

India, China and Japan

Chinese President Hu Jintao's visit to India in November 2006, and Indian Prime Minister Manmohan Singh's visit to Japan in December 2006, underline India's increasing economic and political prominence in Asia. India's economic relations with China are developing faster than those with Japan. Its strategic connections with Japan are stronger, and lack the undercurrent of rivalry that marks those with China. India is interested in playing a larger role on the broader Asian scene, but at the moment has only a small place in the institutional infrastructure for Asian cooperation. These three countries' economic and strategic interests, along with those of the United States, come together in the Indian Ocean. That is where the effort to create a peaceful path for the rise of China and India will be tested.

Warming Relations with China: President Hu Jintao's visit to India in November 2006, the first such trip made by a Chinese head of state in 10 years, put India-China relations back in the headlines. He and his Indian hosts signed thirteen agreements, emphasizing the importance of building a stronger strategic relationship and fostering greater economic cooperation.



Source: Associated Press

Economic ties are the big success story. China has become India's second largest trading partner, with two-way trade currently \$20 billion dollars a year and expected to double by 2010. Business to business ties have also expanded. The biggest surprise of the Hu visit was the carefully worded reference to the possibility of India-China civil nuclear cooperation.

The strategic relationship between both countries continues to be uneasy, and the presidential visit did little to improve it. Only a week before Hu arrived in

Delhi, the Chinese ambassador in Delhi made a statement reasserting China's claim to Arunachal Pradesh, one of India's states and the only part of the disputed border area that has a significant number of people living in it. Leaders from both countries have stated that they will continue to work towards resolving the border dispute. Although there has been some progress on the issue – China implicitly acknowledged Sikkim as part of India in 2003 and India now recognizes Tibet as part of China – disagreements on border issues will probably continue.

China's strong support for Pakistan has long been a worry for India. China has ratcheted back its support for Pakistan's position on Kashmir. Although China's desire to avoid dangerous conflict in the neighborhood leads China to favor peace and stability between Pakistan and India, long-standing ties with Pakistan will remain an important element in Chinese foreign policy. Hu Jintao's visit to Pakistan, immediately following his stay in Delhi, underlined both China's attachment to Pakistan and the tensions this can bring to China's policy towards India.

Both India and China want to engage each other as they continue to expand their regional and international influence. Prime Minister Manmohan Singh recently said that India and China can develop in a "mutually supportive manner;" on the Chinese side, the operative phrase being "China's peaceful rise." The leaders of both countries want cooperation on the economic front in spite of disagreement on the strategic front. The tests of whether such a model can be sustained will be seen in the two countries' management of their energy needs and, in the longer term, in their approach to Indian Ocean security.

Emerging relations with Japan: In contrast with India's stormy history with China, independent India and Japan have never shared hostilities. Furthermore, both countries share a common vision on vital issues such as energy policy, the security of sea lanes in the

Indian Ocean, the security of vital choke points, and the tremendous potential for economic partnerships. Both countries also oppose the spread of weapons of mass destruction (WMD), although India's nuclear program could pose a serious problem for Japan. Manmohan Singh's visit to Tokyo, like the 2005 visit to New Delhi by Japanese Prime Minister Koizumi, was intended to showcase these elements of common vision, and to develop more fully both the strategic and the economic ties.



Source: Associated Press

largest beneficiary of development loans from Japan for the past 2 years, receiving approximately \$ 1.5 billion dollars to improve infrastructure and eradicate poverty.

With India's growing economy, trade and investment have now become more important measures of its international economic ties. Two-way trade between India and Japan is currently \$4.35 billion dollars, far behind India's trade with China. Information technology (IT) products and services have been identified as potential triggers for increased trade between both countries. But India's exports of software products and services to Japan in 2003 were estimated at only 3 percent of India's total IT trade, and the increase in subsequent years has been modest.

Japan has been trailing far behind China in terms of investment in India. Although there have been successful collaborations between Indian and Japanese private sector firms – the *Maruti* car company joint venture, the petrochemical complex in Haldia (near Calcutta) and most recently the Delhi Metro – Japanese investors have been far more cautious about India than about China. Observers note that Japanese business people are put off by India's complicated bureaucracy and poor physical infrastructure. Moreover, India, which has an enormous pool of English speakers, has far fewer Japanese speakers than China.

Indian strategic thinkers have often commented on the common security interests between India and Japan. The two countries have occasionally conducted limited

military exercises together. Any attempt to give a higher importance to security-related Indian cooperation with Japan might be inhibited by concerns over its likely negative impact on the developing Sino-Indian relations, which are much more multi-dimensional than Indo-Japanese relations.

The politics of energy: India, China and Japan all have rapidly growing energy demands. Energy brings together economics and strategy for all three countries.

India and China will continue to be both competitors and partners on energy. Both want to diversify their energy suppliers through business and political diplomacy. They have signed a cooperation agreement and have jointly bid on projects in the past, but they have not hesitated to compete and bid against each other when it suits their purpose. China is well ahead of India in acquiring new sources of energy. SINOPEC, China's leading energy conglomerate, has invested approximately \$45 billion dollars in an effort to establish new energy partnerships. ONGC, India's leading government controlled energy company, has invested a mere \$ 3.5 billion dollars in global energy partnerships.

India and Japan have agreed that energy security should be an important component of their bilateral relationship. However, thus far they have undertaken no concrete joint actions or projects. The statements released during Manmohan Singh's visit to Tokyo included a reference to civil nuclear cooperation, which was interpreted in India as a signal that Japan would not block India's access to such cooperation when it comes up for international ratification at the Nuclear Suppliers' Group (NSG) in the coming months.



The Indian Ocean connection: The potential security threat to Indian Ocean sea lanes and the Strait of Malacca is a source of great concern to India, China and Japan. Approximately 60 percent of China's oil supply and 80 percent of Japan's oil supply passes through the Strait of Malacca. The Indian navy has always played a prominent role in maintaining security in this area, especially in the past decade, as energy issues have

become a more important driver of India's foreign and security policy. The other navy with a major Indian Ocean presence is the U.S. navy. The transformation of U.S. relations with India in the past decade has largely ended the discomfort India felt at the regular U.S. presence there, and Japan, as a close U.S. ally, regards the U.S. presence as part of its own security network.



Source: Associated Foreign Press

Chinese strategic planners, however, are concerned that the United States could severely cripple China by blocking its energy supplies, if U.S. – China relations went sour. China has responded by developing closer relations with several Indian Ocean littoral countries and by financing a new Pakistani port at Gwadar, close to Pakistan's border with Iran. Indian strategic thinkers see this as the forerunner to an eventual Chinese military presence in the Indian Ocean, and a potential concern in the medium to long term.

India as an Asian power: Historically, India's relationships with Southeast Asia have been thin. However, 15 years of a "look East" policy in Delhi have made India's presence in East Asia more vibrant, especially in Singapore and Malaysia. Although none of the countries in the Association of South East Asian Nations (ASEAN) wants to encourage India – China rivalry on their turf, they have encouraged India to play a larger role in Southeast Asia to provide balance among the major Asian powers. India has become a "dialogue partner" of ASEAN and is a member of the East Asian Summit. However, India and its Asian neighbors have not yet decided how they want India's regional role to be institutionalized and the institutions that were created to foster Asian regional cooperation are still largely East Asia-based.

China in South Asia: In addition to close relations with Pakistan, China has also cultivated close relations with Bangladesh, Burma, and Sri Lanka. China is currently building a container port facility in Chittagong and has emerged as one of Bangladesh's most prominent trade partners. The relationship with Sri Lanka goes back to the early 1950s. Furthermore, China has been actively

seeking a closer strategic relationship with the military junta in Burma.

India is keeping an eye on China's increasing closeness with its neighbors, especially Bangladesh and Burma, in addition to its friendship with Pakistan. The ties between China and Nepal, a sore point with Delhi in the past, are now less of a worry. India and China share a strong common interest in a peaceful and stable outcome of Nepal's political crisis.

Significance for the United States: India and the United States have both made clear that their new partnership is being developed on its own terms, and not as an adjunct to either country's policy toward China. All three countries, as well as Japan, however, are closely watching emerging relations and the overall effect on regional balance. In an ideal outcome, India would be more fully engaged in Asia – including East Asia – and all three of the major Asian powers would cooperate to maintain peace in the region.

The U.S. interest is twofold: avoiding a situation where one country dominates Asia, and preserving the peace of a region that now accounts for an enormous 25 percent of U.S. international trade and investment. Managing the new aspects of Asian politics and protecting strategic interests in the region will take patience and above all, foresight, from U.S. and Asian policymakers alike.

—*Teresita Schaffer & Vibhuti Haté*

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