Chapter Five
Perception Change and the Transformation of China-India Relations 1991-2004

Treating each other as new partners rather than adversaries and acknowledging the need for comprehensive approaches to national security, both China and India have accordingly adjusted their respective policies toward each other since the end of the Cold War. Irrespective of their specific expectations from this relationship, both countries converged on the understanding that a stable and cooperative relationship between them would best serve their respective national interests in the post-Cold War era. Therefore, since 1991, the China-India relationship has experienced an impressive transformation, from normalisation to partnership. The last decade of the 20th century witnessed the two countries emerging from their three-decade cold relationship and replacing it with a normal one. Normal relations mean no war or military tension between two countries. Since the end of the Cold War, the China-India border areas have enjoyed continuous peace and tranquility. Both of them have been committed to solving their differences through dialogue. Normal relations also mean regular contacts and stable links in political, economic, cultural and social aspects, which would exempt their relationship from tension. Frequent exchange of high-level visits and increasing economic and cultural contacts since 1991 have demonstrated the degree of the normalisation of China-India relations. In spite of the brief hiatus after Pokhran II, the Indian nuclear tests did not derail the China-India relations. This provides a strong affirmation of this research’s major hypothesis that perceptions construct relations. If there were no perception changes in China or India, there would be no change of their relationship, and vice versa. Walking out of the shadow of India’s nuclear tests, China-India relations entered a
new stage of comprehensive cooperation and marched ahead along the track of “constructive and cooperative partnership”.

5.1 Perceptible Improvements in China-India Relations Preceding Pokhran II (1991-April 1998)

5.1(1) China’s India Policy

Against the backdrop of the perception change on its national security in general and with respect to India specifically, China has adopted unwavering efforts to promote more friendly and stable relations with India since the end of the Cold War. From 1991 to the eve of India’s nuclear tests, China undertook a series of steps in this regard as follows: promoting political proximity between China and India by virtue of the bilateral economic cooperation and cultural exchange; exploiting CBMs and security dialogues to increase mutual trust and to create a congenial atmosphere for the resolution of the China-India boundary dispute; maintaining a balance between its relations with Pakistan and India; and, urging India to keep its promises on the Tibetan issue through low-level political pressure.

As mentioned in Chapter 2, it was Deng Xiaoping’s belief that economic cooperation could promote political normalisation. It was manifested in his proposal to de-link the improvement in China-India relations from their border dispute. During his talk with the Indian delegation in 1982, he suggested, “Even if the border question cannot be resolved for the time being, we can leave it as it is for a while. We still have many things to do in the fields of trade, the economy and culture and can still increase our exchanges so as to promote understanding and friendship between us.” (Deng 1993: 19-20) India did not accept this proposal until 1988, however. After the Cold War, according the priority to economic security and seeking a peaceful environment for
its economic development, China was keen on good relations with India. In view of the slight possibility of solving their boundary problem immediately, the Chinese leadership of the new generation upheld Deng Xiaoping's approach. They preferred to shelve the border dispute and promote China-India friendship by establishing economic, technological and cultural interactions. Great achievements in this regard during Li Peng's 1991 visit to India included the reopening of border trade, cooperation on space research, and India's commitment to "a dynamic increase and diversification of exchanges in the economic field, including trade." (Sino-Indian Joint Communiqué 1991)

To shelve the China-India boundary dispute has reflected the principles China has observed towards the international disputes since the end of the Cold War. As discussed in Chapter 3, these principles include resolving all international disputes by peaceful means, preventing normal state-to-state relations from being held hostage to disputes, postponing the resolution of the disputes till conditions are ripe for peaceful settlement, and taking security and confidence-building measures to increase mutual trust. It did not mean that China wanted to freeze its border talks with India, however. On the contrary, China was convinced that more efforts should be made to create the right atmosphere for an early resolution of its boundary dispute with India. During Li Peng's 1991 visit to India, China agreed that the Sino-Indian Joint Working Group on the Boundary Question (JWG) should step up its work in search of "an earliest-possible solution", on one hand, and that both sides should explore certain CBMs in the area along the LAC pending a final settlement in order to avoid any crisis caused by misunderstanding, on the other. (Ibid)

As a part of its omnidirectional and good-neighbourly policy, China has adjusted its South Asian policy as well and tried to bring about a more even approach in its

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relations with Pakistan and India. During the Cold War, the Sino-Pakistani "all weather friendship" and the Sino-Indian antagonism made China usually take a pro-Pakistan position on issues related to the Indo-Pakistani confrontation. (Hongwei Wang 1998: 268-271) After the Cold War, as China replaced the "comradeship-plus-brotherhood" with the new-type partnership as a basis of its national security policy, China started to move away from its Pakistan-preferred stance and to take a more neutral position on issues such as Kashmir. During his 1991 visit to New Delhi, Premier Li Peng told reporters that "China is willing to maintain and develop friendly relations with India, Pakistan, and all countries in South Asian on the basis of the Five Principles of Peaceful Coexistence." (FBIS 1991: 18-20 as cited in Garver 2001: 221) The real message here was that China wanted Sino-Pakistan and Sino-Indian relations to be independent of each other. In other words, better ties between China and India should not affect China’s links with Pakistan, and China’s existing friendly relations and cooperation with Pakistan should not block the improvement of Sino-Indian relations, nor should it be seen as directed against any third country, i.e., India. During his visit to Pakistan after he concluded his Indian trip in December 1996, President Jiang Zemin told the Pakistani Senate that if the Kashmir issue could not be resolved immediately, then it should be put on the back burner and South Asia should concentrate on economic cooperation. This was read by India as a great shift of the Chinese position on Kashmir, "from an aggressively pro-Pakistani position on self-determination for Kashmiris in the 1970s to an emphasis on Indo-Pakistani bilateralism in the 1990s." (Mohan 2003: 144-145)

The Tibet issue has been a significant element in China-India relations. India’s constant support for Tibetan "autonomy" and its explicit or implicit support since 1959 for the Dalai Lama and the Tibetan Government-in-Exile, the Tibetan "splittists" in Chinese eyes, have been a great concern of China in its relations with
India. As a result, “The essence of Beijing’s policy toward India regarding Tibet has been to apply pressure to compel India to desist from policies and actions that work counter to China’s control over Tibet.” (Garver 2001: 33) During the era when the two countries antagonised each other, the major modalities of pressure included strong diplomatic protests and military deterrent. To stop “an Indian effort to turn Tibet into a buffer” was perceived as a major cause of China’s involvement in the 1962 war. (Ibid: 59) After the Cold War, as China was keen on a good relationship with India and saw security dialogue as an effective approach to its national security, China started to confine itself to low-level political pressure on India with regard to the Tibet issue. Article Six of the Sino-Indian joint communiqué, signed at the conclusion of Li Peng’s 1991 visit to India, reflected the key points of the new China’s India policy regarding Tibet. First, China declared that “it was firmly opposed to any attempt and action aimed at splitting China and bringing about ‘independence of Tibet’”. Second, the expressions of their respective stance on this issue were a manifestation of China’s tolerance toward the China-India difference on the Tibet issue. As long as India did not challenge China’s sovereignty over Tibet, China would not allow the Tibet issue to stand in the way in the improvement of China-India relations. From 1991 to the eve of Pokhran II, although China kept the Tibet issue on the agenda of every high-level meeting between top leaders of the two countries, China shunned public protests about actions which it perceived as a violation by India of its commitments.

5.1(2) India’s China Policy

As discussed in Chapter 4, although India continued to adhere in many ways to its traditional approaches to national security in the early 1990s, it saw China in positive terms due to the latter’s “inward looking” inclination. Suffering multifaceted challenges both externally and internally, India expected a practical and stable, i.e., a
good working relationship, with China. Bearing this objective in mind, India made
the following adjustments in its China policy: trying to ensure that the improvement
of bilateral relations would lead to the resolution of the boundary dispute; keeping a
low profile on the Tibet issue; leaving the door open for discussion of each other’s
security concerns; and “emulating China” (Mohan 2003: 142) in order to restore the
balance with China.

For years during the Cold War, New Delhi refused to normalise relations with
Beijing before they had settled the boundary question. It insisted that a border
agreement had to precede the restoration of bilateral relations. As mentioned earlier,
it was Rajiv Gandhi who chose to “end India’s unrealistic China policy” and “moved
towards a normalisation of relations with China and found a framework to accelerate
the negotiations on the boundary dispute at the same time.” (Ibid: 143) After the
Cold War, although the successive Indian governments continued Rajiv Gandhi’s
policy towards China, i.e., moving ahead with cooperation elsewhere despite the
unresolved boundary question, they emphasised the imperative of tackling the issue
as early as possible. Despite the awareness that the resolution of the difficult
boundary question would take time, India now and then showed some uneasiness
about the “slow” process. As J.N. Dixit warned, the lack of “tangible results” might
remove the credibility of the boundary discussions “in both Indian and Chinese
public opinion”. (Dixit 2001: 225) The Indian leaders also conceived that the
development of bilateral relations should not be totally de-linked from the border
dispute. However, the former should lead to the latter. “The expectation being that
multifaceted and contentful relations will generate mutual trust and educate public
opinion in both countries, which will enable the resolution of the complex boundary
question. The question has been shelved for practical purposes, but it has to be
tackled. It cannot be wished away,” J.N. Dixit argued. (Ibid: 226)
From the Indian perspective, articles, relating to stepping up the process to resolve the border issue, in the three significant documents signed with China in 1990s represented the major achievements of India in its interaction with China. (Ibid: 225-226) These agreements are: Sino-Indian Joint Communique signed on 16 December 1991, Agreement Between the Government of the People's Republic of China and the Government of the Republic of India on the Maintenance of Peace and Tranquility Along the Line of Actual Control in the China-India Border Areas signed on 7 September 1993, Agreement Between the Government of the People's Republic of China and the Government of the Republic of India on Confidence Building Measures in the Military Field Along the Line of Actual Control in the China-India Border Areas signed on 29 November 1996. Article 5 of the 1991 Joint Communique stipulates, “The leaders of the two countries reiterated that efforts would be made to arrive at an early and mutually acceptable solution to the boundary question through friendly consultations. Both sides believed that the talks held so far by the Sino-Indian Joint Working Group on the Boundary Question had enhanced mutual understanding and agreed that the group should step up its work in search of an earliest-possible solution to the boundary question.” Article X of the 1996 Agreement stipulates, “Recognizing that the full implementation of some of the provisions of the present Agreement will depend on the two sides arriving at a common understanding of the alignment of the line of actual control in the China-India border areas, the two sides agree to speed up the process of clarification and confirmation of the line of actual control. As an initial step in this process, they are clarifying the alignment of the line of actual control in those segments where they have different perceptions. They also agree to exchange maps indicating their respective perceptions of the entire alignment of the line of actual control as soon as possible.”

Having vital interests in Tibet, India provided an active support for Tibetan
“autonomy” during the Cold War. Three distinct periods of policy can be identified as follows: 1) From 1947 to 1951 New Delhi attempted to boost the international status of the local Tibetan government and pressured Beijing not to move militarily into Tibet; 2) From 1954 to 1958 New Delhi tried to persuade Beijing to grant Tibet a substantial degree of autonomy and to minimize its military presence in Tibet by convincing Beijing that there was no need to do otherwise and that India-China friendship would thereby prosper; 3) From 1959 to mid-1980s New Delhi openly supported Tibetan resistance and mobilised international pressure on China in Tibet. In hopes of fostering better relations with China, Rajiv Gandhi agreed to restrain anti-China activities by Tibetans in India during his 1988 visit to China. After the Cold War, although successive governments in New Delhi were convinced that keeping a low profile on the Tibet issue would best serve the national interests of India, the different perceptions regarding Tibetan “autonomy” continued between India and China. (Ranganathan and Khanna 2004: 178) As a result, they tried to find a balance between accommodating Beijing’s demands to restrict Tibetan exile activities and condoning exile efforts to mobilise international pressure on Beijing to reach a political settlement of the Tibet issue. (Garver 2001: 43) On the one hand, during the successive exchange of visits by the Prime Ministers of China and India since 1988, the Indian government kept repeating its commitments that Tibet was an autonomous region of China and that anti-China political activities by Tibetan elements were not permitted on Indian soil. On the ground, the Tibetan Government-in-Exile in India felt that “restrictions imposed by the Indian government increased as Beijing and New Delhi maneuvered to improve ties in the 1980s and 1990s.” (Ibid: 74) On the other hand, as some Indian scholars pointed out,

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© When the Dalai Lama fled to India following the Lhasa revolt of March 1959, he was welcomed as an honored guest by the Indian government. New Delhi also accorded refugee status to tens of thousands of Tibetans who followed the Dalai Lama. In 1963 the Indian government did not prohibit the Dalai Lama from promulgating a new “constitution” for Tibet. Throughout the 1960s, the Research and Analysis Wing (RAW) pilots dropped supplies and arms to insurgents inside Tibet. In November 1962 India established a substantial Tibetan military force, which was formally named the Special Frontier Force (SFF). India also began supporting efforts to raise the Tibetan issue in the United Nations. For further evidence of India’s active support for Tibetan “autonomy” during the Cold War, see Garver (2001: 43-66); Hongwei Wang in Minqiu Zhang (2004: 156-175).
“it is not possible for India” to completely accommodate China’s wishes. (Ranganathan and Khanna 2004: 176) It was convinced that the best result for India “would be a dialogue between Beijing and the Dalai Lama leading to his return and that of his followers to Tibet to a life of dignity, safety, religious and cultural freedom, with His Holiness enjoying the respect and status which are his due.” (Ibid: 178)

As mentioned in Chapter 4, in the early 1990s, although India no longer considered China as an immediate threat to India, it continued to uphold traditional security concerns regarding China’s military build-up and the military cooperation between China and Pakistan. During the Indira era, India laid stress on both self-help and military alliance in dealing with these security problems. After the Cold War, as its security perception gradually changed, India started to see security dialogue and cooperation as an important approach to security. As India expected a good working relationship with China, dialogue with China became the best way for India to address these concerns at no cost of the bilateral relations. As J.N. Dixit argued, “Our relations should be mature and balanced enough for both sides to be able to candidly articulate concerns about each other’s policies and attitudes on specific usuals like Tibet, Sino-Pak defence cooperation, and to see how they can be overcome. We should be able to caution China about the negative implications of its arms supplies to and nuclear cooperation with Pakistan. The Chinese should be able to voice their concerns about Tibet without getting impatient or offended about it.” (Dixit 2001: 244)

In early days of the post-Cold War era, as India was embarrassed by its own steady marginalisation in the international system, China continued to progress on the way which led to the world power status. Consequently, India appeared to be left far behind. In order to effectively safeguard its territorial security and fulfill its decades long aspiration to be a major power, India chose to emulate China, and “restoring the
balance with China became an unstated national strategic objective for India during the 1990s.” (Mohan 2003: 149-150) In other words, India expected that this emulation would not only help narrow the gap of national strength between India and China but also enable India to acquire an international standing equal to China. As a result, focusing on economic modernisation and keeping a low international political profile became the central themes of security policy of Narasimha Rao’s government. (Ibid: 154)

5.1(3) Perceptible Improvements in China-India Relations

From 1991 to the eve of India’s nuclear tests in 1998, there had been “a steady and substantial improvement in India-China relations”. (Annual Report 1995-96: 4) Frequent exchange of high-level visits helped reinforce understanding and expand cooperation between the two countries. A series of Confidence-Building Measures (CBMs) were instituted and contributed to peace and tranquility in the China-India border areas. Increasing bilateral contacts in various areas such as trade, technology and culture provided China-India relations with a multifaceted character.

High-level Sino-Indian exchanges became routine during this period. Three landmark visits among these were Chinese Premier Li Peng’s visit to India in December 1991, Indian Prime Minister Narasimha Rao’s visit to China in September 1993, and Chinese President Jiang Zemin’s visit to India in November 1996. Li Peng’s visit was a reciprocation of Rajiv Gandhi’s 1988 visit to China. It was also the first visit by a Chinese Premier since 1960. The joint communique, signed during this visit, echoed the spirit of the 1988 Sino-Indian Joint Press Communiqué, which aimed at restoring, improving and developing Sino-Indian good-neighbourly and friendly relations, and further provided all-around and concrete guidelines for the development of the bilateral relations in the 1990s. While stressing joint efforts to
expand their cooperation in fields such as trade, agriculture, energy, health, and education, they also expressed their willingness to strengthen coordination of their stances on major international and regional issues like how to construct a new international order. On the boundary dispute, as mentioned earlier, they agreed to step up the work of the Sino-Indian Joint Working Group on the Boundary Question and solve the problem as early as possible. Pending a final settlement of the boundary question, the two sides would maintain peace and tranquility in the area along the Line of Actual Control (LAC). On the Tibet issue, they tried to narrow the difference between them. They also stated that "the improvement and development of Sino-Indian relations was not directed against any third country, nor would it affect their existing friendly relations and cooperation with other countries."

(Sino-Indian Joint Communiqué 1991) Prime Minister Narasimha Rao’s 1993 visit to China was notable for the Agreement on the Maintenance of Peace and Tranquility along the LAC in the China-India Border Areas, while President Jiang Zemin’s 1996 visit to India, for the Agreement on Confidence Building Measures in the Military Field along the LAC. These two agreements were considered as evidence of the continuation of qualitative improvement in the China-India relations since 1988.

Apart from the above three visits, other significant high-level contacts included: respective visits by Indian President R. Venkataraman and Defence Minister Pawar to China in 1992; Indian Lok Sabha Speaker Shivraj Patil’s visit to China in 1993; visit of Li Ruihuan, Chairman of the Chinese People’s Consultative Committee, to India in 1993; respective visits by Chinese Vice Premier and Foreign Minster Qian Qichen and State Councilor and Defence Minister Chi Haotian to India in 1994; visit of Indian Home Minister S. B. Chavan to China in 1995; visit of Qiao Shi, Chairman of the Chinese People’s Congress, to India in 1995; visit of the Chairman of the Chiefs of Staff Committee and Chief of the Naval Staff of India to China in 1996; visit of Wei Jianxing, Secretary of the Chinese Communist Party Secretariat, to India
in 1997. The exchange of visits at the ministerial level totaled almost 20. (Minqiu Zhang 2004: Appendix, 358-364) Besides the three most important documents, many other agreements were signed by the two countries during this period to increase bilateral trade, foster cultural and technology exchanges and military-to-military links, and promote other cooperative projects.

The China-India border registered a tension-free decade since 1988. The Joint Working Group on the boundary question, a new mechanism initiated during Rajiv Gandhi's visit to Beijing, met regularly and achieved a set of agreements on the maintenance of durable peace and tranquility in the border areas. Between 1989 and 1997, the Joint Working Group held 10-rounds of talks. Till 1993, a number of measures had already been set up for the purposes of increasing mutual trust and avoiding mutual misunderstanding. The two defence establishments agreed to exchange visits. Meetings of the border personnel were arranged regularly. Telecommunication links were established at two points along the LAC. (Annual Report 1993-94: 4)

The above-mentioned 1993 agreement on border issue laid down a more comprehensive framework for maintenance of peace and tranquility along the LAC between China and India. Under the Agreement, the two sides have reiterated their commitment to resolve the boundary question peacefully through consultations and "strictly respect and observe" the LAC pending an ultimate resolution. Provisions in this regard are: "Neither side shall use or threaten to use force against the other by any means;" "No activities of either side shall overstep the line of actual control;" when there are differences on the alignment of the LAC, the experts from two countries shall "jointly check and determine" where the LAC lies; references to the LAC in the Agreement are, however, without prejudice to the respective positions of the two countries on the boundary question. Under the Agreement, China and India
have also agreed to work out a series of confidence-building measures along the LAC, including the reduction of their military forces along the LAC “in conformity with the principle of “mutual and equal security”. (Agreement 1993) As part of the implementation of this agreement, China and India agreed, at the 8th meeting of the Joint Working Group held in August 1995, to pull back four posts, two on each side, located in immediate proximity to each other in the Sumdorong Chu Valley in the eastern sector. The disengagement of the posts was carried out in October-November 1995, without prejudice to the respective positions of the two sides on the alignment of the LAC in the area. (Annual Report 1995-96: 4)

The 1996 agreement on CBMs was built on the foundation of the 1993 agreement on border peace and tranquility. It provided for a number of important CBMs to preserve peace and tranquility in the China-India border areas. While reiterating that “neither side shall use its military capability against the other side,” the two militaries committed to limit the number of field-army troops, border-defense forces, paramilitary forces, and major categories of armaments along the LAC; to avoid holding large-scale military exercises near the LAC and to give the other side prior notification of exercises involving one brigade (five thousand troops) or more; to prevent air intrusions across the LAC; to prevent dangerous military activities along the LAC including discharging firearms, causing biodegradation, using hazardous chemicals, setting off explosives, and hunting with firearms within two kilometers of the LAC; and to increase and expand their service-to-service contacts. (Shirk in Frankel and Harding 2004: 81) The two sides also reached a consensus on the urgency and imperative of “arriving at a common understanding of the alignment of the line of actual control in the China-India border areas” and agreed to “speed up the process of clarification and confirmation” of the LAC. (Agreement 1996)

As the political atmosphere between China and India was greatly improved due to
frequent exchange of high-level visits and visible peace and tranquility in the border region, bilateral contacts surged in various areas and at different levels after a gap of nearly three decades. Increasing varied interactions between China and India in turn promoted mutual trust and confidence which were necessitated by the ultimate resolution of their long-standing political problems. While Chinese and Indian cultural festivals were successfully held in each other’s countries, this period witnessed a set of agreements for cooperation between China and India in the spheres of space-related technologies, education, civil services, public administration, social welfare, radio and television, environmental management, and combating narcotics-traffic. Among these rapidly growing interactions between China and India, their bilateral economic engagement had been “the most visible part”, however. (Swaran Singh 2005: 85)

The economic relations between China and India might have been the least significant element in their bilateral relations during the Cold War. The 1962 war and the subsequent chill in bilateral political relations “effectively eliminated much trade and other economic relations between the two countries”. (Srinivasan in Frankel and Harding 2004: 220) Although in 1984 the two sides signed their trade protocols to grant each other the most favoured nation (MFN) status and set up a joint working group to promote mutual trade and commerce, their economic engagement registered an impressive growth only after the Cold War. In 1991, the total volume of China-India bilateral trade was only US$264 million. By 1997, it touched US$1.83 billion, with an increase of nearly 6 times in a relatively short period of six years. (See Table 2) The commodity structure of bilateral trade covered a range from agricultural products, industrial raw materials, to seafood, textiles and machine tools. (Dixit 2001: 221) Although the bilateral trade between China and India was still on the margins of their respective foreign trade, the continuous and rapid growth since early 1990s indicated “their rising enthusiasm in building strong economic
engagement” (Swaran Singh 2005: 85) and “a vast potential which needs to be tapped” (Ranganathan and Khanna 2004: 174). Apart from the commodity transfers, the two countries also started to explore opportunities for mutual or third country investments and joint ventures. In January 1993, the first China-India joint venture—between China Metallurgical Import & Export Corporation and India’s Mideast Integrated Steel Limited—was commissioned in Orissa. (Swaran Singh 2005: 101) Indian companies like Ranbaxy and Hero Motors also established joint ventures in China around the same period. While Chinese investments were concentrated on India’s mining and manufacturing sectors, India’s investments were directed at services, information technology education and pharmaceutical sector in China. (Ibid: 102-103)

Table 2: China-India Bilateral Trade 1991-2004 (Unit US$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade (US$ million)</th>
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<tbody>
<tr>
<td>1991</td>
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<tr>
<td>1992</td>
<td>333</td>
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<tr>
<td>1993</td>
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<td>2003</td>
<td>12017</td>
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<tr>
<td>2004</td>
<td>13604</td>
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</tbody>
</table>

Source: China Customs Statistics, various years, as produced in CII (2005:1)
5.2 Post-Pokhran II Hiatus and Fence-Mending Efforts (May 1998-June 1999)

As discussed in Chapter 3 and Chapter 4, Pokhran II did not lead to any fundamental change in their mutual perceptions of each other. Nevertheless, the aftermath of Pokhran II saw a brief hiatus in China-India relations. Apart from the exchanges of vigorous criticism between them, the positive trends of high-level contacts developed in the previous years were totally suspended. The meeting of the Joint Working Group on the Boundary Question, scheduled for October 1998, was postponed. The bilateral trade, which registered an impressive growth since early 1990s, lost momentum. Bilateral contacts in other spheres were also affected to certain extent. Irrespective of these setbacks, the impact of Pokhran II on China-India relations was limited and brief. As history witnessed, the border areas between China and India remained quiet when tension arose in the political field. In other words, neither China nor India decided to antagonise each other due to the nuclear tests and the following discordance. On the contrary, both of them not only reiterated their respective commitments to a friendly China-India relationship but also took some concrete steps to mend fences for this sake.

First of all, both China and India observed certain self-restraint and tried to avoid extremes during their critical exchanges. Since neither of them wanted to see a breakup of the bilateral ties, the purpose of this self-restraint was to limit the damage and ensure that continued engagements would clear the tensions. On its part, as mentioned earlier, China attributed the setback to Sino-Indian relations to "some personalities" in India during this period. In December 1998 when Ram Jethmalani, the then Indian Urban Affairs Minister, publicly suggested that India should recognise Taiwan as an independent country, China protested against "certain Indian politicians" rather than the Indian government. The Chinese People's Daily wrote on
31 December 1998: “We strongly urge certain Indian politicians to stop interfering in China’s internal affairs and work towards improving rather than damaging the bilateral ties. Jethmalani’s remarks have further hurt the feelings of the Chinese people.” (Cited in Raman 1999) At the same time, the Chinese government made efforts, mainly through the Chinese Embassy in New Delhi, to explain its policy towards India, especially regarding those issues about which India was rather concerned. As explored in Chapter 3, Zhou Gang, the then Chinese ambassador to India, provided a series of explanations in this regard. Apart from expressing China’s strong willingness to develop a constructive and cooperative partnership with India, he reiterated the assurances that Sino-Pak relations were normal and non-India-oriented.

On India’s part, irrespective of Fernandes’ assertion of the “China threat” and Vajpayee’s secret letter to Clinton, the Indian government endeavoured to avoid publicly building any links between the China factor and its nuclear tests. When visiting the Indian official literature of this period, the relevant remarks all stopped at the point of calling for more Chinese sensitivity to India’s security and strategic concerns. The Vajpayee government also attempted to distance itself from any anti-China statements, especially after the nuclear tests. When the director-general of the Indo-Tibetan Border Police (ITBP) Gautam Kaul stated in October 1998 that the Chinese were amassing troops along the LAC, the Indian government termed it as “inaccurate” later on. (Acharya 1999: 1398) Following Jethmalani’s remarks on Taiwan, the Government of India, through the Indian Embassy in Beijing as well as through its press spokesman in New Delhi, promptly assured China that there was no change in India’s policy on Taiwan. (Raman 1999) Furthermore, as mentioned in Chapter 4, a number of official statements at different levels, including several from the Prime Minister himself, were made in succession to clarify that there was no change of India’s China perspective and that India was also keen on a good
relationship with China.

Secondly, both countries kept the door open for dialogue despite the suspension of high-level visits. As discussed in Chapter 3, what irked China in 1998 were not the nuclear tests themselves but India’s attempt to justify these tests by selling the “China threat”. Although China, after Pokhran II, insisted that India should sign the NPT and in effect roll back its nuclear programme, Beijing did not set this as a pre-condition for resumption of the bilateral relations. On the contrary, China soon made it very clear that what Beijing wanted was for India to retract its assertions about the China threat. Addressing a seminar on Sino-Indian relations at New Delhi on February 25, 1999, Ambassador Zhou Gang said that the attribution of a Chinese threat to justify India’s nuclear tests by some personalities was “the main cause upsetting Sino-Indian relations”. (Cited in Raman 1999) Two weeks later, he told the audience of another seminar that “strict adherence to the five principles of peaceful co-existence...and shedding a threat image of each other were the key for laying a credible foundation for a healthy Sino-Indian relationship”. (Ibid) Through its ambassador to New Delhi, China also demanded that India should take the lead in mending relations. Ambassador Zhou Gang told the national daily The Hindu on 9 July 1998, for example, “it is up to the doer to undo the knot.” (Ibid) As events transpired, India took these demands seriously and definitely responded through various official statements.

Apart from this sort of indirect interaction, direct diplomatic engagement between China and India continued, though at a low level. Despite the postponement of the meeting of the Joint Working Group on the Boundary Question, a June 1998 bilateral meeting of military experts went ahead. On 27 July 1998, the Chinese Foreign Minister Tang Jiaxuan met the Indian prime minister’s special representative, Jaswant Singh, at the ASEAN Regional Forum meeting in Manila. They “conducted
frank discussions on the Indian nuclear explosions and Sino-Indian relations,” as a
Chinese spokesman put it later. (Ibid) On 15 December 1998, the Chinese Foreign
Minister Tang Jiaxuan wrote to Jaswant Singh to congratulate him on his taking over
as the Minister for External Affairs. In this letter, Tang Jiaxuan hoped that
Sino-Indian relations could be consolidated and further developed during Singh’s
tenure. Jaswant Singh replied in the following words: “India remains committed to
the process of dialogue to address and resolve outstanding issues,” and he looked
forward to “continuing our interaction to further mutual understanding, co-operation
and friendship, so essential for our two countries and peoples.” (Ibid) In February
1999, a team of officials of India’s Ministry of External Affairs visited Beijing and
held consultations with their Chinese counterparts in preparation for the JWG. The
two sides discussed India’s nuclear tests and their impact on Sino-Indian ties and
expounded their respective positions on the issue. They agreed to “work for the
restoration and improvement of bilateral relations.” (Ibid) In April 1999, the long
delayed JWG meeting was held in Beijing.

Thirdly, there was a joint attempt to keep the bilateral economic relations on track
and let it “facilitate revival of China-India interactions in the wake of India’s nuclear
tests”. (Swaran Singh 2005: 107) Compared with the average growth rate of 40 per
cent during the preceding six years, the China-India bilateral trade did suffer a
visible setback due to Pokhran II, with an increase of only 5 per cent for the whole of
1998. (See Table 2) In this period, especially during the three or four months around
the tests, some of their economic interactions were cancelled or postponed. These
negative trends were neutralised by other bilateral economic engagements, however.
India signed agreements for 5 joint ventures in China during 1998 involving an
investment of US$8 million and other 6 joint ventures during 1999 involving
investment of US$1.9 million. (Swaran Singh 2005: 109) Notwithstanding the
symbolic cancellation of the China Commodity Fair in Mumbai during
August-September 1998 and China’s visibly low-profile presence during the Indian International Trade Fair of November 1998, China National Chemicals Import and Export Corporation, one of China’s largest state-run corporation, went ahead with its decision to expand its business of exports of natural gas, crude oil, etc, to India. (Acharya 1999: 1399) The 1998 positive rather than negative growth rate of bilateral trade itself, in the view of some analysts, indicated that the impact of Pokhran II on Sino-Indian economic relations was “not only short-lived but also very marginal”. (Swaran Singh 2005: 108) Moreover, quick revival of trade and commerce links after the nuclear tests helped pave the way for the political engagement between the two sides.

In June 1999, India’s External Affairs Minister Jaswant Singh visited China. During his meeting with the Chinese Foreign Minister Tang Jiaxuan, the two sides agreed that neither side regarded the other as a threat. China appeared to be satisfied that the prerequisite for the resumption of relations (i.e., India’s retraction of its assertions about the China threat) upon which it had been insisting was met finally and firmly by the Indian government. On its part, India also expressed satisfaction that China agreed to commence a dialogue on security matters. (Ranganathan and Khanna 2004: 176) Jaswant Singh’s visit to Beijing re-commenced the high-level contacts between the two countries after a gap of over one year. Since then, the China-India relations had been brought back on track with the resumption of all bilateral interactions in various fields.

5.3 New Stage of China-India Relations (July 1999-December 2004)

Coming out of the shadow of India’s nuclear tests, China-India relations have entered into a new stage since mid-1999. Irrespective of their specific expectations from this relationship, as the twin rising powers, China and India converged at the
point that stable and cooperative relations between them would best serve their own national interests in the new century. If the last decade of the 20th century represented the “initial stage” of the transformation of China-India relations, in which the two countries reengaged with each other after a gap of nearly three decades, the first years of the 21st century witnessed “a steady consolidation” of their long-term constructive and cooperative partnership which would lead to “a qualitatively new relationship” between them. (Ranganathan and Khanna 2004: 182; Sino-Indian Joint Declaration 2003)

5.3(1) China’s India Policy

Given the fact that even the Indian nuclear tests were not able to shake China’s resolve to befriend India, China unwaveringly continued its India policy which had been fashioned since the end of the Cold War. As the China-India relations were put back on track after Jaswant Singh’s Beijing visit, China started to introduce some new steps into its efforts to strengthen mutual ties. In sum, China’s India policy in this stage was characterised by the following features: to avoid any reference to the nuclear issue, even as it continued to maintain that India should sign the NPT and CTBT and refused to accept India as a nuclear weapon state; to put focus on economic cooperation; to explore new fields of cooperation; and, to maintain an even-handed approach towards India and Pakistan.

Although their differences on the nuclear issue itself were not the main cause for the deterioration of China-India relations after Pokhran II, they have become a new challenge to the bilateral ties anyhow. As far as China is concerned, it appeared to be very difficult to work out a balance between China’s position that India should sign the NPT and CTBT and India’s request to be accepted as a nuclear weapon state. To resolve this dilemma, China reasserted Deng Xiaoping’s initiatives in early 1980s
and the consensus reached between China and India in 1988 which suggested the
two sides to set contentious issues aside and concentrate on improving the
relationship in other areas. During Indian President K.R. Narayanan’s visit to China
in 2000 and Li Peng’s visit\(^{1}\) to India in 2001, China chose to avoid any reference to
the unpleasant memory of the recent past. In fact, there was no mention of the
nuclear issue at all. (Acharya 2000: 2093; Acharya 2001: 437-438) This was seen as
"the Chinese approach that nothing would be allowed to mar the general air of
significant gesture by China was its mild reaction to the Agni II missile test which
India conducted just prior to the conclusion of Li Peng’s India visit. In a “rather
cautiously worded” statement by the Chinese Foreign Ministry, there was no direct
criticism of this intermediate range ballistic missile test but warning against an arms
race in the region. (Ibid: 437)

After mid-1999, China started to lay more stress on its economic engagement with
India. It was obvious that China expected economic cooperation to be the engine and
the stabiliser of China-India relations pending the final solution of the border
problem which would take more time. In each high-level contact during this period,
China made economic cooperation a focus of the bilateral talks. On the occasion of
Narayanan’s China visit in 2000, China suggested that the two countries should
expand their economic cooperation from bilateral to the regional level. During
Narayanan’s short stay in Kunming, the capital of China’s south-western province of
Yunnan, the provincial authorities formally sought India’s support to the so-called
“Kunming Initiative”. (Acharya 2000: 2094-2095) The “Kunming Initiative” was
originally put forward by scholars at Kunming’s Institute of South Asian Studies in
1999. It called for sub-regional cooperation among south-western China,

\(^{1}\) Li Peng, the chairman of the National People’s Congress of the PRC, was then the No. 2 political figure in
China. It was the second time he visited India. The first happened in 1991 when he visited India as the Chinese
Premier.
north-eastern India, Myanmar and Bangladesh. Accompanied by a large trade and business contingent, Li Peng made it a major focus of his 2001 visit to India to “explore new avenues for increasing economic exchanges and trade in the new century”. (Acharya 2001: 438) By visiting Hyderabad and Bangalore, India’s major IT centres, Li Peng conveyed China’s keenness on cooperation with India in such fields as IT sector and software where India had made great strides. During the Chinese Premier Zhu Rongji’s visit to India in 2002, it became clear that China “preferred to concentrate on the business of strengthening bilateral economic ties.” (Cherian 2002) Five Memoranda of Understanding and contracts worth more than US$100 million were signed during this visit. According to the Chinese Ambassador Hua Junduo, China believed that “the orientation of future relations between the two countries would depend on the level of economic interaction.” (Ibid)

Apart from strengthening economic cooperation, China also continued to explore the avenues for building diversified cooperation with India. The two major fields in which China showed great interest were bilateral cooperation on non-traditional security issues and coordination in multilateral fora. As China attached greater importance to the non-traditional security issues such as terrorism, transnational crimes, environmental degradation and drug trafficking, it started to explore the possibility of cooperation with India in this field. During Narayanan’s visit, China for the first time brought up the subject of international terrorism and the need for India and China to cooperate at the global level to combat it. In 2001, in a conversation with the Indian media, Li Peng made “the most forthright statement” of China’s desire for cooperation with India to combat terrorism. (Acharya 2001: 438) Since then, the need for combating terrorism has become a routine topic of the bilateral talks. Moreover, China expected a joint contribution by China and India in fashioning a new world order. In his Four-Point Proposal on Sino-Indian relations, which was put forward during his meeting with his Indian counterpart Narayanan,
the Chinese President Jiang Zemin called for strengthening the bilateral “coordination and cooperation in international affairs, and make(ing) joint efforts for the establishment of a just and reasonable new international political and economic order.” (Acharya 2000: 2095) During Li Peng’s 2001 visit to India, he again expressed China’s desire to join hands with India to promote multipolarity for world peace and “ride the tide” of globalisation for common development, in order to bring about a “just and fair” new political and economic order. (Acharya 2001: 439) During Zhu Rongji’s 2002 visit to India, it was announced that the two countries would hold regular dialogue on this subject and constitute an anti-terror consultation mechanism. (Cherian 2002)

This period also witnessed China’s firm adherence to its even-handed approach to the region since the end of the Cold War. In the Indo-Pak Kargil War of 1999, “many Indians were surprised to find that China did not stand by Pakistan.” (Saikia and Hongwei Wang 2003-04) After the terrorist attack of 13 December 2001 on the Indian Parliament, the Chinese government strongly condemned it, though it cautiously avoided echoing India’s complaint of the cross border terrorism sponsored by the Pakistani state. While military tensions between India and Pakistan went on the boil later on, the Chinese Premier Zhu Rongji paid a visit to India as planned in the second week of January 2002. During the visit the two sides discussed the crisis. Zhu Rongji reiterated the Chinese position that the India-Pakistan dispute should be resolved through negotiations. He also said that the January 12 speech of President Pervez Musharraf reflected the resolve of the Pakistani government to combat terrorism. (Cherian 2002) These reactions by China further manifested the contour of China’s current policy towards the India-Pak dispute: keeping neutral on the India-Pak problem; supporting Indo-Pakistani bilateralism rather than any third-party mediation; reacting if necessary according to the ground realities; not allowing tensions between India and Pakistan to apply brakes to China’s respective relations
with both countries.

5.3(2) India’s China Policy

Taking a more comprehensive security perception since the mid-1990s, India saw more opportunities than challenges in its relations with China after the bilateral ties came back on track in mid-1999. India was convinced that a constructive cooperation with China would serve its national interests at the juncture of the new century. India’s China policy in this period reflected its comprehensive approaches to its national security. With territorial security still on top of its security agenda, India tried its best to keep the border talks at the core of its bilateral contacts with China. Having upgraded economic security to the same level as military and political security, India was committed to solving its difference with China through dialogue in order to keep a peaceful and stable relationship with its largest neighbour. As a result, India initiated a security dialogue with China, hoping that most of its security concerns regarding China could be discussed and solved under such a mechanism. At the same time, India made serious efforts to establish and develop new partnership with other major powers which could be construed in terms of balance-of-power politics and thereby counterbalance China.

From India’s perspective, “the border continues to be the centrepiece of the relationship” before the final solution is reached, although “it is no longer a stumbling block to further progress”. (Acharya and Deshpande 2003a: 2941) The sooner a final settlement is reached, the earlier would considerable military and financial energies of India be released for other more purposeful activities.© Dissatisfied with the “static” nature of the border talks till then and suspicious that

© This point was made by Indian Prime Minister Vajpayee in his address to the Combined Commanders Conference, which was attended by members of the Cabinet Committee on Security, on November 1, 2003, see Acharya and Deshpande (2003b: 4729-4730).
China might not be “very forthcoming or desirous of accelerating the pace of the discussions” (Acharya 2000: 2094), India has invested more efforts since mid-1999 to keep the border issue at the centre of its interaction with China. In each high-level contact between India and China, the border issue was always one of the first things brought up by the Indian side. During his 2000 visit to China, the Indian President Narayanan told his Chinese counterpart, Jiang Zemin, that although it was nobody’s case that the contentious border could be easily resolved given the extremely complex dimensions, it ought not for that reason be left to later generations to tackle. (Ibid) To speed up the border talks, India worked for more political initiative and intervention at the highest level on both sides. The appointment of special political representatives in 2003 could be seen as an achievement of India’s efforts in this regard.

As India’s security concerns regarding China went beyond the pending boundary question and the overlapping areas of their security interests were broadening in the process of their simultaneous emergence, India felt the necessity to start a formal security dialogue with China in order to dispel its security concerns and prevent tensions caused by misunderstanding. In the 1990s, such dialogue on security issues took place mainly between the top leaders of both countries. In meetings of the Sino-Indian Joint Working Group on the Boundary question, both sides also informally exchanged their views on security matters. As mentioned earlier, it was during Jaswant Singh’s 1999 visit to China that the two countries agreed to establish a specific institutional arrangement for security dialogue which would be independent of the JWG. This formal annual security dialogue was inaugurated in March 2000 when Indian and Chinese delegations of the Joint-Secretary level met in Beijing. During this round of dialogue, the Indian side “did convey [our] concerns that China’s assistance to Pakistan’s nuclear and missile programme had an adverse impact on regional stability to which we have been obliged to respond in a
responsible and restrained manner.” (Summary of the Press Briefing 2000) In other words, this mechanism in fact “provided a forum for India to raise its concerns on China’s nuclear and missile cooperation with Pakistan as well as broader questions of nuclear arms control.” (Mohan 2003: 148) As J.N. Dixit put it, “The bilateral exchange of views could also serve the purpose of removing misunderstandings about India’s nuclear and missile weaponisation and structuring a political and strategic understanding on non-proliferation and arms control issues. The dialogue would also serve the purpose of evolving an understanding between India and China on issues affecting South and South East Asian security in general, and perhaps in reducing tensions between India and Pakistan.” (Dixit 2001: 253) India’s keenness on developing a formal mechanism on security dialogue with China was again in accord with its post-Cold War comprehensive approaches to security, which observes security dialogue and cooperation as a significant component of it.

To cope with the rise of China, at another level, India kept the traditional game of balance-of-power as an option. In India’s perspective, its new partnership policy since the end of the Cold War best served this purpose. Unlike the alliance security prevalent in the Cold War period, the new partnership policy could play a role of counterbalancing China without sacrificing the improvement in its relations with China. In other words, India’s post-Cold War great power diplomacy and “Look East” policy were designated to safeguard its national security in general and counterbalance China in particular. By the turn of the century, when India tried to expand its ties with the United States and deepen its relationship with the ASEAN countries, it obviously bore China in mind, hoping that these relationships could provide it more strategic space in its relations with China. (Mohan 2003: 161-162) Since then, India has also extended its “Look East” policy to get Australia, Japan and South Korea involved. It has laid more stress on the strategic and geopolitical dimensions of its cooperation with these countries. Yet these new partnerships were
not anti-China alliances, as India reiterated in recent years, nor would they collide with India’s effort to develop a constructive relationship with China. As mentioned earlier, while the Vajpayee government sought a “natural alliance” with the United States, the first informal Foreign Minister level India-China-Russia dialogue took place in September 2002 on the sidelines of the United Nations General Assembly.

As the emergence of India moved onto a rapid but stable track at the turn of the new century, the Indian government felt it imperative to play a more active role in the global arena. In the past, India had been believing that China was a stumbling block in this regard. As discussed in earlier chapters, during the Cold War, especially in Indira Gandhi’s era, India thought China attempted to dominate Asia by eclipsing India’s international standing and prestige. After the Cold War, now that China did get ahead of India in many ways, it seemed to India that China was less desirous to accept its emergence. Therefore, in the early 1990s, India started to emulate China in hopes of correcting the imbalance with China. It believed that China was unlikely to take India’s global prospects seriously until it was both economically and militarily as strong as China. India’s efforts in this regard bore fruit in the late 1990s when it began to gradually increase its comprehensive national strength. As a result, India resolved to continue this strategy. At the same time, as India and China extended their cooperation to the global level, India felt the positive side of the China factor. Its cooperation with China at the global level itself had positive effects on upgrading India’s international position. In spite of their differences on the nuclear issue and some mutual grievances thereby, India was clear that China’s acceptance and acknowledgement was imperative for its legal status of nuclear weapon state. Furthermore, since India started to press its claim for a UNSC seat in the late 1990s, it has been seeking China’s support in this respect.
5.3(3) New Stage of China-India Relations

Emerging from the above discussion of their policies towards each other since mid-1999, it is clear that the respective expectations of China and India about this relationship were not always identical. With the consensus and resolve to maintain a stable and cooperative relations between them, however, they tried to maximise their own interests only within the framework of friendship. This meant that sometimes they would accommodate their requirements to the concerns of the other, for instance, China’s attitude toward the Indo-Pak tensions and India’s stance on the Tibetan issue. Not everybody was satisfied with the pace of the development of China-India relations, but no one could deny that this relationship forged ahead and entered a new stage of comprehensive cooperation during this period. The following are striking manifestations of this transformation: new boom in high-level visits, new consensus on the orientation of this relationship, new progress in border talks, new efforts in terms of trust building, and new achievements in the field of economic cooperation.

This period first witnessed a new boom of exchange of high-level visits. Almost in each year, there was a state-level visit between them. On the Chinese side, National People’s Congress Standing Committee Chairman Li Peng and Premier Zhu Rongji, paid respective visits to India in 2001 and 2002. Li Peng was then the No. 2 political figure in China while Zhu Rongji the No. 3. On the Indian side, President K. R. Narayanan and Prime Minister Atal Bihari Vajpayee visited China respectively in 2000 and 2003. Apart from their significance in an overall sense to mutual trust and close cooperation between the two countries, each of these visits made a specific contribution to the improvement of China-India relations. Narayanan’s visit closed the Pokran II chapter in their bilateral relations and started a new chapter. Li Peng’s visit reinforced the positive trends in this relationship since Narayanan’s visit. He
also made a three-point proposal\(^{10}\) regarding the promotion of cooperation between the two parliaments, on the basis of which a Parliamentary Friendship Group was established. Zhu Rongji’s visit especially gave a boost to bilateral trade and economic relations, as well as tourism. Vajpayee’s visit produced a joint declaration and as many as nine agreements on cooperation in the economy, law and justice, science and technology, and culture. The two sides agreed to establish a Special Representative mechanism to address the border issue.

Through these high-level contacts, a new consensus on the orientation of China-India relations in the new century was finally reached during Vajpayee’s visit to Beijing in 2003. As mentioned earlier, the objective set for the China-India relationship by the 1988 *Sino-Indian Joint Press Communiqué* and the 1991 *Sino-Indian Joint Communiqué* was to restore, improve and develop friendly and good-neighbourly relations. After the mid-1990s, the two countries attempted to upgrade it. Since then, top leaders from both sides have been talking about their “constructive cooperation” or “cooperative and constructive partnership” during their bilateral contacts. However, it was not formally contracted until 2003. *Declaration on Principles for Relations and Comprehensive Cooperation between the Republic of India and the People’s Republic of China*, signed during Vajpayee’s China visit, set up a new orientation for this relationship on the basis of their normalisation efforts in the 1990s. In this joint declaration, both sides not only affirmed that they would promote a long-term constructive and cooperative partnership but also drew a blueprint for “comprehensive cooperation” including regularisation of political contacts, expansion of economic cooperation, and broadening of defence exchanges. China-India relations, therefore, has got a new starting point in the 21\(^{st}\) century.

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\(^{10}\) This three-point proposal includes: increasing the exchange of personnel between the two parliaments, establishing a parliamentary friendship group, and strengthening the two parliaments’ cooperation in world affairs.
Although the border negotiation did not advance at the desired speed, no one can deny that it did achieve some new and steady progress during this period. Since mid-1999, China and India had conducted three rounds of JWG meetings and 4 rounds of Expert Group meetings. During the 8th Expert Group meeting which was held in November 2000, the two sides completed the exchange of maps of actual positioning of troops and control on the least controversial “middle sector” of their border areas. Then a new mechanism came into being. During Vajpayee’s visit in 2003, India and China agreed to “appoint a special representative each to explore, from the political perspective of the overall bilateral relationship, the framework of a boundary settlement”. (Declaration 2003) Immediately thereafter, China named Dai Bingguo, the senior most Vice-Minister in the Chinese Ministry of Foreign Affairs, as its Special Representative, and India nominated Brajesh C. Mishra, the National Security Adviser and the Principal Secretary to the Prime Minister of India. It was welcomed in both countries as a “breakthrough”. (Acharya and Deshpande 2003b: 4729-4730) This decision “marks the first public acknowledgement of the imperative of seeking eventual solutions based primarily on political considerations, something which has been privately talked about for many years.” (Ranganathan and Khanna 2004: 192) Having the full confidence of their Prime Ministers, the two special representatives could provide inputs and political will reflecting the objectives of the leaderships at the highest level. Therefore, it would overcome the limits which the former border talks and JWGs had reached, and then hopefully lead to a speedy resolution. After the first-round talk between Mishra and Dai was held in the second half of October in New Delhi, the two special representatives met thrice in 2004. Since both sides did not divulge any details, no outsider could know the actual and substantive content of the talks. Yet one could tell, from the frequency of the talks,

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The China-India Expert Group was set up in 1993. It consists of diplomatic and military experts which are respectively appointed by each side of the JWG. Its task is to assist the JWG in dealing with the boundary issues. It meets once a year.
the sincerity and desire of both sides to solve their boundary problem as soon as possible.

As the border areas remained peaceful and tranquil and the border talks steadily moved forward, other new efforts were introduced in trust building between the two countries. On the one hand, each made gestures of goodwill to relieve some of the concerns of the other. On China’s part, for instance, it finally accepted Sikkim as a part of India. During the days when China and India were antagonistic towards each other, the PRC’s official position was that “The Chinese government...absolutely does not recognise India’s illegal annexation of Sikkim...”(Cited in Acharya and Deshpande 2003a: 2942) Since the 1990s, however, China had been obsessed with competing interests: adhering to its traditional opposition to any infringement of state sovereignty, and promoting its friendship with India. At the beginning of the new century, China decided to make a compromise with regard to the former in order to provide a guarantee for the latter. During Vajpayee’s visit of 2003, through the memorandum on border trade involving Sikkim and Tibet, China extended de facto recognition to the accession of Sikkim to India. This memorandum designated Changgu of Sikkim state and Renqinggang of the Tibetan Autonomous Region as the venue of border trade and Nathu La as the pass of entry and exit. In early October of the same year, the Chinese Ministry of Foreign Affairs removed the page of Sikkim (as an independent country) from its website. On India’s part, in the joint declaration of 2003, it “recognizes that the Tibet Autonomous Region is part of the territory (emphasis added) of the People’s Republic of China and reiterates that it does not allow Tibetans to engage in anti-China political activities in India.” (Declaration 2003) The terminology, which India applies to Tibet, has changed thrice since 1950s. In 1954, India referred to the “Tibet region of China”. (Agreement 1954) In the 1988 Sino-Indian Joint Press Communiqué and the 1991 Sino-Indian Joint Communiqué, India recognised that “Tibet is an autonomous region of China” (emphasis added).
Taking into account of Chinese position that "Tibet is an inalienable part of Chinese territory," it is evident that the 2003 terminology by India was the closest to China's stance. On the other hand, defence exchanges between the two countries were strengthened during this period. There were continuous exchanges of high-level defence delegations. Their Defence Ministers exchanged visits with George Fernandes visiting China in April 2003 and Cao Gangchuan returning the visit in March 2004. According to India's annual defence report of 2002-2003, "Naval ships of both sides have been exchanging visits and some of India's mid level officers are undergoing courses in Chinese institutions." (Annual Report 2002-2003: 5) The first ever India-China naval exercise was held off Shanghai in November 2003. In September 2004, an Indian delegation participated, for the first time, in a PLA military exercise held in Henan province.

Last but not least, this period also witnessed impressive new achievements in the China-India bilateral economic cooperation. As their political relations moved back on track, their economic relationship leaped forward at a pace it had never had. At the most visible level, the bilateral trade increased by 584% in just five years, from US$ 1.99 billion of 1999 to US$ 13.6 billion of 2004. (See Table 2) Compared with the average growth rate of 40% during the period between 1991 and 1997, the annual growth rate of this period reached 48%. While commodity transfers dominated the bilateral trade between China and India, many new sectors, like border trade and trade in high-tech products, were also explored. (Swaran Singh 2005: 97) In the meanwhile two-way flow of investments continued to grow steadily. (Ranganathan and Khanna 2004: 200) India's Ranbaxy Pharmaceuticals and National Institute for Information Technology "dominated" China's scene in pharmaceuticals and IT education. India's Tata Group, one of the largest conglomerates in Asia, were expanding its business in China by increasing investment in software and launching new joint-venture projects in other sectors like automobiles and steel. China's home
electric appliance makers TCL and Haier also established joint ventures in India. (Swaran Singh 2005: 104-105) At the current juncture, there are more than 150 Indian companies in China and 50-60 Chinese companies in India. (Sun in Guruswamy 2006: 202) In March 2004, China and India also launched talks to evolve a bilateral free trade area (FTA) agreement. Moreover, the two countries have strengthened their cooperation in WTO on many trade related issues, for example, their “joint leadership of the developing world at the WTO meeting at Cancun”. (Ranganathan and Khanna 2004: 197)