, p. 228.
[11] Malik, China and India: Great Power Rivals, p. 132.
[12] Norbu, Dawa."Tibet in Sino-Indian Relations: The Centrality of Marginality." Asian Survey 37, no. 11 (1997): 1078-1095, p. 1088.
[13] Malik, China and India: Great Power Rivals, p. 133.

jobs and education"[14] as well as 'population invasion' of Han Chinese to turn ethnic Tibetans into a minority which according to Fisher is an "urban-rural inequality [that] is strongly associated with ethnic inequality in Tibet, given that most Tibetans are rural while most Han living in Tibet are urban."[15] For further discussion of the Sino-Tibetan relations please refer to the literature listed in the bibliography.

The Tibetan diaspora in India remains a thorn within the Sino-Tibetan relations. The Tibetan government-in-exile that is residing in India since 1959 is not formally recognized as such by the Indian government, although the Dalai Lama is of course treated as the Buddhist religious leader. But he "is not allowed to engage in political activity on Indian soil."[16] (Furthermore, they are no longer referring to themselves as the government of independent Tibet.) Yet this is not enough for the CCP since there mere presence is perceived as an act of defiance. The diaspora that today encompasses about 130,000 people, uses the democratically guaranteed rights in India, such as free speech and freedom to assemble to protest against Chinese officials visiting India and politics that are perceived as anti-Tibetan putting additional stress on the Sino-Indian relations. Although India attempts to keep those anti-Chinese expressions of opinion at a minimum, the Dalai Lama is a present public figure in the country and Buddhism is of great historical and religious importance.

In 2003, PM Vajpayee not only recognized Tibet as an integral part of China but excluded it from the Sino-Indian border dispute which can be viewed as a diplomatic gesture. After this the Chinese officially recognized Sikkim as part of the Indian Republic.[17] But as mentioned in the previous chapter, the rhetoric between the two governments regarding their border dispute has experienced a lot of changes. In 2005, Chinese state media outlets began calling the Indian state Arunachal Pradesh 'Southern Tibet' specifically in regard to the holy city of Tawang. This understandably was followed by strong Indian protest.[18]

Another important dimension of the Tibet question and the Sino-Indian relations as well as the pan-Asian security is the previously mentioned China's large military presence in

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[14] Malik, China and India: Great Power Rivals, p. 133.
[15] Fischer, Andrew Martin. "'Population Invasion' versus Urban Exclusion in the Tibetan Areas of Western China." Population and Development Review 34, no. 4 (2008): 631-662, p. 633.
[16] Malik, China and India: Great Power Rivals, p. 136.
[17] Malik, China and India: Great Power Rivals, p. 138.
[18] Malik, China and India: Great Power Rivals, p. 151.

the Tibetan region. Additionally to the infrastructure built-up including a network of roads, highways, railways – there is a railway connection from Beijing to Lhasa since 2006 – and about 30 airfields connecting Tibet to the rest of the country, experts estimate that up to 400,000 military personnel could be station in the TAR and "China has significant nuclear launch facilities on the Tibetan Plateau."[19] India has begun to invest in infrastructure projects along the LAC. Since this military built-up happens essentially vis-à-vis Indian territory, the worst case would be an arms race between the two nations resembling the months before the Sino-Indian War.

Thanks to China's rise to an economic superpower and aided by its 'peaceful rise', many countries have largely reduced their criticism on human rights violation in China specifically Tibet. Nonetheless, the Dalai Lama remains a popular public figure attracting celebrities and politicians alike. Beijing is therefore buying time by hoping for a weaker successor. Yet there is no guarantee that the new Dalai Lama will hail from TAR since there are plenty of places in Bhutan and India where the next Dalai Lama can be found. This is a difficult triangle between the governments of China, India and exiled Tibetan administration which contains a lot of potential conflict for the future. India will not be interested in provoking China. The Chinese on the other hand will probably build up pressure beforehand to avoid a new Dalai Lama from outside of the PRC.[20]

5.3 'Xi Zang' - The Western Treasure House

The Himalayan mountain range including the greater Tibetan region, Arunachal Pradesh, stretching into Jammu and Kashmir is rich in natural resources as well as fertile soils although rough and almost impassable at certain altitudes in winters.

In Mandarin Tibet is called 'Xi Zang' meaning 'The Western Treasure House' which adds a completely different dimensions to the Tibet question that is mostly argued on nationalist, historical and ethnic claims. "The Tibet region is home to 40 percent of China's mineral resources, including coal, gold, silver, lithium, magnesium, iron, cobalt, copper, and one of the world's largest uranium deposits."[21] Control over Tibet means control over vast natural resources and access to major water resources essentially making it an interest-

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[19] Pant, The Rise of China: Implications for India, p. 231.
[20] Malik, China and India: Great Power Rivals, p. 143.
[21] Malik, China and India: Great Power Rivals, p. 134.

paying investment in a global economy of rising prices of raw materials and growing water scarcity.

> *"[T]he Tibetan Plateau is the source of ten of Asia's major rivers, including the Brahmaputra, Ganges, Indus, Yellow, Yangtze, Irrawaddy, Mekong, and Salween. Tibetan rivers bring water to 11 countries, to over 85 percent of the Asian population, approximately 50 percent of the world's population. […] Beijing possesses a mighty powerful geopolitical lever over all of Asia."[22]*

In the future this will undeniably become of great importance. There have even been proposals of changing the course of rivers to bring new water to desertificated Chinese lands. Although none of them have been specified there are no binding international legal contracts to avoid this therefore being a very real risk for the whole ecosystem in Asia. Furthermore, there is no international watershed agreement and China has been reluctant to engage its neighboring countries before building dams and hydroelectric capacities.

Blaikie and Muldavin summarize further environmental concerns for the Himalaya region:

> *"Asserts that anthropogenic or accelerated erosion is a serious and general problem in the steep-sloped and fragile natural environments of the Hindu Kush-Himalaya […] region […]. It is driven by population growth of humans and livestock and less-than-effective agricultural technologies of local resource users. Extension of cultivation onto steeper slopes, clearance of forest both for agricultural purposes and (subsequently) over grazed pastures, and unsustainable use of the forest for fuel wood and fodder have been identified as the major land management practices which have caused accelerated erosion, sedimentation of riverbeds, and increasingly severe floodings downstream."[23]*

Cooperation on these issues is not only necessary since they occur across borders and cause and effect are not limited to a single state but there are also chances to learn from each other and secure future gains through environment protection.

5.4   Conclusions & Outlook

Since the Tibet question is intrinsically linked with the Sino-Indian border question and the Tibetan diaspora and the Dalai Lama reside in India, it will keep coming up even if both nations would like to avoid any kind of argument on the problem. "Tibet may not be the pivot of the Sino-Indian relationship, but this single issue has the potential to rock and unravel the entire relationship."[24] As outlined above there are a range of issues with the potential to harm the Sino-Indian relations. "China has been counting on the demise

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[22] Malik, China and India: Great Power Rivals, p. 134.
[23] Blaikie, Piers M. and Joshua S. S. Muldavin. "Upstream, Downstream, China, India: The Politics of Environment in the Himalayan Region." Annals of the Association of American Geographers 94, no. 3 (2004), 520-548, p. 520-521.
[24] Malik, China and India: Great Power Rivals, p. 144.

of the Dalai Lama to end the Tibet issue as a factor in its relationship with India and a perennial international public relations problem."[25]

Caught in a security dilemma with long historical entanglements on both sides as well as the wish to secure their respective borders and guarantee national security, Tibet could bring the two Asian giants at the brink of war again. But Malik summarizes that

> *"[…] both China and India are now nuclear-armed nations with enormous stakes in maintaining peace. Burgeoning trade ties and collaboration on issues like climate change have shown both capitals the benefits of cooperation even as border tensions rise. For Beijing, a hard-line approach to India could backfire and drive India (and other Asian neighbors) into stronger opposition to China. […] A conflict will cost India dearly in terms of economic development objectives and the political ambition of emerging as a great power in a multipolar Asia."[26]*

Although the Sino-Indian border disputes and the Tibet question are far away from a durable and final solution, they have been pushed into the background largely in favor of economic engagement between the two nations due to the lack of a bilateral agreement and political will.

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[25] Pant, The Rise of China: Implications for India, p. 232.
[26] Malik, China and India: Great Power Rivals, p. 158.

CHAPTER SIX - CASE STUDY 2: THE INDIAN OCEAN & MODERN NAVAL SECURITY ISSUES

6.1 Topography & Obstacles of a Region

Most publications on the Indian Ocean start with the famous quote by Alfred Thayer Mahan, an US-American Naval strategist: "Whoever controls the Indian Ocean will dominate Asia. This ocean is the key to the seven seas. […] In the twenty-first century, the destiny of the world would be decided on its waters."[1] But what is interesting is not only the content of this quote and its possible implications but rather that Mahan made this argument in 1890. The IO has been growing into one of the most important arenas of global trade since it connects Africa, Asia and Australia – subsequently connecting the region with the biggest natural gas and oil producers of the Persian Gulf with its fastest growing client base in Asia as well as vice-versa exporters of manufactured products with the consumer markets.

As the world's third largest ocean, the Indian Ocean (IO) is also "a major sealane connecting the Middle East, East Asia and Africa with Europe and the Americas". The Indian Ocean region (IOR) is constituted of 33 countries which are home to 30 percent of the world population with "enormous ethnic, religious, cultural, political, and economic diversity" which has led to increasing instability and inter-state competition as well as religious extremism and strong nationalism. Furthermore, the "IOR holds 65 percent of the world's strategic raw minerals and 31 percent of its gas reserves, […] and is characterized by fast-growing economies, and a large consumer market."[2] According to the United Nations, "[m]aritime transport hands over 80 per cent of the volume of global trade and accounts for over 70 per cent of its value." The average yearly growth rate of sea borne trade has been 3.1 percent since the 1970s, "reaching an estimated 8.4 billion tons in 2010." If this growth rate can be maintained, maritime trade would "increase by 36 per cent in 2020 and to double by 2033."[3] The IOR along with China and India will continue playing important parts in this development. Already, about 90 percent of India's trade and 85 percent of China's are transported by ship.[4]

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[1] As cited among others in Athwal, China-India relations, p. 30.
[2] Malik, China and India, p. 326-328.
[3] United Nations Conference on Trade and Development (UNCTAD). "Chapter II International Trade." In World Economic Situation and Prospects 2012. New York City: United Nations, 2012: 33-64, p. 42.
[4] Malik, China and India, p. 338-343.

Historically, the Sea Lines of Communication (SLOC) have been of immense importance since the beginning of sea trade and required specific protection and naval strategies to avoid threats and confrontation. But in the past, dangers could be localized much better since there were fewer actors involved and dangers were mostly limited to times of war. Nowadays due to the diversification of security threats and the multitude of actors involved, especially of the non-state kind "SLOCs are insecure even during peacetime".[5] Increasing naval trade including sensible shipments such as natural gas and oil have turned naval security into one of the main security goals of the trading nations. The security of the Indian Ocean is particularly challenging because there are "the largest number (four out of six) of critically important maritime "choke points": the Mozambique Channel, Bab-el-Mandeb (bordering Djibouti and Yemen), the Strait of Hormuz (bordering Iran and Oman), and the Strait of Malacca (bordering Indonesia and Malaysia)."[6] Those make shipments on the IO vulnerable to attacks by pirates or terrorists and demand naval safeguards which is mirrored in the range of multilateral naval exercises of the littoral nations as well as Japan, USA and China.

> *"At its narrowest point, the Strait of Hormuz is only 21 miles (33.7 kilometers) wide. The Strait of Malacca is only 1.6 miles (2.7 kilometers) wide in the Phillips Channel, creating a natural bottleneck, as well as potential collisions, grounding, or oil spills. The closing down of either strait will have disastrous consequences for the global economy."[7]*

Malik identifies five dimensions of India's maritime security which mainly focus on their presence and activities in the IO: (1) "Major naval expansion"; (2) the Look West policy since 2005 with a focus on South and Southeast Asia as well as the Indian priority area, the Gulf region, to duplicate the success of their Look East policy; (3) "regular joint naval exercises"; (4) "the Indian Navy is proactively engaged in "aid diplomacy"" during natural disasters; and lastly (5) multilateral engagement through the Indian Ocean Naval Symposium (IONS).[8] Established by the Indian government in 2008, the IONS attempts to fill the void of a working multilateral organization in the IOR. Today the symposium has 35 navies from littoral states in the IOR as members, calling itself an initiative to provide "an open and inclusive forum for discussion of regionally relevant maritime issues."[9] Within

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[5] Khurana, G.S. "Maritime Security in the Indian Ocean: Convergence Plus Cooperation Equals Resonance." Strategic Analysis 28, no.3 (2004): 411-426, p. 411-412.
[6] Malik, China and India, p. 326.
[7] Malik, China and India, p. 330.
[8] Malik, China and India, p. 340-342.
[9] ———. ""About IONS." Indian Ocean Naval Symposium. http://ions.gov.in/?q=about_ions (accessed February 9, 2014).

international organization China and India have a habit of minimizing the other's influence like within the EAS, China within the UNSC and India now within the IOR. Therefore, it is advantageous that China is excluded from the IONS on the premise of not being a littoral state of the IO. Yet, regional integration and cooperation with IONS remain tentative. Aside the IONS, there is still the Indian-Ocean Rim Association (IORA) in which among others China, the USA, and Japan are dialogue partners. Officially focusing on economic cooperation and trade liberalization, it has remained dysfunctional due to the competing interests and priorities of major player."[10]

Since the IO is the place "where the maritime interests of the US-China-India strategic triangle intersect."[11] It is as much a question of securing national interests through trade as showing military presence. The USA and Japan are backing India in their expansionism since they have strategic interests to balance out China's advancements in both economic and military terms. This is manifested in the US-Indian Maritime Security Cooperation Framework of 2006 and the Indo-Japanese Security Pact of 2008. Washington is expecting a strong Indian navy within the IOR region, as well as India taking on more responsibility within the international system as a whole.[12] The Gulf countries on the other hand welcome both China's and India's presence to balance out the USA, especially India with a great and visible Muslim population is in terms of public diplomacy an attractive partner.[13] China has been steadily extending its reach into IO. As mentioned in the fourth chapter, it's 'string of pearls' strategy in India's neighboring countries has been a great source of concern in India over a possible militarization yet it has remained mostly an instrument of securing China's energy imports (see Graphic 2 below):

> *"Sino-Indian involvement in the IOR cannot be exclusively characterized in terms of a security dilemma. [...] As of yet, there remains a lack of serious military or security intentions in China and India's engagement of these [littoral] states. It must also be realized that overall, the Chinese Navy, despite the impressive modernization that is underway, is yet unable to project force at long distances."[14]*

One last sphere of importance in the IOR is environmental protection. The IO as a mostly tropical ocean is undergoing profound changes as its littoral states' economies and populations keep expanding. Fishing remains a major income source for people living along the coastal line. Yet, growing global demand for fish along with big-scale industrialization

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[10] Malik, China and India, p. 329.
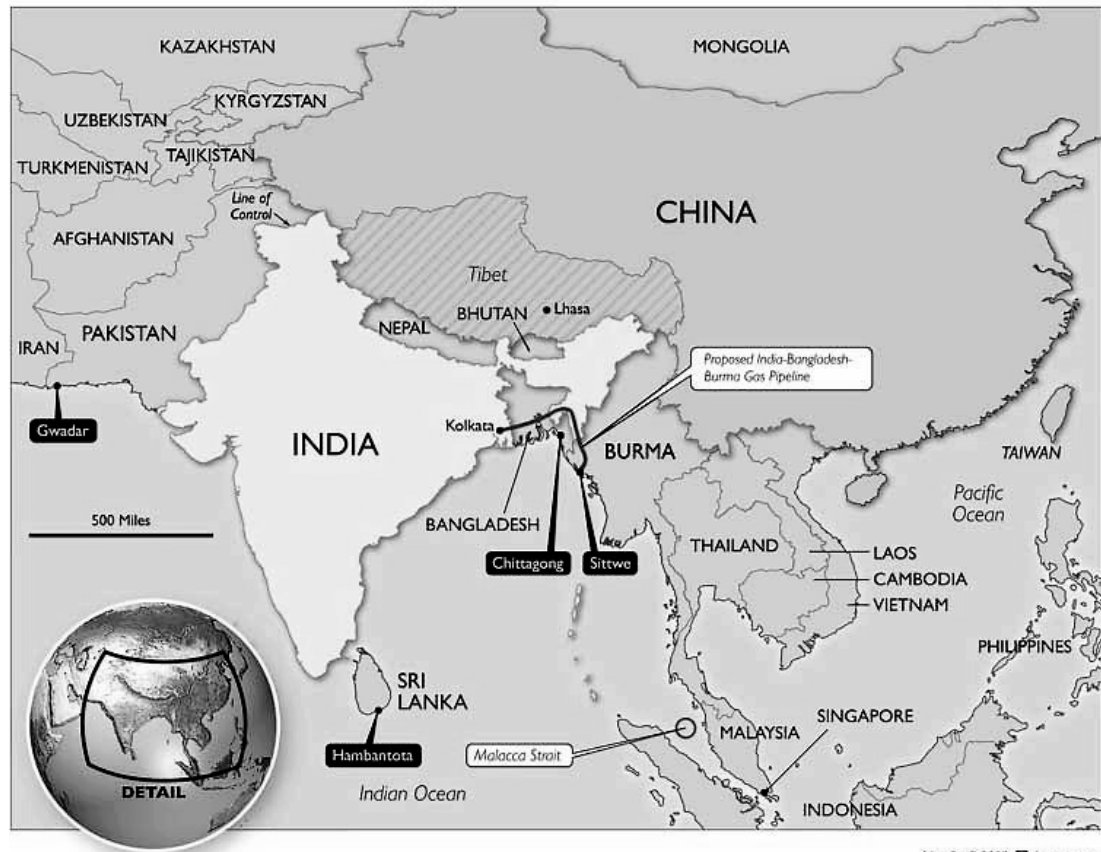[11] Malik, China and India, p. 329.
[12] Malik, China and India, p. 337.
[13] Athwal, China-India relations, p. 101.
[14] Athwal, China-India relations, p. 69.

and pollution along the coast are putting increasing pressure on the ecosystem. Most of the Asian and African littoral countries are from the lower or lower-middle income categories therefore environmental protection and sustainable growth of their industries have not been the focus of their economic policies. Furthermore since the littoral countries have so specific development demands and mostly nation-based decision making, a joint agenda for the protection the IO ecosystem has not been achieved yet.[15] Furthermore, the "IOR accounts for around 70 percent of the world's natural disasters", like the tsunami of 2004 and cyclone Nargis in 2008, as well as the growing likelihood of "man-made disasters (tanker collisions and oil spills)."[16] Disaster management has been, additionally to the naval exercises, the main source of multinational cooperation.

Key Locations in India–China Region

Graphic 2: The Indian Ocean in greater Asia[17]

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[15] Chaturvedi, Sanjay. „Common Security? Geopolitics, Development, South Asia and the Indian Ocean." Third World Quarterly 19, no. 4 (1998): 701-724, p. 711-713.
[16] Malik, China and India, p. 333.
[17] Curtis, Lisa. „US-India Relations: The China Factor." The Heritage Foundation. http://www.heritage.org/research/reports/2008/11/us-india-relations-the-china-factor (accessed November 7, 2013).

6.2   Matters of Energy Security

The IO is "the number one source of global energy supplies" since it includes the Persian Gulf region which "contains 65 percent of the world's proven energy reserves and accounts for more than half of the world's oil exports and almost all of the Asia-Pacific's imports."[18] As argued in chapter 4, China and India are increasingly dependent on energy imports because of a lack of sufficient resources at home and fast growing energy demand of the domestic industry and their respective consumer markets. Yet the IOR does offer more resources than the traditional energy ones. Athwal summarizes this as follows:

> *"In terms of natural resources, the Indian Ocean is of great international importance. Its littoral states contain more than two-thirds of the world's oil reserves, 35 percent of the world's gas reserves, 60 percent of uranium, 40 percent of gold and 80 percent of all diamond deposits. Japan imports almost 90 percent of its oil from the IOR, Italy 85 percent, Britain 60 percent, Germany 60 percent and France 50 percent. Other than oil, many important industrial raw materials are located in the IOR. These include lithium, beryllium, circonium, thorium, coal, iron, copper, manganese, tin, bauxite, chromite, nickel, cobalt, vanadium and phosphates. [...] The continental shelves (roughly 4 percent of the entire Indian Ocean region) contain enormous amounts of mineral deposits such as nickel, cobalt and manganese, much of which remain untapped."[19]*

Similar to the previous case study, the IO case goes beyond the question of free access to SLOCs and trade opportunities. Obviously, the interest in the IOR region and securing SLOCs go far beyond the Sino-Indian relationship representing a sphere of global interest. Securing SLOCs for shipments of products and especially energy resources, as well as access to other raw materials will become of growing importance and a global security concern as global maritime trade is projected to grow.

According to Malik, similar to the Indian maritime security China pursues an energy diversification strategy to become a "global maritime trading power" which consists of three dimensions: (1) A complex strategy to diversify its foreign policy and trade networks; (2) the establishment of "pipeline networks and railroad linkages" to avoid sea lanes and critical points like the Strait of Malacca where so far 80 percent of China's energy supplies had to pass through; and finally (3) "building strategic alliances with IO littoral states".[20]

Of course India has a special interest in the IO since it is essentially its home stretching over "7,516 kilometers of coastline and an exclusive economic zone of two million square kilometers which require protection." Whereas this clearly puts the Indian Navy in an

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[18] Malik, China and India, p. 326.
[19] Athwal, China-India relations, p. 31-32.
[20] Malik, China and India, p. 343-347.

advantageous position thanks to its existing naval bases in the IO that are undergoing extensive modernization programs like the one in Karwar in the Western Indian state of Karnataka. Their presence along the Indian coast and in the greater IO is a measure of ensuring national security which is generally accepted by the international community. Mostly power projections beyond their immediate coastline are regarded more critically. Yet their long coastline also increases India's potential vulnerability in particular if a military conflict would occur. In terms of diversification of energy resources the IO is of specific importance. "These include oil and gas resources in the Bay of Bengal, which could be contested by Bangladesh and Burma, as well as waters around the Andaman and Nicobar Islands and drilling sites in the south and west of the country."[21] With China's engagement with Bangladesh and Burma this could turn out to be a source of tensions in the future.

Furthermore, the IO is the only maritime access route to Africa for the whole Asian continent. As one of China's major spheres of influence, free and secure access will only increase in importance as economic and diplomatic engagement is rising similar to India's 'Look West' policy and engagement with Africa. Developing pipeline projects in particular actively pursued by China and yet less so by India only offer minimal relief compared to the actual demand of oil and natural gas. The Middle Eastern countries supply about 75 percent of Asian energy imports and China "ferries 70 percent of its oil through the Indian Ocean and the oil-rich Middle East accounts for the majority (about 58 percent) of China's oil imports."[22]

Malik discusses threat scenarios identifying the 'Malacca paranoia' as China's weakest point (see Graphic 2) and the 'Hormuz dilemmas' as India's weak spot respectively that could put severe strains on their bilateral relationship and have detrimental consequences for the safety in the IO as well as global security. At the Strait of Hormuz where about 70 percent of India's oil deliveries pass through, China has built a naval port in Gwadar, Pakistan. Whereas the PCR's main motivation is their own energy security since 60 percent of their own oil has to pass through the strait, there is a potential for militarization of the port or using its location as a vantage point to block the narrow passage way. China is building a network of pipelines and rail way connections to diversify their oil deliveries

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[21] Malik, China and India, p. 339-340.
[22] Malik, China and India, p. 343.

since a vast majority of them have to pass the vulnerable Strait of Malacca. Both the Strait of Hormuz and the Strait of Malacca are strategically very important for a range of countries because of their critical significance to maritime trade in general and energy resources in particular. Thanks to India's 'Look East' policy, East Asia has become their number one trade region even before the EU and the USA which has made maritime trade through the Strait of Malacca increasingly important. Joint naval exercises often focus primarily on this location.[23]

The almost universal dependence on maritime transportation of energy supplies points to the necessity of multilateral protection of sea lanes. The dominant security threats are far from the traditional security dilemmas and threats but manifest in transnational asymmetric threats like piracy and naval terrorism. Yet energy politics has so far remained firmly state-centered. Energy cooperation between India and China as discussed in the fourth chapter have remained fairly limited due to a lack of trust and geopolitical competition.

6.3   Conclusions & Outlook

With global maritime trade on the rise and the growing Asian economies above all China and India, the sea lanes within the Indian Ocean will only grow in importance so will stable relations between the states within the Indian Ocean region. Global attention on diverse and non-nation state security threats is continuously rising, including piracy, maritime terrorism, and natural or man-made disasters. Yet regional integration has remained mostly ineffective and inter-state relations focus on bilateral engagements through trade and security agreements. Nonetheless Keohane and Nye observe that,

> *"We viewed international organizations not as sources of definitive law but as entities that institutionalized policy networks and within which transgovernmental policy coordination and coalition-building could take place. We observed that in oceans politics, international organizations seemed to have a greater effect on the agendas of states, and on states' influence over outcomes, than in international monetary relations."*[24]

International organizations are rather a multilateral facilitators than providing international law. Organizations within the Indian Ocean region like IONS and IORA have been focusing on exchanging information and deepening engagement yet due to a lack of commitment and their limitation of membership have left them mostly dysfunctional. Chellaney argues that the region of the Indian Ocean, and not East Asia, is the place where

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[23] Malik, China and India, p. 352-354.
[24] Keohane and Nye, Power And Interdependence Revisited, p. 738-739.

the decision over success or failure of Sino-centric ambitions will be reached.[25] Alongside India, the USA and Japan (both with well-functioning naval forces) have an exceptional interest in preventing any kind of Sino-centrism. Yet trying to keep China outside of organizations and joint projects within the IOR would be a distorted reflection of reality because of their already existing presence in the IOR as well as their trade relations with littoral countries and worldwide.

> *"With both focusing their naval strategies on each other, the risk of miscalculation and escalation in the future remains high, unless managed skillfully. The history of the IO shows that no single power has ever succeeded in dominating it completely. [...] Needless to say, the degree of cooperation and competition between China and India will determine the stability and security of the IOR, which lacks an overarching security system."*[26]

Since both India's and China's economies and therefore their stability and prosperity are dependent on energy supplies through the Indian Ocean as well as maintaining functioning maritime trade networks of their own exports, a naval conflict is nobody's intention. Yet, with rising competition over markets and energy resources as well as naval built up a deterioration of their relations cannot be ruled out completely and needs careful diplomatic negotiations.

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[25] Chellaney, Asian Juggernaut, p. 338.
[26] Malik, China and India, p. 358.

CONCLUSIONS

India and China as the two most populous nations have gained a lot of attention world-wide in the last decades. Representing roughly two fifth of the earth's population, their leverage has grown thanks to their economic liberalization setting free an abundance of labor and production capabilities. There is no denying that both will continue to shape the global economy. The PRC not only introduced encompassing economic reforms more than a decade before the Indian Republic but Bhalla argues they have been more successful because:

> *"In China, much faster growth can be explained by several economic and institutional factors: more favorable initial conditions, high capital accumulation backed by large savings, (particularly by households), high FDI inflows, high literacy rates, greater homogeneity of the Chinese society, a larger stock of inherited agricultural assets created under the communes, a larger and richer expatriate Chinese community, and the country's proximity to Hong Kong."*[1]

Whereas India remains the largest democracy in the world and its multiparty system represents a very heterogenic society, politics has remained unstable due to inter- and intra-party quarrels, often weak institutions, and a lack of commitment to necessary and above all sustainable (economic) reforms for the whole country. Those differences have major impact on the Sino-Indian relations, as well as the fate of both countries. This stresses the importance of the domestic system of a country within the analysis to properly understand the international system and a state's foreign policy. Whereas structural realism excludes domestic system and different levels of actors from its analysis to maintain its simplistic logic, the approach of complex interdependence adds layers to the investigation that have enabled this thesis to present a much broader picture to fully comprehend the Sino-Indian relations. Although only chosen aspects were discussed, many more could be included into the analysis such as civil society interaction and the roles of China and India as emerging donors within development assistance regime.

Finally, there are eight central conclusions that can be drawn from the previous discussion:

(1) After its economic liberalization and periods of very high growth, India is under enormous pressure to turn around its economic demise and tackle prevailing poverty. This will only be possible with new economic and social reforms. India's trade deficit is a source of concern and could harm their international position as well as their domestic

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[1] Bhalla, Sino-Indian Growth and Liberalization, p. 428.

development. The new Indian government headed by BJP-leader Narendra Modi has won the elections in May 2014 largely because they focused on economic reforms promising a change of politics in their electoral campaign.

(2) China needs to consolidate its very high economic growth rates to help along the transition of its economy and society, as well as to avoid a bubble. President Xi's reforms prioritize the stabilization of the economy and the fiscal system.

(3) Indian and Chinese bilateral trade will continue to grow in the long run and China will remain India's largest trading partner. There is no evidence suggesting otherwise. If the OECD Economic Outlook (see Figure 1) will hold true, India will be able to reduce its trade deficit slowly in general and in regards to its bilateral trade with China. Nonetheless, they will probably not achieve their target of US $100 billion bilateral trade by 2015.

(4) Since economic expansion is a major priority for both states a peaceful Asian and global environment is crucial. Therefore, their conflicted border situation will remain at a stalemate in the background. Only an unforeseen event or grave mistake regarding provocations could lead to a short-term military dispute. Yet this remains unlikely since neither government has any interest in a setback in their bilateral relations or losing international trust and credibility. The costs of a military clash or even full-scale war have become much too high due to their bilateral and global networks of interdependence. Nonetheless, their border dispute remains a sore spot within their bilateral relations and threat perceptions continue on, affirming the classic security dilemma. This has influence regarding their military modernization programs and expansion. Although they are not each other's main adversaries. Several authors cite a lack of regional integration between China and India as well as on the whole of Asian continent as a reason for the remaining threat perceptions. This manifests in international organizations with very little effectiveness. Both China and India, notably Japan as well, use their voice within those organizations like the East Asia Summit, IONS, and in cooperation with ASEAN, to balance out the others' weight. International organizations in Asia are mostly concerned with economic integration since collective political will has not extended beyond it on a broader scope.

(5) The problematic situation in Tibet remains thoroughly entwined with the Sino-Indian border conflict which is a source of concern for both governments, as well as a reason why a border settlement remains impossible. In the immediate future only the

demise of the current Dalai Lama has a realistic potential to set the Sino-Tibetan negotiations into motion again. Yet there remains a certain risk since the new Dalai Lama could come from non-Chinese territory, including India. This would put immense pressure on Sino-Indian relations.

(6) Government policies regarding their respective global networks of trade and energy resources will continue to focus on diversification to avoid strong, one-sided dependence of any kind. Economic complementarity as the idea of 'Chindia' envisions is not in the interest of either nation. Wang identifies three different scenarios for the future of the Sino-Indian relations: First, continued or even heightened rivalry with more intense militarization on both sides or even an arms race, the second vision is 'Chindia' in accordance with the geoeconomics paradigm of interconnectivity and mutual dependence, and lastly "pragmatic management". This last option is the most likely to be realistic. Whereas the first is possible because of potential mutual threat perceptions, their bilateral trade and the direct and indirect costs of a military dispute are much too high considering the rising Asian and global interdependence. The idea of 'Chindia' is therefore equally unlikely since a Sino-Indian alliance would oppose the USA which is an important partner to both India and China.[2]

(7) Due to China's superior economic performance and their 'peaceful rise' strategy, they have become a global power with significant clout within the global governance regime. With long-term strategic economic and foreign policies their global networks are far more substantial than the Indian, this includes India's littoral countries which has become a significant security concern. Since the beginning of their economic reforms, India has introduced a similar strategy to become multialigned. They are becoming increasingly successful as their 'Look East' and 'Look West' policies, as well as their improved relations with the USA and Japan have demonstrated. There have been diverse interpretations of foreign policy strategies like China's 'string of pearls' and India's 'Look East' Policy from both realist and liberal schools of thought. Realist approaches focus on the idea that both nations try to balance out advancements of the other by engaging their neighbors or enemies, whereas liberal interpretations argue that their motivations are economic growth and development aiming for markets less explored which has been South Asia for China and East Asia for India.[3] Both approaches offer logical yet limited explanations especially the realist reasoning does not reflect both countries' foreign and economic policies since

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[2] Wang, "Chindia" or Rivalry?, p. 462-463.
[3] Athwal, China-India relations, p. 72-74.

China and India have not been each other's primary concern for a long time and threat perceptions in general have been declining.

(8) Within the Indian Ocean region there are a range of old and new security concerns that demand multilateral security arrangements since maritime trade has been growing exceptionally in the last decades. Yet in the past a lack of political will to include a wide range of actors with key interests in the area, including the USA, China, India, and Japan. Therefore, the situation could grow more competitive. Naval expansionism will continue on since the Asian continent along with the many other nations worldwide are dependent on energy supplies from the Middle East and Africa.

Closing this master's thesis with a look in the future and how the Sino-Indian relations could develop in the next years: Since Xi Jinping became President of the PRC in 2013, he has managed to consolidate his power swiftly and thoroughly. His plans for in-depth structural reforms entail strengthening the power of the market within the economy and the power of the party within administration and politics. India's new BJP-led government has begun introducing reforms to improve the fiscal deficit and enable economic growth. The budget for next fiscal year include an opening to FDI in a range of sectors with previously strong limitations including infrastructure which has remained in a poor state and closed off FDI, an increase in defense spending, and much lower government spending, as well as asset sales. During his electoral campaign Prime Minister Modi has claimed he would be more assertive towards China in regards to their border conflict than his predecessors, yet promising to focus on an economy-driven foreign policy. During his time as Chief Minister of the state of Gujarat, Modi successfully attracted FDI among others by Chinese investors, turning Gujarat in a very successfully industrializing region in India. Since the BJP tends to speak up more forcefully on matters of nationalist foreign policy especially during electoral campaigns, yet former BJP governments have been pragmatic favoring economic development over international conflict which will be necessary if India wants to return to former economic growth rates.[4] Two weeks after winning elections, the new Indian government welcomed a high-level delegation from Beijing including the foreign minister to pledge for continued economic engagement. Yet, Modi has

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[4] Miglani, Sanjeev. "If Modi wins election, neighbours can expect a more muscular India." Reuters. http://in.reuters.com/article/2014/03/30/india-election-policy-modi-idINDEEA2T00620140330 (accessed May 1, 2014). Kroeber, Arthur R. "After the NPC: Xi Jinping's Roadmap for China." http://www.brookings.edu/research/opinions/2014/03/11-after-npc-xi-jinping-roadmap-for-china-kroeber (accessed March 20, 2014).

also reached out already to its neighboring states like Nepal and Bhutan to mend previously tense relations.[5]

Therefore, it can be concluded that the Sino-Indian relations will continue to be stable in the next years baring the exceptions mentioned in the conclusions. Their economic performances will mainly influence their bilateral relations and their respective positions within the international system. For the medium term, China's much greater economic and diplomatic leverage will remain its biggest advantages. Yet, if India's economy manages to return to higher growth rates and tackle its most pressing challenges including poverty and poor industrialization it could catch up in the long run. As two economic power houses in the world with growing consumer markets, the stability of the world economy depends increasingly on their steady bilateral relations through peaceful engagement and cooperation which will benefit their respective domestic systems.

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[5] Wilkes, Tommy and Frank Jack Daniel. "China talks trade, economic potential on visit to new India government." Reuters India. http://in.reuters.com/article/2014/06/08/india-china-idINL4N0OP0B920140608 (accessed June 10, 2014).

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APPENDIX

	Table 1: GDP growth (annual %)[1]		Table 2: Foreign direct investment, net inflows (% of GDP), 1992 - 2012[2]	
Year	CHINA	INDIA	CHINA	INDIA
1980	07.8	06.7	-	-
1981	05.2	06.0	-	-
1982	09.1	03.5	-	-
1983	10.9	07.3	-	-
1984	15.3	03.8	-	-
1985	13.5	05.3	-	-
1986	08.8	04.8	-	-
1987	11.6	04.0	-	-
1988	11.3	09.6	-	-
1989	04.1	05.9	-	-
1990	03.8	05.5	-	-
1991	09.2	01.1		
1992	14.2	05.5	2.6	0.1
1993	14.0	04.8	6.2	0.2
1994	13.1	06.7	6.0	0.3
1995	10.9	07.6	4.9	0.6
1996	10.0	07.5	4.7	0.6
1997	09.3	04.0	4.6	0.9
1998	07.8	06.2	4.3	0.6
1999	07.6	08.8	3.6	0.5
2000	08.4	03.8	3.2	0.8
2001	08.3	04.8	3.3	1.1
2002	09.1	03.8	3.4	1.1
2003	10.0	07.9	3.0	0.7
2004	10.1	07.9	3.2	0.8
2005	11.3	09.3	4.6	0.9

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[1] The World Bank Data Catalog.
[2] The World Bank Data Catalog.

2006	12.7	09.3	4.6	2.1
2007	14.2	09.8	4.5	2.0
2008	09.6	03.9	3.8	3.6
2009	09.2	08.5	2.6	2.6
2010	10.4	10.5	4.1	1.6
2011	09.3	06.3	3.8	1.9
2012	07.8	03.2	3.1	1.3

Figure 1: OECD Economic Outlook[3]

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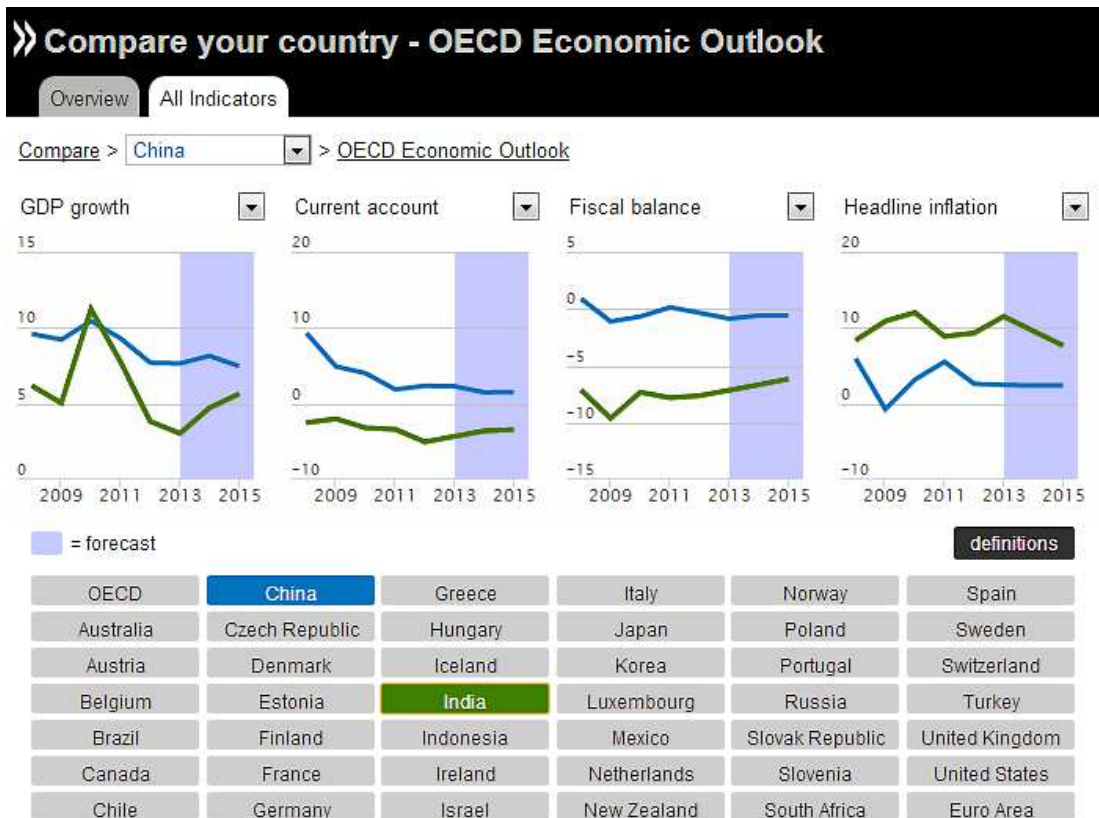
[3] OECD.StatExtracts.

Table 3: Economic indicators, 2005 - 2012, according to the OECD[4]

Indicator Name	Country	2005	2007	2009	2011	2012
Trade in services (% of GDP)	China	7,68	7,95	6,08	5,79	5,81
Trade in services (% of GDP)	India	11,91	12,65	12,69	14,07	14,94
Exports of goods and services (% of GDP)	China	37,08	38,41	26,71	28,54	27,33
Exports of goods and services (% of GDP)	India	19,28	20,43	20,05	23,88	23,83
Imports of goods and services (% of GDP)	China	31,55	29,61	22,30	26,05	24,51
Imports of goods and services (% of GDP)	India	22,02	24,45	25,43	30,33	31,54
External debt stocks (% of GNI)	China	12,54	10,61	8,92	9,72	9,19
External debt stocks (% of GNI)	India	14,63	16,54	18,88	18,14	20,78
Inflation, consumer prices (annual %)	China	1,82	4,75	-0,70	5,41	2,65
Inflation, consumer prices (annual %)	India	4,27	6,37	10,88	8,86	9,31
Trade (% of GDP)	China	68,63	68,03	49,02	54,59	51,84
Trade (% of GDP)	India	41,30	44,88	45,48	54,22	55,36
Agriculture, value added (% of GDP)	China	12,12	10,77	10,33	10,04	10,09
Agriculture, value added (% of GDP)	India	18,81	18,26	17,74	17,55	17,39
Manufacturing value added (% of GDP)	China	32,51	32,91	32,30		
Manufacturing value added (% of GDP)	India	15,39	15,99	15,10	14,39	13,53
Industry, value added (% of GDP)	China	47,37	47,34	46,24	46,59	45,31
Industry, value added (% of GDP)	India	28,13	29,03	27,76	26,73	25,75
Services, etc, value added (% of GDP)	China	40,51	41,89	43,43	43,37	44,60
Services, etc, value added (% of GDP)	India	53,05	52,71	54,50	55,72	56,86
GDP (current US$)	China	2.256.902.590.825,00	3.494.055.944.791,32	4.991.256.406.734,99	7.321.935.025.069,66	8.227.102.629.831,48
GDP (current US$)	India	834.215.013.543,00	1.238.700.195.724,53	1.365.372.433.271,74	1.872.840.195.945,11	1.841.709.755.679,17
GDP per capita (current US$)	China	1.731,12	2.651,26	3.749,27	5.447,34	6.091,01
GDP per capita (current US$)	India	740,11	1.068,68	1.147,24	1.533,66	1.489,23
Gross domestic savings (current US$)	China	1.074.931.329.474,00	1.765.816.796.253,70	2.628.053.147.877,01	3.715.804.735.155,67	4.248.183.915.790,34
Gross domestic savings (current US$)	India	263.067.560.086,00	421.403.104.907,05	422.162.918.110,34	543.098.986.900,33	513.978.729.139,61
GNI (current US$)	China	2.240.788.787.725,00	3.502.100.306.941,32	4.982.723.826.234,99	7.251.617.458.069,65	8.184.963.203.831,49
GNI (current US$)	India	828.316.308.037,00	1.233.605.245.318,01	1.357.362.793.277,64	1.856.807.717.747,22	1.887.143.137.206,85
GNI, PPP (current international $)	China	5.325.951.287.380,00	7.321.884.467.704,16	8.966.980.773.263,99	11.077.952.836.506,30	12.205.797.839.113,20
GNI, PPP (current international $)	India	2.500.080.232.456,00	3.183.137.918.125,08	3.679.160.963.564,45	4.450.867.318.967,53	4.831.971.084.285,54

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