Sino-Indian Relations:
Complex Challenges in a Complex Relationship

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Abbreviations

ASEAN – Association of Southeast Asian Nations
CBMs – Confidence-Building Measures
FTA – Free Trade Agreement
ICBM – Intercontinental Ballistic Missile
JSG – Joint Study Group
JWG – Joint Working Group
LAC – Line of Actual Control
MFN – Most Favored Nation
MOU – Memorandum of Understanding
PRC – Peoples Republic of China
Sino-Indian Relations: Complex Challenges in a Complex Relationship

1 Abstract

China and India, demographically being the two largest countries in the world, are together accounting for more than a third of the world’s total population. This makes the Sino-Indian relationship critical not only for those living in China and India, but for the whole world. Regardless of a history filled with conflicts and a contemporary competition over regional influence have the two Asian powers managed to increasingly deepen their economic ties. Even though the relationship seems to be moving in a more peaceful direction of mutual understanding and cooperation, it is still a very fragile relationship. The focus of this research lies in the contemporary Sino-Indian relations, which aims to understand the role trade and cooperation have had in moving the attention away from security-related issues on to more positive fields. The empirical observations that will be tested in the case of Sino-Indian relations are the border dispute at Arunachal Pradesh and the political and economic interdependence. Together these will represent the empirical foundation of the research, which will be tested and interpreted by the neo-realist and neo-liberal perspective. The concluding remarks on the research is that trade and cooperation unlikely is the main factor in the Sino-Indian relationship, preventing or reducing attention from being given to security-related issues, but should rather be seen as the foundational source on which a process towards confidence-building measures, institutions, mutual interests and a political goodwill has been established.
2 Introduction

Sino-Indian cooperation is eventually going to catch the attention of the whole world.


China and India, being the two most populous countries in the world, are together accounting for more than a third of the world’s total population.\(^1\) This makes the Sino-Indian relationship critical not only for those living in China and India, but for the whole world.\(^2\) As Chinese Premier Wen Jiabao stated during his visit to ASEAN (Association of Southeast Asian Nations) in 2004, will the Sino-Indian relationship have tremendous impact on international relations in the twenty-first century. That being said, there is a surprisingly quiet discussion about this relationship. This research, thus hopes to contribute to the discussion by analyzing the relationship’s nature, as well as, China’s and India’s attitude towards security-related issues. More concretely try to understand what impact trade and cooperation have had for the development of the relationship.

Regardless of a history filled with conflicts and disputes, as well as a contemporary competition over regional influence have the two Asian powers managed to increasingly deepen their economic ties. The Sino-Indian relationship thus appears to be moving towards a more peaceful direction of mutual understanding and cooperation. However, a lack of trust between China and India remains as an obstacle, which has prevented the relationship to fully develop. The lack of trust thus remains in the shadow as a remnant from the Sino-Indian war in 1962, which witness of a fragile relationship.\(^3\) Despite this, there is a trend of an increased amount of positive comments on the relationship by both countries’ leaders. Chinese Premier Wen Jiaobao, for example, underlined during a visit to India in 2012 that the two countries should work “hand in hand” to ensure that the 21st century belonged to Asia.\(^4\) This ambition indicates the great magnitude the relationship has and how cooperation rather than competition is in both country’s interest.

China and India have from a historical point of view been two superpowers, with an extremely strong trade and military capacity, where they up until the 19th century used to make up half the world’s economy. Both China and India quickly diminished in terms of power in the 19th century, due to inner and external factors. As of today, they are back on their feet; especially looking at how China and India have had a continuous steady growth since 1980 and 1990 respectively. China is today the world’s largest exporter and the second largest economy in the world, only second to the United States of America (Gross Domestic Product measured in Purchasing Power Parity terms). At the same time is India chasing China’s back, slowly shortening the economic gap, currently being the fourth largest economy.

Not only do these two Asian giants share the same border, they also share a similar history in terms of development, where the establishment of a new state, as well as the implementation of new economic reforms, both took place in a similar period of time. Even though China and India has intensified their cooperation, there are still many questions in regard to how the relationship will develop. The views among Sino-Indian experts asserts that we now see a tendency towards a changed attitude between China and India, where economic interests are recognized as the driving force, but at the same time also emphasize that there is a significant lack of trust. Furthermore, claiming that the relationship is complex and should be seen as both competitive and cooperative.

The border dispute is possibly a good example of how security issues have been put aside in order to make room for the countries trade policies. It remains to see whether it is an exaggeration of emphasis or not. Additionally, talks about territorial boundaries that both

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10 S. Dutta, ‘Much Hype, Small Gains’, (Not in reference list)
countries claim as theirs are discussed with discretion, both China and India being aware of
the topic’s sensitivity.

It is true that previous leaders of both China and India have had mutual agreements of putting
the border dispute aside, but it wasn’t until the early 21st century when both sides actually
started to act according to this political will. Parts of the answer to this lies in that China and
India not really needed each other that much before, but as both of their economic reforms
reached a certain stage, and they became more active internationally, it was evident that they
could benefit a lot from each other.  

China and India has come to be known as the big rising powers in Asia. India is, however,
slightly behind China in terms of economic progress, as their economic reform took speed in
1991, approximately one decade after China’s opening up in 1978. Demographically being
the two largest markets in the world, it’s from an economic point of view surprising to see the
lack of economic integration between the two. The potential of these two markets are
extremely huge, and we have seen dramatic changes in the relationship between China and
India since 1962. It is evident that an expansion of bilateral trade could increase the benefits. The ever more globalized world in terms of trade, have given the relationship a fresh start,
where cooperation offers mutual benefits. The rapid growth of both countries, after the
liberalization of their economies, has proven to show a new potential in terms of bilateral
trade, and both markets offer elements missing in the respective country. A parallel
development between these two giants has turned into an interesting opportunity to cooperate
in several sectors. Even though having a similar growth curve, they are very different in terms
of strengths and weaknesses. A complementary exchange in knowledge, manpower, and
resources suggests a winning formula. The most optimistic ones refer to this by the visionary
name “Chindia”.  

The two markets have the potential of reaching new heights in economic growth, but also to
establish better relations with each other. Seeing that China and India have very different

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14 V. Wang, “‘Chindia’ or Rivalry? Rising China, Rising India, and Contending Perspectives on India-China
economies overall, they could benefit a lot from further cooperation, in a complementary way. India on the other hand sees China as a potential threat to dominate the region, while China perceives India as the only potential country in Asia to be determined enough of to use force in order to prevent China from becoming a regional hegemony, has left a lot of suspicion in the relations, which seems to remain no matter how much bilateral trade increases. The regional structure is very much dependent on the relationship between China and India, which makes it a very interesting topic to research. Even though the relationship is better than it’s been for quite some time, it’s far from good, as we see how diplomatic disputes over the border still threatens the relationship.

2.1 Purpose of Study and Problem Formulation
The purpose of this research is to analyze the Sino-Indian relationship, in order to provide an understanding of the relative importance trade and cooperation might have for the security setting between the two states. The focus of this research thus lies in the contemporary relations between China and India, which hopefully will show what role trade and cooperation have had in moving the attention away from security-related issues on to more positive fields.

It’s evident that trade and cooperation has increased drastically since both states liberalized their economies. The question is how the increase of trade has affected the Sino-Indian relations when it comes to security issues. In order to see if security questions have been given less priority because of bilateral trade, it requires the research to analyze a diverse set of observations, where the Sino-Indian relationship is tested. The empirical observations that will be tested in the case of Sino-Indian relations are the border dispute at Arunachal Pradesh and the political and economic interdependence. Together these will represent the empirical foundation of the research that will be applied and interpreted by the neo-realist and neo-liberal perspective.

The costs of raising sensitive security issues in the Sino-Indian relationship have become more costly for China and India, as we see how the bilateral trade and cooperation are becoming increasingly important. Chinese and Indian officials rather emphasize further strategic and economic cooperation, but also to build mutual economic stakes in one

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This strengthens the notion of a positive attitude among Chinese and Indian elites. This tendency have intensified, seeing how reported disputes at the border line between China and India has been denied or silenced by the governments in order to reconcile and emphasize the relationship’s importance. This suggests that the Sino-Indian relations have become more trade-oriented and that it requires more than a minor skirmish at the border line for the relationship to tremble.

Applying neo-realism and neo-liberalism on the case of Sino-Indian relations, this research looks to find if there has been a shift in attitude towards sensitive security issues, and if that is true, try to find what role trade and cooperation has played in the shift of attitude. The research’s problem formulation is thus presented as follows:

*To what extent has bilateral trade and cooperation reduced or prevented attention from being given to security-related issues in the Sino-Indian relationship?*

In order to answer this question, the research will be conducted by making use of a diverse set of observations, as presented above, where the theories of neo-realism and neo-liberalism will be applied as a theoretical framework. These two theories will be applied to analyze the events, which will provide two different perspectives and interpretations of the matter, thus giving a more balanced and nuanced picture of the situation.

One additional sub-question will be added to the research, by more concretely asking:

*1. According to the neo-realist and neo-liberal perspectives; is the Sino-Indian relationship competitive or cooperative in nature?*

This question is added in order to find the nature of the relationship. As this research argues that there has been a change in attitude, it can thus be confirmed or denied, by posing this question. It is also a relevant question in relation to the main research question, as it provides a more general statement of the Sino-Indian relationship. Furthermore, to show how adequate the theories are, reading the contemporary trends, as well as the empirical observations.

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17 D. Chowdhury, in Asia Times Online, “Indian press buries truth at the border”, updated: 2012/02/18, date of viewing: 2012/05/13, URL: http://www.atimes.com/atimes/South_Asia/NB18Df01.html#.T5_qT2illa9A.email.
2.2 Previous Research

Most of the studies done on the Sino-Indian relationship are conducted through a realist perspective, with a focus on power politics. This has amplified an already gloomy forecast over the Sino-Indian relationship’s future.\(^{18}\) The neo-realist school, which has become the mainstream theory analyzing the Sino-Indian relationship, has for some time been questioned for its accuracy, as trade and cooperation seems to play an ever more important role in relation to security related issues. The standpoint of this research is that the neo-realist perspective alone, not can explain all the aspects of the complex Sino-Indian relationship, but still helps explain the supposed power-struggle and rivalry. This is further demonstrated by the views of several prominent Sino-Indian scholars, such as, Holslag (2008) and Athwal (2008), who advocates a theoretical pluralism, analyzing Sino-Indian relations.\(^{19}\)

This research will thus contribute to the field by analyzing the Sino-Indian relationship through both the neo-realist and neo-liberal perspective, which will be conducted as a theory testing analysis. Furthermore, it will look into more recent developments of the relationship, in order to make an update of the situation. Having a similar approach as Athwal, by using the lens of the neo-realist and neo-liberal perspective, this research is, however, taking a different angle when it comes to the empirical fields. Athwal’s contribution to the field is mainly on Sino-Indian maritime relations, economic relationship and energy policies. This research, on the other hand, will focus on the political and economic interdependence, as well as the border dispute at Arunachal Pradesh in northeast of India, and also add more recent developments surrounding the relationship. It will, similar to Athwal also cover the Sino-Indian economic relationship, seeing how it plays a vital role in emphasizing the importance of mutual benefits, interdependence and a growing understanding between the two.

Even though, most of the previous research on Sino-Indian relations leans towards the realist perspective, it has been an increase in the amount of research done with an approach of both neo-realist and neo-liberal perspectives.\(^{20}\) It’s likely that this trend follows the relationship’s


development, seeing how it has become more trade-oriented, while security issues seems to be
given less priority, or rather not being worth the attention, arguing from a cost-benefit point of
view.

Previous research tends to have a narrow focus of only focusing on for example the nuclear
tests in 1998 or the increased economic cooperation between China and India. Apart from
Athwal, there are few researches that use multiple theories, as well as apply a diverse
selection of events, in order to study the Sino-Indian relations. Therefore, by analyzing the
border dispute, through both a neo-realist and neo-liberal perspective together with an update
of more recent developments in the Sino-Indian relationship, this research will contribute to
the literature by looking at recent trends in the relationship. It will also determine which
theory of neo-realist and neo-liberal that is most applicable to the current situation, by using a
varied set of observations, in order to see if these observations are in line with the theories. This
will hopefully lead to a better understanding of the contemporary Sino-Indian
relationship, which should be seen as significant, seeing how the relationship between the two
most populous states in the world affects a lot of people’s lives, and also helps to understand
the nature of the relationship. It is therefore a research that has significant importance for the
‘real world’. According to King, Keohane and Verba, is it necessary to pose a question that is
important in the ‘real world’.

The neo-realist approach of this research will be based on Kenneth Waltz’s work, “Theory of
International Politics”, emphasizing the concepts of ‘balance of power’, and ‘self-help’.

The neo-liberal theory is different, in the way that it doesn’t have any clear front figure, such
as Waltz (neo-realism) or Wendt (social constructivism). Instead, this research will choose
parts from different neo-liberal scholars, where a special focus will be laid on Robert Keohane
and Joseph Nye’s concept of ‘complex interdependence’.

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22 Ibid.
2.3 Delimitation

Narrowing down and delimitate the research, in order to make it manageable and more concrete is an important part of the process. This research will solely focus on the issue area, Sino-Indian relations; it’s thus important to remain clear in the choice of which variables that will be included and why some variables are excluded.

To begin with, this thesis will only discuss and analyze China and India as two isolated actors, which means that it won’t include external influences from other actors to as great extent as possible. External powers, such as, the US and Pakistan that obviously plays an important role in the region’s geo-politics will thus be excluded. In analyzing the Sino-Indian relations with a focus on how the bilateral trade and cooperation has affected the relationship’s emphasis on security issues, shows that the external actors not are the focal point. What this research tries to answer lies in how the relationship between China and India has developed and how this has affected security related issues. To include external actors would thus answer a totally different area of concern.

The period of time analyzed in the research stretches from 1988 to May 2012. The reason behind this limitation derives from the fact that China and India before 1988 had an extreme low rate of interdependence. This means that their actions barely had any effect on each other. Therefore, it would be of little importance to analyze the relationship before this time, as they more or less were separated in most areas. China’s and India’s first real steps towards a diplomatic rapprochement, was in 1988, when Indian Prime Minister Rajiv Gandhi visited China, which was the first visit by an Indian Prime Minister since Nehru’s visit in 1954. This visit had a major impact on the Sino-Indian relations, and therefore serves as a good starting point for this research.

The main observations conducted in the Sino-Indian case will be the border dispute and the political and economic interdependence. These will be observed in the time span from 1988 to May 2012, where important milestones will be raised and analyzed through the neo-realist and neo-liberal perspective. Seeing that some of the major events in the Sino-Indian relationship will be ignored thus means that this research only can be representative for those observations that are analyzed. The observations do, however, represent several areas of concern, which provides a wide spectrum to the analysis. Thoroughly, analyzing these observations will thus give a comprehensive and nuanced picture of the importance trade and
cooperation has for the relationship’s emphasis on security. It is therefore not necessary to include as many observations and events as possible, as those chosen for this research already represents different fields in the relationship.

The Indian Ocean is the most recent hot spot in the Sino-Indian relations, and has been given attention by several Sino-Indian relations experts. The debate addresses the maritime security in the area, where there are incentives of a possible security dilemma between China and India. The reason I exclude this from being one of the observations researched in this paper, is basically because it seems to be an exaggeration of emphasis on the matter. Sino-Indian experts suggest that China have other more acute areas to address before thinking about securing the Indian Ocean. China’s most critical areas are at the moment the Taiwan issue, China Sea, the border dispute with India and the North Korea issue. This is why the border dispute makes more sense as one of the observations, as it is part of the contemporary aspects of the relationship, rather than speculations that is the case of the Indian Ocean.25

3 Method

This research will be conducted as a qualitative study, as this research aims to give a wide understanding of the Sino-Indian relationship, rather than trying to generalize and measuring variables with statistics. As qualitative methods focuses on giving text-based answers, usually based on historical reflections, events and processes, it suits the purpose of this research well. Additionally, this research will have a holistic perspective where emphasis not will be laid on single variables, but rather on the whole, thus placing the analysis in a historical, temporary, as well as social context.26

The research will interpret the relationship, in order to give a further understanding and emphasis on the area studied. As this research will take an interpretive approach, it is important to make conscious choices of what is relevant and not. The Interpretive approach also reflects the more ‘soft’ aim of the research to ‘understand’ processes, rather than to explain objective phenomenon. Thus, looking at the actors’ interaction, in this research being

25 Sino-Indian Relations: Partners, Rivals, or Both?, Video recording, Center for Strategic and International Studies, date of recording: 2012/05/11, date of viewing: 2012/05/16, URL: http://csis.org/multimedia/video-sino-indian-relations-partners-rivals-or-both.
China and India, as part of the social world where nothing can be concrete or certain, it logically leads the research towards an understanding of the situation, rather than giving explanations.  

Furthermore, it will be a literature study mainly focusing on secondary sources as a basis to the two observations conducted in this research. Seeing that the research is a qualitative analysis, the texts will not only be used in a cognitive manner to put the observations in a context, but to work as a foundation open for interpretation. In other words, use the texts in order to see how it relates to the issue area studied, where the author’s interpretations will be used to identify different perspectives. This research is concerned with the nature and processes of the Sino-Indian relations, and, as no new facts will be presented in this research, a literature study will be conducted in order to make a comprehensive contribution of the current state.  

The major part of the secondary sources used in the research, will mostly be journals and articles. The advantage of using journals and articles is that they are concise and narrowed down, which makes it easier to find relevant material to cover the specific issue area, in this case, the border dispute as well as the political and economic interdependence. As this research will be based on earlier research, analyzing areas which have been studied before requires the research to be critical towards the literature, since all secondary sources to some extent are biased by the author’s opinion. To reduce this risk as much as possible this research will use a wide range of sources with different approaches to the Sino-Indian relations. Some of the literature will thus be leaning towards either the neo-liberal or neo-realist perspective. As for the more cognitive parts of the research, for example, the historical background of the Sino-Indian relationship, a more formal and objective selection of sources will be applied.

By focusing on qualitative-interpretive, within-case observations, this study will through those observations seek to understand a more general phenomena and the complexity of an interrelated relationship, thus taking historical, economic, political and contemporary contexts into consideration. Furthermore, be able to reflect patterns of interactions in the Sino-Indian

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relationship, will thus give the analysis a more rigorous foundation, as it contributes to a
wider understanding of the relationship’s behavior.\(^{30}\)

The other source of information applied to the observations in this research, will be taken
from reports in newspapers. This has to do with the aim of finding the most recent trends,
which thus not yet has been analyzed by scholars and experts in the area. Newspapers also
provide a wide selection of quotes from experts and political leaders, which can be useful in
order to emphasize an argument or give a deepening understanding of a certain area.\(^{31}\)

This research will apply neo-realism and neo-liberalism in order to see it from two different
perspectives. This will hopefully provide a wider understanding, since both theories in many
ways are complementary to each other. This research thus suggests that both the economic as
well as the political aspects of the relationship needs to be analyzed in order to understand the
current situation. Neo-realism will focus on the balance-of-power theory, as well as the
concept of self-help, seeing how it has an effect on most decisions taken by Chinese and
Indian leaders. Neo-liberalism on the other hand will focus on the economic aspects of the
relationship, where trade and cooperation can generate mutual gains, which will be seen as
part of the national interest. Neo-liberalism also emphasizes the process in the system, which
will be a focal point of the research. Applying theories, however, involves a risk that exposes
the researcher to deliberately seek for information or knowledge that can justify the theories.
Today, we have an overflow of information, which means that almost anything can be
justified, as it depends on the choice of information chosen.\(^{32}\) This research is thus aware of
this risk, and has tried to include a wide range of different sources, with different theoretical
roots and authors from both China and India, as well as, the West.

As mentioned above, the two theories used in this research have a strong complementary
effect, which thus can be compared, in order to find commonalities and differentials. I believe,
by choosing a few key areas to analyze through these two theories and then compare the
interpretations they give, it will lead this research paper to a point where it will be able to
interpret the differences and similarities, and by doing that answer the research question posed
in this research:

\(^{30}\) A. Vromen, “Debating Methods: Rediscovering Qualitative Approaches”, in Theory and Methods in Political

\(^{31}\) Ibid, p. 140-141.

\(^{32}\) Ibid, p. 29-33.
To what extent has bilateral trade and cooperation reduced or prevented attention from being given to security-related issues in the Sino-Indian relationship?

At another note, it is important to not accept that trade is the obvious variable that decides the course of action between China and India. This is why this research is needed, as it will show to what extent this is true, if at all. This also strengthens the choice of using a neo-liberal, as well as, a neo-realist interpretation, since they to some extent provide opposite emphasis and interpretations, at the same time that they are similar. This research will thus be making a theoretical contribution by applying both neo-liberalism and neo-realism to interpret the importance trade and cooperation has for the security setting between China and India.

In order to understand the object, as well as the subject of the thesis, it is important for the reader to have some brief knowledge about China’s and India’s relations, not only contemporary, but also in a historical context. This is important, as it enables the research to draw conclusions between the past and contemporary events, for example, how trade and cooperation have become a stronger factor. Furthermore, when analyzing relations between two states it is of utmost importance to first clarify and picture what sort of strategic constraints there are, and secondly also how these states manage to operate under these constraints. For example, to have some brief knowledge about the earlier conflicts, the liberalizations, as well as the diplomatic ties. These are parts of the historical background in the Sino-Indian relationship that will be presented in the section of empirical observations, which all needs to be taken into consideration analyzing the Sino-Indian relationship.

By asking, to what extent trade and cooperation has affected security-related issues, this research wants to see if there has been a change in attitude when China or India addresses or ignore sensitive areas, such as the border disputes. Furthermore, examples of empirical events are needed to show if, or how attention towards security issues has been reduced or prevented. Before doing that, it’s important to first identify events where this could have been the case. This is where the main observations of the research will be tested and analyzed through a neo-realist and neo-liberal perspective.

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The epistemological standpoint of this research, as mentioned earlier, is of an interpretive approach, seeing how the theoretical interpretations will be interpreted by the author. It is also important to keep in mind that the analysis of the observations in this research only will be representative for those observations studied and not necessarily representative in another context.

4 Theoretical Framework

Knowledge, it seems, must precede theory, and yet knowledge can proceed only from theory. This looks much like the dilemma suggested by the Platonic proposition that we cannot know anything until we know everything.\textsuperscript{34} - Kenneth Waltz.

Theories are not telling a truth, they are rather a framework which indicates that some factors are more important than others. Furthermore, creating an isolated realm where the problem can be dealt with intellectually. In other words, it provides a limitation of which variables and factors that are worth analyzing, in order to be able to deal with the problem intellectually. However, in reality, nothing can be isolated or separated, if your goal is to find the truth about something, since everything is related to everything else, it means that there are an infinite number of ways that variables and material can be organized in. Theories are thus, not used to find truths, but provide you with assumptions that help you look at the most relevant factors, in order to come up with a general idea, or a picture of the specific problem researched.\textsuperscript{35} The theoretical framework applied in this research has its roots in neo-realism and neo-liberalism. The aim is, however, not to find a model that can be universally applicable, but rather to try it in a specific issue area. In this case it will be used to analyze the relationship between China and India in order to answer the research question posed in this research:

\begin{quote}
To what extent has bilateral trade and cooperation reduced or prevented attention from being given to security-related issues in the Sino-Indian relationship?
\end{quote}

In order to analyze the Sino-Indian relations with a focus on trade and security, this research will take the most essential and relevant parts of neo-realism, while neo-liberalism will be

\textsuperscript{34} K. Waltz, “Theory of International Politics”, University of California, Berkeley (1979), p. 8.

applied with a focus on Keohane’s and Nye’s concept of *complex interdependence*, which then will be tested in a set of observations conducted in the research. These two theories will thus together make a complementary contribution to the issue area by addressing and emphasizing different factors. Neo-realism, for example, emphasizes structure, power and balance of power in explaining world politics, while neo-liberalism emphasizes processes, interdependence, mutual benefits and cooperation. The aim is therefore that these two theories, similarly will work as system-level theories with the capability to understand both structure and process. Furthermore, trying these theories on specific events, as the border dispute at Arunachal Pradesh and more recent developments of intensified interdependence, will hopefully show whether the theories are relevant or not. The overall theoretical discussion of the analysis will thus focus on the relationship between power (emphasized by neo-realism) and interdependence (emphasized by neo-liberalism), as well as, their separate effect and cause. Finally, the sub-question will be answered through the neo-realist and neo-liberal interpretation.

*According to the neo-realist and neo-liberal perspectives; is the Sino-Indian relationship competitive or cooperative in nature?*

This will be answered, by letting the two theories give their own interpretation, based on the empirical observations.

### 4.1 Criticism

The assumption made in both neo-realism and neo-liberalism that actors are rational would be easy to prove wrong. The theories does, however, not say that this is true, but solely use it as an assumption, similarly to how economic theory use it to build models. To assume that all actors are rational is an extreme simplification of the real world, and is an assumption that needs to be taken with care. Applying the assumption of rational actors in order to understand the intent of a state, such as China, is futile. This has to do with the impossible task to foresee the future decisions taken by leaders. Not only are leaders irrational, but leaders are also replaced, thus making it impossible to know a state’s future intentions.

There is an ongoing debate whether or not neo-realism is out-dated when it comes to analyzing the Sino-Indian relationship. At the same time have the neo-liberal school
established a strong footing among scholars analyzing the relationship. The neo-realist school has showed a tendency of not seeing the whole picture of the Sino-Indian relationship, which the theory has been criticized for. Another criticism points towards the neo-realist inability to be open and include other phenomena not being part of the theoretical framework.

One thing remains clear, and that is that neo-realism fails to acknowledge the importance values and internal structures has in creating stability and peace in the international system. This is one of the main reasons why both neo-realism and neo-liberalism will be applied to this research, as they in many areas have a complementary emphasis.

4.2 Similar but Different
This part will be devoted to the discussion around how the theories of neo-realism and neo-liberalism are connected to each other.

Constructivist scholars, such as Dunne (1995), Adler (1997) and Wendt (1999), argues that neo-realism and neo-liberalism should be lumped together as rationalist approaches to international politics that share an individualistic and materialist ontology, as opposed to their own approach, which is seen as primarily holist and idealist. Neo-realism and neo-liberalism similarly see the world as anarchic, and will in this research be applied as two system-level theories.

My personal reflection is that both theories have something unique to offer in the case of the Sino-Indian relations. One of the key issues in this research is the debate between power and interdependence, which I claim, can be understood and put into context by applying both neo-realism and neo-liberalism as two separate theories, and then compares and weighs them against each other. It will contribute to a more balanced discussion where the two theories will work as a counterbalance to the other. This view is strengthened by Wendt who suggest that both neo-realists and neo-liberals may be correct, as certain roles and behaviors dominate

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the system at different points in time. In other words, this applies well to the researches aim to find the relationship’s trend.

What differs neo-liberalism apart from neo-realism is mainly that neo-liberalism, as a systemic theory, is more capable of capturing the complexity of interstate relations. Neo-liberalism separates process and structure in the international system. Furthermore, neo-liberals has a more optimistic view towards cooperation, where absolute gains can be achieved, while neo-realists argues that states are more concerned with relative gains.\textsuperscript{39}

4.3 Neo-liberalism

Despite a history characterized by conflict and war, has the relationship moved towards a process of economic interdependence and cooperation. This clearly indicates that neo-liberalism is an eligible theory for the Sino-Indian case.

Neo-liberalism argues that international cooperation should be analyzed through a state-centric perspective. They see the world as anarchic, in other words the absence of an authority in world politics. It often takes the form of institutions, seeing how the institutions are a product of the state’s self-interest. This is only partially evident in the Sino-Indian relations, as will be shown in the empirical observations. The institutions have thus become a subject of focus for the neo-liberals to investigate and analyze, it will however not be the main focus of the neo-liberal theory in this research. Institutions as such, are not the main focus, but rather the process of changed interest. Institutions are, however, in a way fostering such processes, thus making it relevant to include in this research.\textsuperscript{40} Neo-liberals sees states as unitary, rational, utility-maximizing actors who are the dominate actor in international trade and cooperation. Another aspect of the neo-liberalism is that they consider states to be acting according to their self-interests and uses the cost-benefit analysis of choices. The neo-liberalism is in this regard close to what structural realism argue. However, as all theories of liberalism, does neo-liberalism hold a greater faith in human beings and have the belief that cooperation and collective outcomes can promote, as well as, improve freedom, peace,

prosperity etc. Neoliberals further suggest that states may view cooperation, rather than force, on key issues as a better way to survive and prosper in anarchy.

4.3.1 Complex Interdependence
Complex interdependence will be the focal point of the neo-liberal theory. The concept of complex interdependence was developed by Keohane and Nye (1989), which is an ideal type constructed as the opposite to neo-realism. Opposite but still similar, as mentioned in the previous part. Both complex interdependence and neo-realism are thus ideal types, which mean that the theories not necessarily reflect world political reality. It is more likely that the political reality will fall somewhere in between these two extremes.

Keohane and Nye, further states in their work, ‘Power and Interdependence’, that dependence means being sensitive towards external factors and interdependence when two actors are being mutually sensitive. Keohane and Nye also mention that there are two different types of interdependence, where interdependence as such is defined as being mutually dependent.

The first type of interdependence is sensitivity, which can be social, political as well as economic. Furthermore, it points towards the immediate effects interdependence has and how external changes can affect the actor. The second type is called vulnerability interdependence, which points towards the long term effects interdependence can have. It means that an actor might suffer from external events even after certain policies have been adjusted. It is not rare to see leaders use interdependence as a part of their rhetoric to convince the public that further interdependence will reduce the risk of conflict.

Power, according to Keohane and Nye, is the ability of an actor to get others to do something they otherwise would not do (at an acceptable cost of the actor). Power should be measured in terms of its ability to control outcomes. Keohane any Nye, specifically look at two variables

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43 Ibid.
analyzing the role power has on interdependence. These two variables are sensitivity and vulnerability, as just mentioned above.  

Keohane and Nye believe that neo-realism is appropriate at the structural level of systemic theory and neo-liberalism at the process level. In their argument, structure refers to the neo-realist emphasis on the distribution of capabilities and process refers to the pattern of interactions among states.

### 4.4 Neo-realism

In this research, one of the theories tested on the Sino-Indian relation, will be neo-realism, with a special attention towards Kenneth Waltz’s, *Theory of International Politics*. The main focus will be on two concepts, presented by Waltz, namely the balance-of-power theory and self-help. First, a general discussion about Kenneth Waltz’s, *Theory of International Politics*, will be presented, in order to grasp the different parts of the balance-of-power theory, as well as the concept of self-help.

Neo-realists distinguish themselves from classical realists, arguing that the struggle for power not is a result of human nature. Neo-realism stresses an emphasis on survival, competition and balance of power, explaining the international environment. Kenneth Waltz, being the ground-father of neo-realism, claims that all states have survival highest up on their agendas, arguing that you can find explanations for states behavior by solely looking into the motives of survival. Every state, according to Waltz, are security maximizers and not power maximizers, and this tells him apart from other prominent neo-realists, such as Mearsheimer that argues for a power maximization in his theory of ‘offensive realism’, which compared to Waltz’s theory of ‘defensive Realism’, has another perspective of how much power a state want.

Kenneth Waltz, foremost study the concept of structures, and the relevance it has in international politics. He argues that the structure of a system changes with changes in the distribution of capabilities across the system’s units. He also claims that change in structure also changes the expectations and behavior units have towards what outcome that will come

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50 Ibid.

out of interaction.\textsuperscript{52} A structure, according to Waltz, is defined by the arrangement of its parts, and it is the changes of arrangement that creates structural changes.\textsuperscript{53} Here, Waltz, argues that the distribution of capabilities is the main factor behind structural changes. In other words, pointing at economic and military capabilities as the causes for structural change in the international system. Because these capabilities are used by actors in order to achieve their goals of survival, it affects the structure. Examples of how these capabilities can be used to change the structure of the international system could be to increase one’s military strength, form alliances or to weaken an opposing actor.\textsuperscript{54} This will later be developed in the balance-of-power theory.

4.4.1 Self-help

Structural realism, or neo-realism, is a cynical approach that provides the idea of a world where everyone is responsible for their own survival, meaning that you should only rely on your own capability. In contrast to domestic politics where public agencies have as duty to protect the citizens, and where the citizens not are allowed to enforce the law by themselves, the unitary actors in the international system on the other hand has to rely on themselves, as there is no higher authority to offer protection. This is known as the so called self-help, which has its roots in the doubt realists has towards institutions, international law and alliances.\textsuperscript{55} The structure of international politics creates insecurity in itself. That is what Kenneth Waltz claims in his work, \textit{Theory of International Politics}, arguing that the anarchic system inevitably forces states to rely on self-help.\textsuperscript{56} Before moving forward, we have to make some definitions clear. First, states are unitary actors who, at a minimum, seek to survive, and at a maximum, strive for domination in the international system.\textsuperscript{57} The international system, thus, consists of sovereign states, all equal to each other, which also is referred to as, anarchy.

These are by the neo-realism seen as units, thus no higher authority is present that can enforce any law, or maintain the security by preventing the use of force. The lack of an authority is simply how realists explain the anarchy in the international system. Moreover, is each state a separate, autonomous and equal unit, which in the end only relies on its own resources in

\textsuperscript{52} K. Waltz, \textit{“Theory of International Politics"}, University of California, Berkeley (1979), p. 96-97.
\textsuperscript{53} Ibid, p. 80.
\textsuperscript{54} Ibid, p. 118.
\textsuperscript{55} Ibid. See also: J. Mearsheimer, \textit{“Structural Realism"}, in International Relations Theories - Discipline and Diversity, 2\textsuperscript{nd} edition, by T. Dunne, M. Kurki, S. Smith, Oxford University Press (2010), p. 80.
\textsuperscript{56} K. Waltz, \textit{“Theory of International Politics"}, University of California, Berkeley (1979).
\textsuperscript{57} K. Waltz, \textit{“Theory of International Politics"}, University of California, Berkeley (1979), p. 118.
order to realize its national interests. Logically, this leads to the conclusion that one state’s security is another state’s insecurity, in the sense that when one state strengthens its security, it will automatically create insecurity among other states, possibly leading to a security dilemma.

The concept of self-help contributes to the explanation why realists generally are skeptical of cooperation with other states. If two states, equal in power, both would gain from a cooperation (absolute gain) it would still result in a relative gain, meaning that one state nevertheless is going to gain more than the other. Furthermore it would engender a destabilization between the states, as the balance of power is being shifted, and therefore might turn into a future threat. Allowing another state to have a higher relative gain in the cooperation, can therefore be more costly than missing out on the absolute gain the state would get from the cooperation. Another aspect of cooperation between states is the fact that agreements and future intentions not can be ensured by the word, or signature of other states, as the possibility of a state breaching an agreement could become a great risk to one’s national security. According to realism are morality and law subordinate to the overall struggle for power in the international system. Thus making agreements unreliable, even though it is an agreement enhancing regional security, it could make the state even more vulnerable, seeing that power weighs more than morality.

Economic interdependence, according to Waltz, increases the risk of creating new conflicts. This argument is based on the idea that all states are competitors, and that power is a zero-sum game. No matter how you look at it, there’s always someone with the highest relative gain. Contrary, neo-liberalism argues that increased interdependence will lead to spill-over effects, which will enhance cooperation in other areas. Additionally, neo-liberals emphasize how states can learn to cooperate and adjust policies.

4.4.2 Balance of power

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A state should, according to realism, only rely on its own capabilities when it comes to national security. But as a state you sometimes have to rely on others by forming alliances in order to balance a more powerful state in international politics. A state can by forming an alliance strengthen its own national security by using its allies resources, and thus be able to balance a more powerful state. Balancing by forming alliances are called external balancing, and when a state balance another state by increasing its own military power, it’s called internal balancing. This form of internal balancing is what will be applied to the Sino-Indian discussion, as both countries increases military spending each year.

Waltz sees the balance of power as natural, and advocates that the balance-of-power theory is the most distinctively political theory of international politics. Further the theory of balance of power views states as merely concentrations of power in a system which is anarchic and thus put them in an environment of competitiveness. Further, Waltz argues that the constraints in the international system lead to the balance-of-power theory, where all states are confined in the international structure, which explains why a certain similarity in behavior is expected by the theory.

China and India are possible allies in the future, even though this scenario is unlikely to happen in the Sino-Indian relations, it is still important to have the possibility of an alliance in mind, seeing how cooperation over energy sources in a way has formed the relationship into some sort of alliance against the developed world over energy sources.

5 Empirical observations

5.1 The Sino-Indian Relationship in a Historical Context

As mentioned earlier in the research, it is important to know the historical background of the Sino-Indian relationship in order to understand the connection between contemporary issues and the past. This understanding helps us draw conclusions from connecting the past to the contemporary Sino-Indian relations, and also shows under which constraints China and India has to act. A brief history of the Sino-Indian relations will thus be presented next.

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The state of China and India as we see them today, were both established around the same time, more precisely in 1949 and 1947 respectively. The two nations have ever since had several conflicts and disputes that very much have shaped the relationship we see today. The first severe conflict appeared out of a border dispute over Tibet in 1962, which later would escalate into a war. The underlying problem was disagreements over border demarcations, known as the McMahon Line, which was setup by the British-Indian government in 1914. This line was never accepted by the Chinese government, but due to threats from Henry McMahon, did the Chinese official Chen Ivan sign the convention. India, however, had no real territorial or political ambition to control Tibet, as it was the British colonial rule that had granted India an administrative power over Tibet, thus when China claimed Tibet as part of China it was done without much rejection from India. Indian Prime Minister Nehru rather emphasized the importance of a peaceful relationship with its neighbor.\(^{66}\) China on the other hand kept claiming new territories, now in the northeast of India, and forced India to either take a humiliating decision and surrender the territory or reject and see how serious China’s threat actually was. On 20th October 1962 Chinese troops occupied the northeast territory of India, and India suffered from a humiliating defeat. In fact, this was more of a demonstration of Chinese military strength, seeing that China offered India a unilateral cease-fire shortly after the occupation. Arguably, it was a strategy from China’s side to avoid further tensions with its South Asian neighbors.\(^{67}\) It should be noted that the McMahon Line didn’t show on official maps until 1935, when it, ironically, was changed due to British fear of future tensions with the Chinese. It is the McMahon Line that still today remains as the official delineation, even though the disputed borders today rather are zones than lines.\(^{68}\)

Definitions of boundary marking.\(^{69}\)

| Delimitation | – defining the boundary in written terms through treaties and agreements. |
| Delineation | – sketching the boundary in maps through joint boundary surveys. |
| Demarcation | – marking the boundary line on the ground through pillars, chains and other markers. |

\(^{67}\) Ibid, p. 267.
\(^{69}\) Ibid, p. 152.
It was in 1979 when India’s foreign minister Vajpayee were sent to Beijing that the Sino-Indian relations for the first time after the war, showed signs of rapprochement. During Vajpayee’s visit, Chinese leader Deng Xiaoping stated:

> We should have common ground while resolving differences. As for the boundary question between our two countries, we can solve it through peaceful consultation. This question should not prevent us from improving our relations in other fields.\(^\text{70}\)

This statement clearly showed the willingness of China to improve relations. Both China and India became aware of the potential benefits the relationship could have in other fields. Prime Minister Rajiv Gandhi’s state visit to Beijing in 1988 was another turning point in Sino-Indian relations. Gandhi emphasized that China and India should promote a ‘peaceful and friendly’

relationship based on the doctrine of peaceful co-existence. This doctrine is called the five principles of peaceful coexistence,\(^\text{71}\) which states:

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,

This Agreement was actually signed in 1954, but obviously not respected, seeing how the Sino-Indian war broke out in 1962. The political will this time, was not based in ideology, but rather on the fact that both states acknowledged the benefits of maintaining a co-existing peace. This was also the same time that a joint working group (JWG), was set up for the first time in order to reduce the tensions at the borders. A settlement regarding the line of actual control (LAC) was also negotiated, in order to maintain a peaceful and stable situation on both sides of the border.\(^\text{72}\)

Jiang Zemin visited India in 1996 where four new agreements were signed, including confidence-building measures (CBMs) where both sides agreed to downsize their military force along the LAC.\(^\text{73}\) This was seen as a major breakthrough in the Sino-Indian relations, seeing how it was a further step towards a reduction of tension at the borders.

The relationship was once again on the right track, but it didn’t take long before the relationship experienced a new setback. This time around it was India who upset China, by declaring China as India’s “potential threat number one”, as the main reason behind its nuclear test in 1998.\(^\text{74}\) This event did, however, not have as large impact as it could have had, implying for the importance the Sino-Indian cooperation and trade had come to play. Both


countries had at that time reached a fairly high level of interdependence, which mostly was a result of the bilateral trade. The relationship has since then, and up until today grown stronger for each year, and I believe we have yet to see the most of their potential in bilateral trade, as well as, partners on the international arena. It is, however, important to not forget about the constraints setup by the historical disputes, which still today are present in the security setting between China and India.

5.2 Arunachal Pradesh
This is the first observation conducted in this research. This part will observe the disputed area called Arunachal Pradesh, which is located in the northeast of India, and southeast of Tibet. This is one of the disputed areas between China and India, which currently is under India’s administration. It is worth mentioning that there are in total three divided sectors – the western sector, the middle sector and the eastern sector, all with territorial disputes. The eastern sector, Arunachal Pradesh, is controlled by India, but claimed by China. The Chinese claims legal rights to 90,000 sq. km.\(^{75}\) of the disputed area, which have been very upsetting for the Indians. According to the Chinese is Arunachal Pradesh a part of Tibet and composed by Tibet’s three districts Monyul, Loyul and lower Zayul.\(^{76}\) China even refers to the territory as southern Tibet. The territorial dispute of unresolved boundaries is the issue that from an Indian perspective has hurt the Sino-Indian relationship the most. It’s a deep scar that runs through the Indian society, with its origin from the Chinese attack over border disputes in 1962, which left a defeated India in shame.\(^{77}\) The relationship has, however, as mentioned in the previous part, since the war in 1962 been moving towards a more peaceful setting, even though the disputed borders still remains unresolved.

China and India are still two traditional states with traditional issues. No matter how globalized the world has become, certain facts remains. Territory does play a strategically important role for states, and for China and India, it also has a historical meaning. It appears to be a strong sense of nationalism in especially China, which makes it difficult for the Chinese leaders to swap territories that have been part of, for example, previous dynasties. Even territories that might be relatively unimportant strategically, becomes difficult to handle with all the pressure coming from the public opinion. Arunachal Pradesh is not only an

\(^{77}\) D. Chowdhury, in Asia Times Online, “Indian press buries truth at the border”, updated: 2012/02/18, date of viewing: 2012/05/13, URL: http://www.atimes.com/atimes/South_Asia/NI18Df01.html#.T5_qT2llia9A.email.
interesting case to study considering its border dispute, but also holds a huge potential of becoming the centre of the Sino-Indian markets. The zone can connect the two markets and thus fastening the economic integration.\textsuperscript{78}

Arunachal Pradesh is especially important to China, seeing how the region is populated by an amount of 100,000 Tibetans,\textsuperscript{79} whom China perceives as a potential security threat. Furthermore is it the home of Tibetan Buddhist culture, where one of the biggest monasteries outside Lhasa is located.\textsuperscript{80} This threat perception was accelerated in 2008 when there was an uprising in Tibet, as well as anti-China protests in New Delhi, where Tibetan monks, among other things tried to prevent the Olympic torch from reaching Beijing. More recent developments have hinted of a more aggressive attitude in Tibet, where young people demands a more aggressive approach towards China. The possibility of a riot in Tibet combined with a possible inflow of Tibetans living in Arunachal Pradesh to assist in a potential riot, could pose a real security threat to China. On a more positive remark in the Sino-Indian relations, has India agreed to not allow any Tibetans to participate in any anti-China activities.\textsuperscript{81} There is no obvious definition of what anti-China activities are, but rather rests on a mutual understanding between them. On another note it is surprising to see a democracy like India, to forbid protests to take place on its “own” turf. One of the reasons behind this might suggest that the price of allowing such protests are rather high and obviously a price India not are willing to pay. It could indicate the importance the relationship has got, but it could also be a sign of weak democratic values in India, or even both. We don’t know what happens during unofficial meetings, but we do know that China takes anti-China protests seriously. Chinese officials have recently been questioning India’s commitment of not allowing any anti-China activities, as china perceives the religious movements of Dalai Lama, who have a huge support in India, as threatening and anti-China.\textsuperscript{82}

\textsuperscript{80} The Economist, “Indian and China: A Himalayan rivalry”, updated: 2012/05/19, date of viewing: 2012/05/19, URL: http://www.economist.com/node/16843717.
\textsuperscript{82} The Economist, “Indian and China: A Himalayan rivalry”, updated: 2012/05/19, date of viewing: 2012/05/19, URL: http://www.economist.com/node/16843717. See also: Sino-Indian Relations: Partners, Rivals, or Both?, Video recording, Center for Strategic and International Studies, date of recording: 2012/05/11, date of viewing: 2012/05/16, URL: http://csis.org/multimedia/video-sino-indian-relations-partners-rivals-or-both.
5.2.1 Peace, Stability or War?
Twenty percent of China’s total military manpower, about 400,000 troops, is located at India’s border.\(^{83}\) This clearly shows that China perceives India as a potential threat. The relationship is currently at a crossroad, as we see how sensitive issues hints of a fragile relationship,\(^{84}\) at the same time that the bilateral trade is increasing every year. This uncertainty is worrying and has led to several setbacks. An Indian analyst describes the relationship like this:

China and India are natural rivals in Asia for geostrategic, economic, and ideological (democracy vs. autocracy) reasons. In every aspect, we are contrasts. Our interests clash. We also compete for the same resources in Africa. Such rivalry is not easily reconcilable.\(^{85}\)

This is a clear contrast to those comments that Chinese and Indian leaders have made during official meetings. It is also a very narrow-minded description of the relationship, and of the two countries. Ideology, for example, was an important objective for China during Chairman Mao’s era, but nowadays, it holds little meaning for China in foreign affairs. Furthermore, are China and India not necessarily rivals when it comes to the economic aspects. The bilateral trade in the Sino-Indian relationship has increased from $5 billion in 2002 to $75 billion in 2011.\(^{86}\) This would rather suggest that they are partners. The official statements are thus not as gloomy:

“China and India are partners in establishing a new world political and economic order… With the emergence of India and China, the standing of the Third World is getting stronger by the year.”\(^{87}\) (Chinese envoy, 2012)

And maybe the most optimistic and confident comment of them all in recent years, is that of Premier Wen Jiabao at an ASEAN conference in 2004:


\(^{85}\) V. Wang, “‘Chindia’ or Rivalry? Rising China, Rising India, and Contending Perspectives on India-China Relations”, Asian Perspective 35 (2011) p. 455.


\(^{87}\) Ibid.
We are happy about the rapid growth of India’s economy and its continuously enhanced influence in the world... We believe that if abiding by the principle of equal consultation, mutual understanding and mutual accommodation, the two sides can find solutions to this issue through sincere negotiations.  

Even though political leaders in China and India picture a more prosperous relationship, it is also evident that they focus on the positive aspects of the relationship. There have been many crises during the years that not have been given much space during the meetings, but are rather ignored or emphasized by changing policies. It is clear that both China and India prefers a peaceful solution to the border issues. It is also clear that neither of them is willing to give in. India has already once rejected a final swap of territory proposed by China, which would have solved the border disputes for good.

Along the LAC between 2002 and 2007 did the number of violations observed by Indian troops increase from 90 to 140. Incursions at the LAC are, however, not necessarily violations, as the area doesn’t show any demarcation. The LAC is thus very subjective and interpreted differently by the Chinese and the Indian. It is therefore not unusual that Chinese and Indian patrols get into contact in their respective areas. Reports about incursions at the border are thus extremely difficult to use as an emphasis of neither one thing nor another. It is, however, not unusual for Indian newspapers to use these sorts of reports to emphasize the rivalry between China and India. Leaders on both sides thus try to normalize the situation as much as possible, and often deny rumors about aggressiveness at the borders. The Indian Prime Minister Manmohan Singh himself dismissed the potential threat, by stating in the parliament that he didn’t believe China would attack India.

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90 D. Chowdhury, in Asia Times Online, “Indian press buries truth at the border”, updated: 2012/02/18, date of viewing: 2012/05/13, URL: http://www.atimes.com/atimes/South_Asia/NB18Df01.html#.T5_qT2ll9aA.email.
91 R. Sairam, “China, India partners: Niu Qingbao”, The Hindu, updated: 2012/01/01, date of viewing: 2012/05/18, URL: http://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/article2765236.ece. See also: D. Chowdhury, in Asia Times Online, ”Indian press buries truth at the border”, updated: 2012/02/18, date of viewing: 2012/05/13, URL: http://www.atimes.com/atimes/South_Asia/NB18Df01.html#.T5_qT2ll9aA.email.
5.2.2 Military Build-up

The most serious development is not likely the incursions, but rather the build-up of conventional weapons that takes place at the border.\textsuperscript{92} The modernization of both country’s military capability, do suggest a possible arms race. However, as Jonathan Holslag argues, are China and India far away from an arms race, but are developing military capabilities for a wide range of purposes. Furthermore, he suggests that stability rather than peace will prevail, as the cost of war rise for every year, but he also emphasizes the risk of one country leaping ahead.\textsuperscript{93} This is something that India is aware of, and therefore strives to catch up to China’s military capability. The latest achievement for India is the Agni-V, which is an intercontinental ballistic missile (ICBM) that can carry nuclear warheads to cities like Beijing and Shanghai. This achievement means that they now are a part of the exclusive club of countries having ICBM capabilities, which consists of the United States, Russia, France, the United Kingdom and China.\textsuperscript{94} China and India are also nuclear powers, since 1998 when India successfully achieved that status. This makes a war very unlikely, as mentioned earlier, it has a high cost to it.

It is evident that China is the stronger actor, and with its increase in military spending this year (2012), of 11.2\% to a total value of $110 billion.\textsuperscript{95} Similarly to this trend was India increasing its defense budget in 2012/13 by 17.6\% to a total value of $40 billion.\textsuperscript{96} Kazuya Sakamoto, a professor at Osaka University in Japan who research international security, argues that China with its nuclear capability has enough deterrence, and that the military spending doesn’t make sense.\textsuperscript{97} A Chinese parliamentary spokesman, Li Zhaoxing:
"China's limited military power is for the sake of preserving national sovereignty, security, and territorial integrity."

This statement justifies Sakamoto’s view that China’s military spending are in line with its official statements. China’s and India’s ambition of becoming, at least, a major regional power, creates obstacles for the relationship. A Chinese saying, often used to describe the complications of the relationship, supports this view, as it says:

The same mountain cannot accommodate two tigers.

According to Malik, is India from a Chinese perspective, the only Asian country that would be determined to resist China’s rise to become a regional hegemony. Chinese Premier Wen Jiabao, has however, denied that China holds this view of a zero-sum game between the two, stating that:

"There is enough space in the world for India and China to achieve common development ... to have cooperation."

If this comment represents China’s attitude towards India, it basically means that China perceives India as a partner, rather than a regional rival. If not, China and India will have to seek regional allies in order to strengthen their position in Asia. Strong regional allies are crucial for the overall regional influence, and are something both China and India compete over. India on the other hand, with its ‘Look East’ strategy, has started to reach out a hand towards regional powers like Japan and ASEAN countries, which shows a clear sign of India’s concern. It remains to see how these developments proceeds, seeing how pragmatic and complex the Sino-Indian relationship is, makes it difficult to draw any clear conclusions on their intentions. Next part will discuss the increasing interdependence, which has a more positive view of the future Sino-Indian relations.

5.3 Political and Economic Interdependence

The bilateral trade between China and India took speed in the late 1980s, when the political dialogues between Chinese and Indian leaders were initiated. This resulted in a number of agreements where the focal point was trade, which led to an identification of common trade interests. Among these agreements was a trade agreement that gave them the status of Most Favored Nation (MFN). Furthermore, India’s economic reforms in 1991 were tightly followed by an agreement that opened the first border trade route between the two countries. These are only a handful of examples that shows the positive trends in the relationship. This trend will be examined further, later on in this part.

Table 1

![GDP per capita chart](image)


We can clearly see the parallel development of China’s and India’s economic performance in table 1. It was first when China introduced its open door policy in 1979 that China leaped ahead of India. Before the liberalization of China’s and India’s economies, little if any interaction was taken place between them. Below, an argumentation of the effect these liberalization policies have had for the relationship will be presented.

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As presented in the previous section (5.2), it seems that the relationship currently is in a stable state. The stabilization of the relationship is part of the processes that has taken place on both the domestic and national levels of both countries. First, economic reforms (liberalization) on the domestic level in both countries paved the way for a change in policy on the national level. This opened up new potentials in the relationship, where both sides could benefit from trade and cooperation. Secondly, the increased trade between China and India led to an increased interdependence, mainly on the political level, but also on a social level. Third, interdependence has thus made the use of military force more costly, as interdependence always comes with vulnerability.  

Below follows some of the most important diplomatic interchanges, as part of the process just mentioned:

1988 – Rajiv Gandhi visit China (5 principles of peaceful cooperation), more about this is mentioned in the previous part: 5.1 The Sino-Indian Relationship in a Historical Context.

2003 – Vajpayee visit China (declaration on principles for relations and comprehensive cooperation), additionally appointed the Special Representatives, who explore from the political perspective of the overall bilateral relationship, the framework of a boundary settlement. This group is called the Joint Study Group (JSG). The 2003 agreement were seen as a breakthrough in Sino-Indian relations.


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2006 –  Hu Jintao visit India (Sino-Indian Joint Declaration). Both sides considered that there was enough space for the two countries to achieve large-scale development, and that they were partners, not rivals or competitors.

2008 –  Mammohan Singh visit China (A Shared Vision for the 21st Century of the Republic of India and the People’s Republic of China)

These meetings are part of the normalization process that is taking place in the Sino-Indian relationship. The institutional framework set up in order to enhance the bilateral relations, and to solve the border dispute mainly consists of the JSG and JWG. The JSG was established in order to examine the potential complementarities, further cooperation and an expanded trade in the relationship. The JWG similarly addresses and discuss trade-related issues. It is, however, the JWG that does much of the actual work. Hopefully, will trade and cooperation in the long-run change the attitude among the public due to spill-over effects into other areas of the relationship. One such spill-over effect can be seen in the increased number of military-to-military exchanges, where both sides have worked closely in facing the non-traditional threats, particularly terrorism.

Despite border disputes between China and India, a steady increase in trade and an increasing amount of cooperation is taking place between the two giants. The bilateral trade has shown to be beneficial for both sides, even though India at first feared that China would out-compete many of the domestic companies. The increased competitiveness has rather forced Indian companies to adjust and become more effective, which in turn have made them more competitive on a global scale. Bilateral trade has expanded a lot since the early 1990s and continuous to expand each year. India’s export to China, for example, increased from $18 million in 1990/1991 to $8 billion in 2006/2007. China’s export to India increased in an equal pace, from $35 million to $17 billion. This kind of improvements, are essential for a developing economy and serves a good purpose finding the sectors which have the greatest comparative advantage, thus leading to a traditional specialization. India is up until today the only developing country that’s relied on its brainpower, and not its natural resources or manpower. This is rather interesting, seeing how this unique development could have a

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complementary effect on China’s manpower based development, with a strong manufacturing sector.\textsuperscript{111} This shows that a possible merger of the two markets, for example, by establishing a free trade agreement (FTA), could be beneficial for some sectors.

5.3.1 Cooperation over Energy Sources

There are also several areas in which both countries, if cooperating, can achieve a mutual gain. One of these areas is the energy sector, where the competition over oil is a struggle for both China and India. Two countries with similar objectives can, by making an alliance become a stronger actor in the hunt for oil and other natural resources. China and India has intensified their relationship, as both countries struggles to get their hands on energy, in order to supply a socio-economic development. Both China and India have a shortage of energy sources domestically, which have led to the demand of imports from abroad. The current market for energy sources is extremely competitive, especially as a relatively new actor on the international arena, seeing how the West’s head start put them in a favorable position, securing the most reliable energy sources.\textsuperscript{112}

China and India, as mentioned earlier, being the two most populous countries in the world are together accounting for more than a third of the world’s total population. If we add this with the rapid economic growth of respective country, as well as the shortage of energy sources, we get an equation which suggests an increased demand for energy sources. For China to be able to sustain a growth in GDP of over 7% annually, will also require an annual increase of energy sources by 4%.\textsuperscript{113} For China, or India for that sake, to stand alone against an already formed alliance of Western countries, for example, the European Union is not an easy task and puts a lot of pressure on them when entering negotiations. Cooperation, rather than competition between China and India, is therefore in both countries interest. There are several benefits with cooperation in the energy sector, for example, strengthen their overall competitiveness on the international energy market, share mutual experiences in energy


harvesting, improve the safety of transporting energy sources from abroad, as well as, become a stronger negotiator and counterbalance to the West.\(^{114}\)

China and India have already introduced cooperation over oil in Sudan, which so far has worked out unproblematic and successful in terms of cooperation.\(^{115}\) China has built an oil refinery in Khartoum, while India has provided a pipeline that goes from the capital out to the coast.

### 6 Analysis

#### 6.1 A neo-realist Assessment on the Border Dispute at Arunachal Pradesh and on the Political and Economic Interdependence

The territorial dispute at Arunachal Pradesh remains a hot spot in the Sino-Indian relationship. Both China and India have established strong deterrence at the borders, which has created a sense of stability. Stability, in the sense of military assets, in this case is from a neo-realist perspective rather an uncertainty. From a neo-realist perspective it seems likely that a security dilemma between China and India at Arunachal Pradesh will take place. Tendencies suggest that both sides are keen on establishing deterrence capabilities at the border. Despite having a wide range of purposes, it is still there threatening the other. This leads to an uncertainty where internal balancing becomes a necessity, and as long as uncertainty remains, will internal balancing continue, which possibly will lead to a security dilemma.\(^{116}\) Tensions at the border have been reported countless of times, and according to those reports could a mistake be very costly. When patrols from both sides of the border get into contact, it means that a single mistake could escalate and put the relationship in a deep crisis. It therefore, requires China and India to be ready for such events, in other words a military build-up. Ready in the meaning of both having deterrence and retaliatory capability if needed. It is, however, likely that the current standstill will remain as it is, seeing how both states possess nuclear and ICBM capabilities. The stabilization effect of having nuclear capability is advocated by Keohan and Nye who argues:


The destructiveness of nuclear weapons makes any attack against a nuclear power dangerous. Nuclear weapons are mostly used as a deterrent. Threats of nuclear action against much weaker countries may occasionally be efficacious, but they are equally or more likely to solidify relations between one’s adversaries.\textsuperscript{117}

As mentioned earlier, has the cost of conflict increased and thus decreased the risk of negative events escalating into war. The risk of war still remains and seeing that military power always will dominate economic power, in the sense that economic means can do little against military force, it’s likely that the military power will increase at a similar pace as the economic power.\textsuperscript{118}

There are many aspects of the Sino-Indian relationship that can strengthen the logic behind the neo-realist balance-of-power theory. First, a regional struggle for influence is evident as China and India approach countries in especially South Asia, but also in other regions, in order to ensure their regional position. This is from a neo-realist perspective a zero-sum game, where the distribution of capabilities decides the change of structure. One more ally means the access to that ally’s capabilities (at least as a deterrent). Looking at China’s all-weather policy with Pakistan basically means that Pakistan’s capabilities are added to that of China’s.\textsuperscript{119} Secondly, the inevitable fact that a relative gain will emerge as a result of trade, automatically changes the structure as distribution of capabilities is unevenly divided.

Chinese and Indian leaders tend to put a great emphasis on agreements. Something that the neo-realist means is dangerous and not in line with the nations goal of maximizing its survival. Trusting another actor to hold on to an agreement is risky, and especially so in the Sino-Indian relationship, seeing how a violation of an agreement led to the Sino-Indian war in 1962. States will always prioritize the struggle for power in the international arena, above laws and morality. Since China and India never can be sure of each other’s intentions, they should refrain from trusting each other based on sole agreements.

The trade between China and India has little importance in terms of peace and stability, but rather the opposite according to neo-realism. As emphasized by Waltz’s concept of self-help, which points at the constant risk of relative gains, is trade only beneficial if you are the one with the higher relative gain. Economic interdependence is thus always a risky game, even though you have good relations today, you might be competitors tomorrow as all states are competitors over power. No matter how you look at it, friends might become future threats, thus is your own capabilities the only thing you can rely on in the end. Seeing how uncertain the Sino-Indian relationship is, it would be foolish to not have the highest relative gain.

Furthermore, Waltz claims that the distribution of capabilities is the only source to structural changes. This remains a key factor in the relationship, to why both China and India should be wary of each other’s relative gain. Cooperation over energy sources is from the neo-realist perspective another factor decreasing the state’s survival. In the case of China and India, who are potential rivals in the region, it is risky to cooperate over energy sources, which is such an important factor of survival.

According to neo-realism is the Sino-Indian relationship competitive rather than cooperative in nature. This has to do with its interpretation of trade, as well as a state’s behavior and intention. For instance, analyzing recent trends in the Sino-Indian relations, such as the border dispute, where a military build-up is taking place, it suggests a high level of uncertainty and lack of trust. This is from a neo-realist perspective natural, as the neo-realist school argues that a state only should rely on its own capabilities to survive. Balance of power further suggests that China and India rather see each other as rivals over regional hegemony than as partners. The rise of China and India, will thus inevitably lead to conflicting interests, which makes the relationship competitive in nature.

6.2 A neo-liberal Assessment on the Border Dispute at Arunachal Pradesh and on the Political and Economic Interdependence

A growing interdependence between China and India has resulted in a greater vulnerability. In other words, it means that they are moving towards a relationship based in mutual dependence. They are not there yet, but tendencies of a growing interdependence are evident in various aspects of the relationship. For example, over energy sources in Sudan where they have a deepening cooperation, where the cooperation is based in a complementary competence. It would therefore be very costly for either side to end this cooperation. A complex interdependence is thus beginning to take shape, as we see how multiple channels of
interchange, as well as, an increased amount of stakes in each other is evident in the two societies.

Trade and cooperation, which took speed after the liberalizations, of first China and then India, has moved the relationship away from almost a total isolation from each other, to a deep interdependent relationship. Not only have a bilateral trade of $75 billion in 2011 become a result out of the two countries rapprochement, but also military-to-military exchanges, institutions, as well as, annual high-level meetings. The systemic process that has taken place between China and India, has showed that trade has a spill-over effect, which is beneficial to both sides. Just looking at relative gains as one factor, leaves the effect trade has on other areas out of the picture which actually might be the most beneficial aspect. The attitude among political leaders in China and India are also advocating the benefits with trade and cooperation, which should have some substance to it, regardless of leaders’ pragmatic approach. Achieving goals through economic means can be more beneficial and less risky compared to using force as a means for change. The alternative of using force, when both states posses nuclear capabilities, should be far-fetched, as long as there is a peaceful alternative at hands. The institutional dynamics of the relationship, through the JSG and JWG, has aroused out of a political goodwill of solving the border dispute, as well as to enhance the bilateral trade. This has resulted in a number of CBMs, which has contributed to an increased stability between China and India.

The neo-liberal reading of the Sino-Indian relations, suggest that the relationship in nature is cooperative rather than competitive. This is based on the processes presented in this section. The increased number of stakes in each other, together with the increased interchange on multiple levels, supports this statement. Furthermore, institutionalization and an increasing bilateral trade, together with a political goodwill, summarize the processes and give the statement a strong foundation.
7 Discussion

Trade and cooperation has played an important role in the Sino-Indian relations. It is not sure to what extent trade and cooperation in itself has prevented or reduced the attitude towards security issues, but it is evident that it has played a vital role in the development of the institutional progress, as well as for the enhanced goodwill of solving issues. The institutional progress has resulted in a number of CBMs, and trade by itself can be a powerful CBM. These developments have thus resulted in a transition from a relationship in a deadlock over the border dispute, to a prospering relationship with a partnership internationally and a bilateral trade that was accounted to more than $75 billion in 2011. The process towards stabilization, as a result of interdependence, should also be added to this, as an important step towards improving the relationship. It has not only led to an increased cost of the use of force, but also made the positive trends possible. Here, I present a simplified illustration of the developments over the border dispute in order to get an overview of the Sino-Indian process:

Furthermore, have these developments led to detailed procedures on how to handle a possible confrontation at the border, which has been established as a three-tiered structure. Trade is

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one of the main factors behind the success of the 2003 and 2005 agreements, which have been seen as milestones for the Sino-Indian border dispute, and for the relationship overall.

Even though a framework on the political level has been established in order to ensure stability and peace, it is an on-going discussion, in especially Indian mass media, whether a settlement on the border dispute is desirable and achievable at all. These sorts of public discussions are unlikely to occur in China, as the Communist Party controls the media. Arunachal Pradesh remains the most difficult area of the border dispute to solve, as neither side is willing to compromise on this area. Suggestions have been made that the border dispute instead should be postponed indefinitely. China, however, is not likely to agree to this kind of settlement, seeing how the region currently is under India’s administration. Possibly, interdependence with an increased amount of interchange in channels on all levels of the society, can lead to a wider understanding of each other, which thus open up for further compromises on the territorial disputes.

As the neo-realist reading of the Sino-Indian relationship over emphasizes the negative aspects of the relationship, so does the neo-liberal reading with the positive aspects. The key differences between these two theory’s interpretations lies in their emphasis of structure (neo-realism) and process (neo-liberalism). The inability of neo-realism to address the processes in the Sino-Indian relationship makes the theory weak and difficult to apply in contemporary issue areas. Neo-realism, still manages to address important factors in the border issue, but once again over emphasizes the negative aspects. Neo-liberalism sees the Sino-Indian relationship as cooperative rather than competitive in nature, as it accounts for the change in attitude interdependence has embraced. This is a more adequate reading of the relationship looking at the most recent developments. However, as it was the nature as such, rather than the contemporary relationship’s nature, the neo-realist interpretation might be on to something. As we have seen in this research, are China and India very similar in many aspects and have similar goals internationally, this might thus inevitable lead to a future clash, as we don’t know if the world will have enough room for both.


8 Conclusion

This research has showed that the neo-realist perspective fails to give account to change, and ignores positive processes in the relationship. This makes the neo-realist interpretation of the current Sino-Indian relationship weak. It do however high-light important factors still evident in the Sino-Indian relationship. For example, the lack of trust and uncertainty that might lead to a security dilemma, even though the argument overlooks several important changes that have occurred on different levels in the Sino-Indian relationship. The Neo-liberal theory, on the other hand more accurately manages to address the current nature of the relationship, which argues that it rather is cooperative with an understanding of mutual benefits. The neo-realist perspective tends to ignore these changes, thus picturing a competitive relationship, which find little support in the empirical observations studied. The border issue remains as a constant annoyance in the Sino-Indian relationship, and this is probably where the neo-realist perspective most accurately interprets the relationship.

Trade and cooperation are unlikely the main factor preventing or reducing attention from being given to security-related issues, but should rather be seen as the foundational source on which a process towards CBMs, institutions, mutual interests and political goodwill has been established. It could therefore be suggested that trade indirectly has had an important effect on the attitude towards security-related issues. It is thus difficult to say if trade and cooperation as such has prevented any security issues from being raised, or if trade directly has reduced the attention on specific security issues. It is, however, evident that trade and cooperation has played a major role in stabilizing the Sino-Indian relationship. This conclusion thus indicates that trade works as a platform, which enhances a process that might positively affect other areas in the Sino-Indian relations. Further trade and cooperation in the Sino-Indian relationship, would therefore be likely to move in a positive direction, towards a more stable and peaceful setting. This could mean that the attention towards security-related issues, such as the border issue, would decrease. That is, however, not per se a good thing, as it won’t lead to a solution of the border dispute. The neo-liberal interpretation of the border dispute, do however, suggest that further interdependence can lead to a changed attitude on all levels in society, thus making a final trade-off possible.

Further research on this topic, would suggest a research on the Sino-Indian relationship’s potential or political will, to become a challenger to other regions, such as, the European
Union and the United States of America. Hypothetically, arguing that China and India, manages to solve the border dispute, it would enable them to take the next step in enhancing cooperation. It is mainly the border issue that holds them back at the moment, as it is likely that it would solve many issues, and among those India’s issues with Pakistan. Seeing how India and China already has established a well-functioning cooperation over energy sources on the international arena, it would suggest that they could become a potential threat to the West.
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