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***China's Expanding Global Influence:  
Foreign Policy Goals, Practices, and Tools***

China is expanding its diplomatic and economic activity in South Asia as part of an overall effort to enhance its global influence. The future direction of relations between China and India, two booming economies that together account for one-third of the world's population, will be a major factor in determining broader political and economic trends in Asia and will directly affect U.S. interests in the region.

China is wary of recent U.S. overtures toward India, especially the proposed civil nuclear cooperation deal and enhanced military ties, and views Washington's moves toward New Delhi as aimed at containing Chinese power in the region. Beijing seems to believe, however, that its best defense against any possible U.S. attempt to use New Delhi to contain it is through its own

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pursuit of better relations with India. At the same time, China is strengthening ties to traditional ally Pakistan and slowly gaining influence with other South Asian states to check Indian influence in its own backyard.

The U.S. will need to remain actively engaged in South Asia, not only pursuing its counterterrorism objectives, but also nurturing strategic partnerships with both India and Pakistan through a variety of diplomatic, military, and economic initiatives. As it seeks to hedge against China's rise, Washington will need to pay close attention to the dynamics of the India–China relationship as these two powers navigate relations with one another and extend their influence outside their traditional spheres.

## **China–India Ties**

After decades of frosty relations, India and China are in the midst of a rapprochement based on both countries' desire to have peaceful borders and to avoid hostile relations that would limit either country's foreign policy options. China and India have been strategic adversaries since the Sino–Indian border war of 1962, which cemented India's alignment with the Soviet Union and China's strategic partnership with Pakistan.

In 1998, India–China relations were set back when the Indian government officially cited the Chinese threat as a rationale for its nuclear tests. The tide of suspicion began to turn, however, after the Chinese adopted a position favorable to India on the Indo–Pakistani Kargil conflict in 1999, spurring the current thaw. India is interested in establishing cordial ties with its increasingly powerful neighbor, but it remains wary of China's intentions in South Asia and its slow pace in resolving China–India border disputes.

Increasing U.S. attention to India over the past five years—especially Washington's decision to extend civil nuclear cooperation to New Delhi—surprised Chinese policymakers and caused them to reassess their policies toward India. Chinese officials have developed a more serious policy toward India and now acknowledge that India is becoming a major Asian power.<sup>2</sup> The joint naval exercises by the U.S., India, Japan, Australia, and Singapore in the Bay of Bengal last September raised further concern in Beijing about the development of a democracy axis aimed at countering its influence. Joint U.S.–India training exercises involving both air units and special forces are an additional concern.

China hopes that increased trade and investment ties with India will counter, or at least complicate, strategic U.S.–India cooperation. In just five years, China and India have vastly increased the volume of their annual bilateral trade from \$5 billion to over \$38 billion in 2007 and expect to increase it to \$60 billion within two years. While India has the edge in information technology and finance, China has excelled in manufacturing and transportation. This has led to a trade imbalance in China's favor since most of China's exports are valued-added manufactured goods, while most of India's exports are bulk commodities like iron ore. Indians complain that China gains unfair advantage from an undervalued currency and from protectionism that affects India's high-end exports.

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<sup>2</sup> Stephen J. Blank, *Natural Allies? Regional Security in Asia and Prospects for Indo–American Strategic Cooperation* (Carlisle, Pa.: Strategic Studies Institute, U.S. Army War College, 2005), p. 66.

## Border Tensions

Despite improvement in trade and economic ties, border disputes continue to bedevil Chinese–Indian ties, and each country harbors deep mistrust and suspicion toward the other’s strategic intentions. In fact, some Indian analysts believe that China is pursuing a two-pronged strategy of lulling India into complacency with greater economic interaction while taking steps to encircle India and undermine its security.<sup>3</sup> India accuses China of illegally occupying over 14,000 square miles of its territory on the northern border in Kashmir, while China lays claim to over 34,000 square miles of India’s northeastern Arunachal Pradesh state. India is host to the Dalai Lama and about 100,000 Tibetan refugees, although it forbids them from taking part in any political activity.

The diplomatic dynamics that preceded President Hu Jintao’s visit to India in November 2006 were a reminder that New Delhi and Beijing face serious obstacles to establishing a genuine partnership. Days before Hu’s arrival in New Delhi, the Chinese ambassador to India proclaimed the Chinese government’s position that the Indian state of Arunachal Pradesh is Chinese territory. Indian officials downplayed the remarks, but commentators noted that the hard-line comments threatened to cast a pall over the visit. Beijing also stirred controversy in May 2007 when it denied a visa to an officer of the Indian Administrative Service (IAS) from the state of Arunachal Pradesh on the grounds that he was from territory the Chinese officially recognize as their own, prompting India to cancel the visit of the entire group of over 100 IAS officers to China for a mid-career training program.<sup>4</sup>

In recent diplomatic negotiations, the Chinese have reportedly urged that Tawang, a pilgrimage site for Tibetans in the state of Arunachal Pradesh, be ceded to China. The Indians refused the demand and reiterated their position that any areas with settled populations would be excluded from territorial exchanges. In what appears to be an attempt to pressure the Indians on the issue, the Chinese have been strengthening their military infrastructure along the border and establishing a network of road, rail, and air links in the region.

India has begun to respond to the Chinese assertions by reinforcing its own claim over the area. New Delhi has constructed new roads along the northern border and augmented forces in the eastern sector. India has re-deployed elements of its 27th Mountain Division from Jammu and Kashmir to the 30-km-wide Siliguri corridor, which lies at the intersection of India, Tibet, and Bhutan and links India with the rest of its Northeastern states.<sup>5</sup> The area, referred to as the “Chicken Neck,” is a vulnerable point of the border since losing control of it would separate India from its entire Northeast region. Indian Prime Minister Singh visited Arunachal Pradesh in late January and announced development plans for the region, including construction of a

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<sup>3</sup> Venu Rajamony, “India–China–U.S. Triangle: A ‘Soft’ Balance of Power System in the Making,” Center for Strategic and International Studies, March 15, 2002.

<sup>4</sup> Surjit Mansingh, “Rising China and Emergent India in the 21st Century: Friends or Rivals?” *The Korean Journal of Defense Analysis*, Vol. XIX, No. 4 (Winter 2007), p. 133.

<sup>5</sup> Tejinder Singh Sodhi, “Troop cutback begins in J&K,” Tribune News Service, February 20, 2008, at <http://www.tribuneindia.com/2008/20080221/main4.htm> (March 9, 2008).

highway connecting the controversial Tawang with Mahadevpur, underlining India's non-negotiable stance on maintaining Tawang within its boundaries.

At the same time that border tensions are simmering between India and China, the two countries are beginning to conduct joint military exercises. Last December, for example, 100 troops from each country engaged in a joint anti-terrorism military exercise in China's southwestern province of Yunnan.

The history of events leading up to the Sino-Indian border war of 1962 and the severe Indian disillusionment with the Chinese in the aftermath of that conflict provides useful context for assessing current developments in Chinese-Indian relations. Even after China invaded and annexed Tibet in 1950, India's first Prime Minister, Jawaharlal Nehru, believed that India should still seek an understanding with China. Nehru was convinced that India-China friendship could be the basis of an Asian resurgence.<sup>6</sup> Nehru also wanted to give the Chinese the benefit of the doubt since it was a "neighboring country that was also emerging from the shadows of European domination." Other Indians, including members of Nehru's cabinet, believed otherwise. They cautioned Nehru to view the event as a sign that China could pose a danger to India's own territorial integrity and that India should therefore begin to prepare its defenses accordingly.<sup>7</sup>

Nehru's lack of foresight on China cost India dearly in 1962 when the Chinese simultaneously invaded the eastern and western sectors of their shared borders. Nehru was accused in the Indian parliament of turning a blind eye to Chinese construction of a road through what was then Indian territory in the Aksai Chin. After the invasion and humiliating defeat by the Chinese, a dejected Nehru declared in parliament that China had revealed itself as "an expansionist, imperious-minded country."<sup>8</sup> A deep feeling of betrayal from a country that they had naively trusted and supported in the international arena permeated the Indian psyche for years to come.

China opened border talks with India in the early 1980s, but the dialogue has moved at a glacial pace. India's National Security Adviser and China's Vice-Foreign Minister have held talks since June 2003. New Delhi has tried to reassure China by recognizing the Tibetan Autonomous Region as part of China, while the Chinese Foreign Ministry in 2003 recognized the trade route through the Nathu La Pass on the China-Sikkim frontier with India and stopped listing Sikkim as an independent country on its Web site, implicitly recognizing it as part of India. Nevertheless, China's increasing assertiveness in the past two years has led to a near freeze on the border talks.<sup>9</sup>

Indian strategic analysts, remembering the 1962 border war, now warn Indian officials not to make the mistakes of the past by downplaying Chinese border aggression. They argue that if New Delhi publicly downplays provocative Chinese actions in the border areas (as it did with

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<sup>6</sup> Mansingh, "Rising China and Emergent India," p.121.

<sup>7</sup> Ramachandra Guha, *India After Gandhi: The History of the World's Largest Democracy* (New York: HarperCollins Publishers, 2007), pp. 176-179.

<sup>8</sup> *Ibid.*, p. 337.

<sup>9</sup> Mohan Malik, "India-China Competition Revealed in Ongoing Border Disputes," *Power and Interest News Report*, October 7, 2007, at [http://www.pinr.com/report.php?ac=view\\_report&report\\_id=695&language\\_id=1](http://www.pinr.com/report.php?ac=view_report&report_id=695&language_id=1) (March 8, 2008).

construction of the road through the Aksai Chin in the early 1960s), the Chinese will interpret the silence as a sign of weakness and exploit it.<sup>10</sup>

## **Other Areas of Potential China–India Conflict**

Energy also is increasingly becoming a source of friction between China and India. They are two of the world’s fastest-growing energy consumers, with China importing about 50 percent of its energy needs and India importing 70 percent. China has consistently outbid India in the competition for energy sources, and these bidding wars have inflated prices for energy assets, prompting the two countries to agree to joint bidding on some contracts. The Chinese provide monetary and diplomatic enticements to secure energy supplier contracts and largely ignore international concerns over issues like human rights and democracy.

Burma represents one country where the India–China energy competition is playing out. In the fall of 2007, attempts of the Gas Authority of India Limited (GAIL) and other Indian companies to tap Burmese oil and gas were thwarted by Chinese pressure on Burmese authorities.<sup>11</sup> India was a strong proponent of the democracy movement in Burma throughout the 1980s and gave sanctuary to thousands of Burmese refugees following the military junta’s assumption of power in 1988. India changed its position, however, to one of “constructive engagement” when it sought Burmese cooperation against insurgents across their porous frontier in the mid-1990s and has more recently sought oil and gas deals there to fulfill its growing energy requirements.<sup>12</sup>

It is important to note that India’s Burma policy may be changing yet again. In response to the September crackdown on pro-democracy demonstrators, India put arms sales to Burma under “review,” at least temporarily halting them.

Energy competition between India and China is also reflected in their assertions of naval power. As India reaches into the Malacca Straits, Beijing is creating a “string of pearls” surrounding India by developing strategic port facilities in Sittwe, Burma; Chittagong, Bangladesh; and Gwadar, Pakistan to protect sea lanes and ensure uninterrupted energy supplies.

Water also has the potential to become a divisive issue in India’s bilateral relations with China. New Delhi is concerned about the ecological impact on India of Chinese plans to divert the rivers of Tibet for irrigation purposes in China. With China controlling the Tibetan plateau, the source of Asia’s major rivers, the potential for conflict over increasingly scarce water resources remains a concern.<sup>13</sup>

## **Russia–China–India Trilateral Cooperation?**

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<sup>10</sup> B. Raman, “Our PM’s Visit to China: Core Concerns Persist,” Chennai Centre for China Studies, C3S Paper No. 99, January 15, 2008.

<sup>11</sup> June Teufel Dreyer, “A New Era in Sino–Indian Relations or Deja-vu All Over Again?” January 18, 2008, at [http://www.strategycenter.net/research/pubID.178/pub\\_detail.asp](http://www.strategycenter.net/research/pubID.178/pub_detail.asp) (March 7, 2008).

<sup>12</sup> Mansingh, “Rising China and Emergent India,” p. 140.

<sup>13</sup> Malik, “India–China Competition Revealed in Ongoing Border Disputes.”

China is beginning to embrace the idea of a China–India–Russia trilateral axis to further its strategic aims in the region. Both China and India were initially cool to the idea of China–India–Russia trilateral cooperation when Russian Prime Minister Primakov began pushing the idea in the late 1990s. However, as Indian strategists see the economic balance of power shifting to Asia, they also have increased their support for China–India–Russia cooperation.<sup>14</sup>

India last year hosted a trilateral meeting of the foreign ministers, marking the first time that it has hosted such a high-level China–India–Russia meeting. The meeting was welcomed by Indian leftists opposed to India’s increasingly cozy relations with the United States. In the February 14, 2007, joint communiqué, the ministers said that “trilateral cooperation was not directed against the interests of any other country.”<sup>15</sup>

U.S. policymakers should nevertheless caution India that such a tripartite axis has the potential to undermine the shared U.S. and Indian objectives of supporting democracy, free trade, economic prosperity, and nuclear nonproliferation in Asia. The trilateral axis idea could also raise suspicions among the Southeast Asian states about New Delhi’s ultimate objectives in the region. The nations of Southeast Asia seek a greater Indian political and economic role in the region to ensure that China does not dominate the region. India has become a full dialogue partner with the Association of Southeast Asian Nations (ASEAN) and joined the East Asia Summit in 2005.

## **China–Pakistan Ties**

Pakistan and China have long-standing strategic ties. China is Pakistan’s largest defense supplier, and the Chinese view Pakistan as a useful counterweight to Indian power in the region. China transferred equipment and technology to Pakistan’s nuclear weapons and ballistic missile programs throughout the 1980s and 1990s, enhancing Pakistan’s strength in the South Asian strategic balance. U.S. scholar Steve Cohen describes China as pursuing a classic balance of power by supporting Pakistan in a relationship that mirrors the relationship between the U.S. and Israel.<sup>16</sup> The most significant development in China–Pakistan military cooperation occurred in 1992 when China supplied Pakistan with 34 short-range ballistic M-11 missiles.<sup>17</sup>

China has helped Pakistan build two nuclear reactors at the Chasma site in the Punjab Province. In the run-up to Chinese President Hu Jintao’s visit to Pakistan in November 2006, media reports speculated that Beijing would sign a major nuclear energy cooperation agreement with Pakistan. In the end, however, the Chinese leader provided a general pledge of support to Pakistan’s nuclear energy program but refrained from announcing plans to supply new nuclear reactors.

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<sup>14</sup> Subash Kapila, “Russia–India–China Strategic Triangle Contours Emerge,” South Asia Analysis Group Paper No. 1424, June 21, 2005.

<sup>15</sup> Alistair Scrutton, “Energy Ties to Fuel India, China, Russia Summit,” Reuters, February 14, 2007, at [www.in.today.reuters.com/news/NewsArticle.aspx?type=topNews&storyID=2007-02-14T081853Z\\_01\\_NOOTR\\_RTRJONC\\_0\\_India-287599-1.xml](http://www.in.today.reuters.com/news/NewsArticle.aspx?type=topNews&storyID=2007-02-14T081853Z_01_NOOTR_RTRJONC_0_India-287599-1.xml) (February 15, 2007).

<sup>16</sup> Steve Cohen, *India: Emerging Power* (Washington, DC: Brookings Institution, 2001), p. 259.

<sup>17</sup> Ahmad Faruqi, “The Complex Dynamics of Pakistan’s Relationship with China,” Islamabad Policy Research Institute, Summer 2001, at <http://www.ipripak.org/journal/summer2001/thecomplex.shtml> (March 8, 2008).

Although the fate of the U.S.–India civil nuclear deal is uncertain, if it does reach the Nuclear Suppliers Group (NSG) for consideration, the Chinese may insist that any changes in the NSG guidelines must not be “country-specific,” but rather “universal” or “criteria-based” so that all countries, namely Pakistan, can benefit from the peaceful use of atomic energy. This formulation, outlined by Chinese Foreign Minister Yang Jiechi, would pave the way for the Chinese construction of additional nuclear reactors in Pakistan.<sup>18</sup>

China also is helping Pakistan develop a deep-sea port at the naval base at Gwadar in the Pakistan province of Baluchistan on the Arabian Sea. China is seeking to secure oil and gas supplies from the Persian Gulf and has financed 80 percent of the \$250 million project. The complex will provide a port, warehouses, and industrial facilities for more than 20 countries and will eventually have the capability to receive oil tankers with a capacity of 200,000 tons.

One source of tension between Beijing and Islamabad that has surfaced in the past has been the issue of rising Islamic extremism in Pakistan and the ability of Chinese Uighur separatists to receive sanctuary and training among other radical Islamist groups on Pakistani territory. The Chinese province of Xinjiang is home to 8 million Muslim Uighurs, many of whom resent the growing presence and economic grip of Han Chinese. Some have agitated for an independent “East Turkestan.” To mollify China’s concerns, Pakistan in recent years has begun to clamp down on Uighur settlements and on religious schools used as training grounds for militant Islamists.<sup>19</sup>

Tensions over Islamic extremism surfaced when Islamic vigilantes last summer kidnapped several Chinese citizens whom they accused of running a brothel in Islamabad. China was incensed by this incident, and its complaints to Pakistani authorities likely contributed to Pakistan’s decision to finally launch a military operation at the Red Mosque in Islamabad, where the militants had holed up since January 2007.

## **China and the Smaller South Asian States**

The smaller states of South Asia—Sri Lanka, Bangladesh, and Nepal—view good ties with China as a useful counterweight to Indian dominance. China uses military and other kinds of assistance to court these nations, especially when India and other Western states try to leverage their assistance programs to encourage respect for human rights and democracy.

### **Nepal**

Nepal occupies a strategic location along the Himalayan foothills dividing China and India. China provided military supplies to King Gyanendra before he stepped down from power in 2005 while India and the U.S. were restricting their military assistance in an effort to promote political reconciliation.

In recent years, Nepal has begun to crack down on Tibetan refugees on its territory in an apparent attempt to appease the Chinese. At the beginning of this month, Nepal’s government

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<sup>18</sup> Malik, “India–China Competition Revealed in Ongoing Border Disputes.”

<sup>19</sup> Ziad Haider, “Clearing Clouds Over the Karakoram Pass,” *YaleGlobal Online*, March 29, 2004, at <http://yaleglobal.yale.edu/display.article?id=3603&page=2> (September 12, 2007).

ordered a raid on a center for Tibetan refugees and deported one of them shortly before the visit of China's Assistant Foreign Minister to Kathmandu. The center, which is funded by the United Nations High Commissioner for Refugees, acts as a transit point for Tibetans fleeing to India. In 2005, Nepal closed down the Tibetan Welfare Office in Kathmandu, which had been established in the 1960s. Approximately 2,000–3,000 Tibetans cross through Nepal annually.

### **Sri Lanka**

Chinese assistance to Sri Lanka has increased substantially over the past year and may now even eclipse that of Sri Lanka's longtime biggest aid donor, Japan. The Chinese are building a highway, developing two power plants, and constructing a new port facility at Hambantota harbor.

China wants to expand political and security ties with the countries of the South Asia–Indian Ocean region to ensure the safety of Chinese sea lines of communication across the Indian Ocean. Sri Lanka, for its part, needs Chinese assistance—especially military aid—as it fights a civil war with Tamil insurgents with whom it recently officially broke a six-year cease-fire agreement. The U.S. and India have curtailed military supplies because of human rights concerns, and Chinese aid comes with no strings attached.

### **Bangladesh**

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

## **Implications and Recommendations for U.S. Policy**

China's policies toward South Asia revolve around its desire to manage India's emergence in a way that protects its positions on the Tibet and Taiwan issues and ensures its continued access to critical energy assets. China is wary of U.S. plans to bolster India's position in Asia and will seek to blunt Washington's overtures toward New Delhi and American regional influence in general by building up its own economic, military, and diplomatic ties in South Asia. China's willingness to overlook human rights and democracy concerns in its relations with the smaller South Asian states will at times leave India at a disadvantage in asserting its power in the region, as in the recent cases of Nepal and Sri Lanka.

The U.S. should continue to build strong, strategic ties to India and encourage a more active political and economic role by India in East Asia. While Washington throughout the 1990s conducted its relations with India through the prism of India–Pakistan relations, the Bush Administration has successfully pursued separate strategic partnerships with each nation based on its own merits.



Washington views India as a stabilizing force in the broader Asia region. To help India fulfill that role, Washington should continue to seek a robust military-to-military relationship with New Delhi and enhance defense trade ties, which received a major boost last month when India agreed to buy \$1 billion worth of military transport aircraft from the U.S. Lockheed Corporation. The U.S. should focus particular attention on enhancing U.S.–Indian maritime cooperation through routine exercises and operations that will allow the two navies to increase cooperation in securing key energy lanes.

To ensure the peaceful, democratic development of South Asia, the U.S. will need to partner more closely with India in initiatives that strengthen economic development and democratic trends in the region. This will require close coordination on developments in the region and increasing mutual confidence between the two democracies on strategic intentions. The U.S. and India should enhance and regularize their strategic dialogue on South Asia.

The U.S. has a major stake in how China and India cope with their increasing energy demand and manage their competition for energy resources. Washington should seek to deepen India's and China's relationship and cooperative activities with the International Energy Agency to coordinate response mechanisms in the event of an oil emergency. The U.S. should work closely with India and China as they develop their strategic oil reserves to ensure the major energy-consuming countries are prepared to cooperate to resolve any potential global energy crises.