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# **Sino-Indian Relations and their Impact on New Zealand's Future Security**

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# **Abstract**

China and India are the two most populous states on the planet, they share a common border and they have analogous aspirations of being recognised as great powers. The Sino-Indian relationship has been historically unsteady, beginning in 1962 when disputes over the Sino-Indian border triggered a war. Since the uneasy cessation of the border war, other areas of competition have impinged on the relationship between the two nations. These include nuclear competition, competition for strategic influence, and economic competition. There have also been some limited indications of cooperation between India and China.

New Zealand is over 11,000 kilometres from both Beijing and New Delhi, however, the developing Sino-Indian relationship has considerable potential to impact on New Zealand's complex security interests. To name a few, Sino-Indian tension may effect New Zealand's key trade routes that pass through areas of strategic interest to both India and China, may increase the threats from nuclear proliferation and might have a destabilising effect on New Zealand's ethnic Indian and Chinese populations. Sino-Indian cooperation, however limited, may also produce some opportunities for New Zealand in areas such as increased trade and improved regional stability

Given the complexity of both the Sino-Indian relationship and New Zealand's security interests, New Zealand needs to carefully maintain awareness of the developing relationship between India and China. This awareness should then be used to exploit opportunities that arise out of the Sino-Indian relationship, and to protect New Zealand from possible negative outcomes. Both actions will assist in enhancing New Zealand's future security.

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# Introduction

On one mountain, there cannot live two tigers.

- Chinese official on Sino-Indian relations<sup>1</sup>

The state of being secure is what provides us with the ability to live freely without the fear of someone else imposing their will upon us in a detrimental way. This applies from the individual through family or social group to the state level, from one person protecting their security by buying a security system to a state making decisions that protect the state's future security. While an individual, group or state may not be able to completely guarantee security, by assessing the future environment and applying that assessment to careful planning, much can be done to shape security. This is more complex at the state level given the wider range of issues that could be negatively impacted on by individuals, groups or other states, and the greater diversity of interests of the people a state is required to protect. Barry Buzan defines national security as, '...freedom from threat and the ability of states and societies to maintain their independent identity and their functional integrity against forces of change which they see as hostile', and lists its elements as military, societal, political, economic, and environmental concerns.<sup>2</sup> National power has been defined as 'a state's ability to coerce or manipulate the activities of another state', and so state security may be thought of in terms of protection against the unwanted or hostile imposition of another state's national power.<sup>3</sup> As a result of the terrorist attack of 11 September 2001 and the subsequent Global War on Terror, it is also prudent to consider some trans-state actors such as terrorists and international criminals in the same light as

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<sup>1</sup> Unnamed Chinese official when commenting on Sino-Indian relations.

<sup>2</sup> Buzan, Barry, *New Patterns of Global Security in the Twenty-First Century*, in *International Affairs*, 67:3, July 1999, p. 433.

<sup>3</sup> Keohane, Robert & Nye, Joseph, 'Power and Interdependence in the Information Age', in *Foreign Affairs*, 77:5, September/October 1998, pp. 81-94.

states, given that their collective influence has the potential to coerce or manipulate states. A more complex security environment requires more analysis of the future in order to be prepared to meet security challenges in a way that is positive for the state rather than having to react to a changing security environment at short or no notice.

Like other states, this is the context within which New Zealand must consider its future security and any threats to it, bearing in mind that New Zealand is not a powerful state. New Zealand is unable to militarily impose its will on most other states and as such needs to take more pains than most to carefully assess its security environment. This is necessary to ensure that New Zealand is well placed to take advantage of opportunities and avoid anything that reduces its ability to act in a way that is inimical to New Zealand's interests. Many New Zealanders, however, take security for granted given New Zealand's relative isolation, the absence of a tangible threat and the historical lack of physical threats. Given the rapidly changing world and improved global communications, transport and ability to project military force, New Zealand seems to have been lulled into a *sense* of security and needs to carefully consider the full range of possible issues that could affect its future security in order to develop that sense into a reality. To achieve this, it is important to clearly define security in a New Zealand context and apply that definition to as broad a range of influences as possible, starting with those that are likely to have the most influence. This prioritisation is necessary in reducing the virtually unlimited range of possible security influences so that New Zealand can address the key issues first. Prioritisation may be based on proximity, projection or magnitude of possible security influences. In New Zealand's region, the Asia-Pacific, there are two nations that appear to potentially meet all three of those conditions, and as such, could significantly influence New Zealand's future security, these being China and India. In addition to the direct influence that each of these nations may have, the relationship between India and China and how that develops may also have an impact on New Zealand and potentially threaten or enhance New Zealand's future security.

The 2001 *Asia Pacific Security Outlook* recognises that '... New Zealand faces perhaps fewer direct threats than any other country in the world...', a view supported by a number of other commentators.<sup>4</sup> Despite this, the Asia-Pacific is undergoing some potentially destabilising changes – particularly a perceived shift in the balance of power between the great powers in the region.<sup>5</sup> Included in this shift is the growing power of India right alongside China. Together, China and India represent one third of the world's population and India's population is expected by some to surpass China's in 2035.<sup>6</sup> While having long histories, modern India and China are relatively recent states, with India gaining independence in 1947 (leading to the establishment of the Republic of India in 1950) and the People's Republic of China (PRC) being established in 1949.<sup>7</sup> Initially Indian Prime Minister Jawaharlal Nehru sought to establish good relations with the fledgling PRC, extending to providing early recognition of the Communist state on 30 December 1949.<sup>8</sup> This goal, however, was severely set back when tension on the border with China escalated at the end of 1962 leading to war, which fuelled animosity, tension

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<sup>4</sup> Ayson, Robert, 'New Zealand and Asia-Pacific Security: New Rationales for Engagement?', in *Contemporary South East Asia*, 22:2, August 2000, pp. 394-5; Clark, Helen, on Face the Nation, Television One, 5 April 2001, cited in Lance Beath, 'Why New Zealand Needs Another Defence White Paper', in *New Zealand International Review*, 26:5, September/October 2001, p. 12; Goff, Phil, *Improving Growth and Security in the Asia Pacific Region: New Zealand's Contribution*, The Honorable Phil Goff, New Zealand Minister of Foreign Affairs and Trade, Washington DC, 7 April 2004, <http://www.asiasociety.org/speeches/goff04.html>, viewed 30 October 2004; McNally, Christopher A. and Morrison, Charles E. (eds.), *Asia Pacific Security Outlook: 2001*, Tokyo: Japan Centre for International Exchange, 2001, p. 118.

<sup>5</sup> Kang, David C., 'Getting Asia Wrong: The Need for New Analytical Frameworks', in *International Security*, Volume 27, Number 4, Spring 2003, p. 58; McKinnon (1999), p. 14; Terrence O'Brien, 'Asia-Pacific Security: A New Zealand Viewpoint', in Robert G. Patman (ed.), *Security in a Post-Cold War World*, London: MacMillan Press, 1999, pp. 255-7.

<sup>6</sup> *Six Billion and Beyond: India: Overview*, <http://www.pbs.org/sixbillion/india/india.html>, Viewed 9 Jul 03.

<sup>7</sup> Garver, John W., *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, Seattle: University of Washington Press, 2001, p. 3.

<sup>8</sup> Brecher, Michael, *Nehru: A Political Biography*, London: Oxford University Press, 1959, pp. 588-9; *Indiainfo.com, Chronology of Events*, <http://news.indiainfo.com/spotlight/jammuandkashmir/indochina.html>, viewed 14 October 2004.

and suspicion.<sup>9</sup> Since that time China and India have engaged in a series of improvements and setbacks in their relationship.<sup>10</sup>

In July 2003 India's Prime Minister Shri Atal Bihari Vajpayee visited China in order to discuss improvements in their relationship. Included in the discussions were agreements on improved recognition of some of the old border claims that had led to the war in 1962 and Indian recognition of Tibet as part of the People's Republic of China (PRC).<sup>11</sup> Also included were steps to improve economic relations given that India has been increasing its economic links with China in the last few years. The instability of Sino-Indian relations was highlighted by the fact that there was a border incident where Chinese troops entered India and disarmed Indian troops, actually while the talks were occurring.<sup>12</sup> The new Indian Government, which took office in May 2004 and is led by Prime Minister Manmohan Singh, pledged early to improve relations with China.<sup>13</sup> During a visit to India by Chinese Premier Wen Jiabao in April 2005, this pledge was followed through with an agreement to recognise the status quo along the disputed border until a permanent agreement is reached, an essential step in resolving the border dispute that could lead to improved trade and formal demarcation of borders.<sup>14</sup> These recent events appear to

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<sup>9</sup> Maxwell, Neville, *India's China War*, London: Jonathan Cape Limited, 1970, pp. 91-5, 417-8; Nehru, Jawaharlal, *Letter from the Prime Minister of India to the Prime Minister of China*, New Delhi, 26 September, 1959, reprinted in *The Chinese Threat*, Faridabad: Government of India Press, January 1963, pp. 33-47.

<sup>10</sup> MacKerras, Collin; Teneja, Prandeep and Young, Graham, *China Since 1978: Reform, Modernisation and 'Socialism with Chinese Characteristics'*, New York: St. Martin's Press, 1994, p.237.

<sup>11</sup> BBC News, *India and China agree over Tibet*, 24 June 2003, [http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/south\\_asia/3015840.stm](http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/south_asia/3015840.stm), viewed 25 June 2003; *India-China Agreement*, 23 June 2003, [http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/asia\\_pacific/3017926.stm](http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/asia_pacific/3017926.stm), viewed 25 June 2003.

<sup>12</sup> 'India News', in *Asian Military Review*, Issue 6, September/October 2003, p. 76.

<sup>13</sup> Indian National Congress, *Issues before the Nation: Security, Defence and Foreign Policy*, <http://www.congress.org.in/>, viewed 7 July 2004; Indian National Congress, *Lok Sabha Elections 2004: Manifesto of the Indian National Congress*, <http://www.congress.org.in/>, viewed 6 July 2004.

<sup>14</sup> Dikshit, Sandeep, "India-China protocol to define 'conditions at ground level'", *The Hindu*, Front Page, Tuesday 12 April 2005; Wikinews, *India-China border-treaty hoped to improve ties, facilitate trade*, [http://en.wikinews.org/wiki/India-China\\_border-treaty\\_hoped\\_to\\_improve\\_ties\\_facilitate\\_trade](http://en.wikinews.org/wiki/India-China_border-treaty_hoped_to_improve_ties_facilitate_trade), viewed 16 August 2005; Premier of the State Council of the People's Republic of China and Prime Minister of the Republic of India, *Joint Statement of the Republic of India and the People's Republic of China*, New Delhi, 11 April 2005, <http://meaindia.nic.in/sshome.htm>, Viewed 24 August 2005; Zhao Huanxin, 'China, India forging strategic partnership', in *China Daily*, 12 April 2005,

mark a new era in improved Sino-Indian relations, however, there have been promising improvements before that have been followed by concerning setbacks. John Garver points out that:

Periods of cooperation in Indian-Chinese relations have been brief and problematic. Repeated efforts at rapprochement have collapsed amid eruptions of renewed geopolitical rivalry, have had very limited success, or, at best, have reduced somewhat the level of tension and danger of miscalculation associated with Indian-Chinese conflict.<sup>15</sup>

Sino-Indian tension has revolved around a number of key issues such as mutual border disputes, India's nuclear development and strategic competition in South Asia, and the wider international arena. Another key issue that may contribute to future tension is economic competition, required to provide resources that enable military strength and greater influence. This economic competition also includes the commensurate competition for energy and resources required to fuel economic growth. These issues require careful consideration in order to understand the impact Sino-Indian relations may have on New Zealand's future security.

The Sino-Indian border disputes began with the British holding the Simla Conference in October 1913, which included China, Tibet and British India as participants and resulted in a disputed British interpretation of the Sino-Indian Border that included the famous McMahon Line.<sup>16</sup> This border that depicted the boundary between Tibetan and British control was inherited by the Indian Republic, along with the lack of recognition afforded it by the Chinese. When the PRC occupied Tibet in 1950, modern India was for the first time presented with a potential adversary with considerable military capability immediately on

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[http://www2.chinadaily.com.cn/english/doc/2005-04/12/content\\_433264.htm](http://www2.chinadaily.com.cn/english/doc/2005-04/12/content_433264.htm), viewed 16 August 2005.

<sup>15</sup> Garver, p. 6.

<sup>16</sup> Maxwell, pp. 49-50. Note: The McMahon Line is India's accepted interpretation of the border between the Chinese province of Tibet and India, as determined by the 1913 Simla Conference that was dominated by the British representative, Henry McMahon. The McMahon line stretches between Bhutan and Myanmar in the north-eastern corner of India.



its border, one that India was too militarily weak to evict from Tibet.<sup>17</sup> Not only that, but as a state only recently made independent, Chinese occupation of what had been claimed as Indian territory presented India with a challenge to the strength of its statehood.<sup>18</sup> India, it seems, had been protecting its borders by exercising what China interpreted as hegemony over its neighbouring states, including Tibet. Chinese reassertion of what was considered in Beijing as historical sovereignty over Tibet, seriously countered India's efforts to maintain a buffer and led to Indian attempts to assert *its* authority over territory claimed by the previous British administration. Other territories to India's north, totalling over a hundred thousand square kilometres (50,000 square miles), were included in the new People's Republic of China's re-establishment of what it claimed as its rightful Southern borders, and these did not recognise the old British maps or the McMahon Line.<sup>19</sup> Tension culminated in the outbreak of the Sino-Indian border war, after which the Government of India passed a resolution stating that they were firmly resolved to "drive out the Chinese 'from the sacred soil of India'".<sup>20</sup> Unfortunately for India, the Chinese forces defeated them soundly and India has yet to drive them out.

The Sino-Indian border conflict is yet to be fully resolved and remains a potential source of military conflict between China and India.<sup>21</sup> The ongoing tension was evidenced by a near outbreak of fighting again in 1987, and the need for two subsequent agreements on maintaining peace and tranquillity on the border and the more promising but not yet conclusive April 2005 border

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<sup>17</sup> Dutt, V.P., 'Northern Border: India-China Threat Perception', in *India's Borders: Ecology and Security Perspectives*, DVLN Rama Krishna Rao and R.C. Sharma (Eds.), New Dehli, 1991, p.70; Maxwell, p. 72.

<sup>18</sup> Garver, p. 30.

<sup>19</sup> Chin H. Lu, *The Sino-Indian Border Dispute: A Legal Study*, Greenwood Press: Connecticut, U.S.A., 1986, p. 121; Maxwell, p. 69.

<sup>20</sup> Liu Xuechang, *The Sino-Indian Border Dispute and Sino-Indian Relations*, Maryland: University Press of America, 1994, p.114.

<sup>21</sup> Banerjee, Maj Gen (Retd) Dipankar, 'India-China Relations and Chinese Military Capability', in *India's Borders: Ecology and Security Perspectives*, DVLN Rama Krishna Rao and R.C. Sharma (Eds.), New Dehli, 1991, pp. 81-84.



accord.<sup>22</sup> The 2002 *East Asian Strategic Review* stated that the 'Military balance between India and China on the border is of the utmost concern to India', while John Hill notes that 'Borders remain sacrosanct in Beijing's view... what happens within them are the very definition of... sovereignty'.<sup>23</sup> The level of tension on the border, should it escalate, is also likely to create some concerns for New Zealand, particularly if India and China go to war again. When the first war broke, New Zealand sided firmly with India and Prime Minister Keith Holyoake offered a cash gift of ten thousand pounds and a two hundred and fifty thousand pound wool credit.<sup>24</sup> Perhaps this was due to the Commonwealth connection, or maybe that the opposition was a communist nation. Whatever the reason, New Zealand may need, some time in the future, to consider again whom they should support or how they might remain neutral while maintaining good relations with both nations. With extensive ties to China and growing links with India, that decision will not be as simple as in 1962.<sup>25</sup>

One issue That New Zealand has taken a firm stance on already is that of nuclear proliferation.<sup>26</sup> In April 2003 the New Zealand Minister for Disarmament and Arms Control, Marian Hobbs, called for a strengthening of the Non-Proliferation Treaty and for 'India and Pakistan to pull back from their aspirations to nuclear weapons...'.<sup>27</sup> It is also recognised in New Zealand that

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<sup>22</sup> Klintworth, Gary, *Working Paper No 124: China's India War: A Question of Confidence*, Canberra: National Library of Australia, June 1987, p. 14; Malik, Mohan, 'South Asia in China's Foreign Relations', in *Pacifica Review*, Vol. 13, No. 1, February 2001, p. 76; Wikinews, viewed 16 August 2005; Zhao, viewed 16 August 2005.

<sup>23</sup> Hill, John, 'One year on: China's leaders set out strategy for 2004', in *Jane's Intelligence Review*, Volume 16, Number 5, May 2002, pp. 54-5; The National Institute for Defense Studies Japan, in *East Asian Strategic Review*, Tokyo: The National Institute for Defense Studies, 2002, p. 111.

<sup>24</sup> Holyoake, Keith, *Letter to Mr. F.H.T. de Marlmanche, New Zealand High Commissioner to India*, dated 30 May 1963.

<sup>25</sup> New Zealand High Commission in India, *Goff names new High Commissioner to India*, 16 March 2004, <http://www.nzembassy.com/news.cfm?CFID=8234188&CFTOKEN=55719983&c=26&l=72&i=1148>, viewed 8 July 2004.

<sup>26</sup> Ministry of Foreign Affairs and Trade, *New Zealand's Foreign and Security Policy Challenges*, May 2000, <http://www.executive.govt.nz/minister/burton/defence/mfat/issues-disarmament.htm>, viewed 6 July 2004.

<sup>27</sup> Hobbs, Marion, 'Address to the 2003 NPT Prepcom, Geneva: New Agenda Statement', *New Zealand Foreign Affairs and Trade Record*, Volume 11, Number 8, April 2003, pp. 119-20.

as a result of India's nuclear status, this issue has gained increased strategic importance to China.<sup>28</sup> China too has concerns over India's nuclear programme, specifically the official justification that India's nuclear weapons are required to defend themselves from China. China itself claims that it 'possesses a small number of nuclear weapons entirely for self-defense.'<sup>29</sup>

China decided in 1955 to develop a nuclear programme, initially to counter the United States nuclear threat.<sup>30</sup> With Soviet development assistance (that was ceased in 1959), China eventually conducted its first explosion in 1964 and tested its first nuclear weapon in 1967.<sup>31</sup> China stated from the outset that its purpose in possessing nuclear weapons was deterrence, and they would never use its weapons first.<sup>32</sup> This was reiterated officially in China's 2000 *Defence White Paper*, stating that:

China solemnly declared that it would not be the first to use such [nuclear] weapons, no matter what the time or the circumstances.<sup>33</sup>

In spite of these assurances, India remained concerned and set out to counter what they perceived as a threat.<sup>34</sup> This potential threat to India from Chinese nuclear weapons may have come from a number of sources. Chairman Mao was disturbingly unconcerned about the prospect of nuclear war and had suggested this to India's Prime Minister Nehru in 1954.<sup>35</sup> The announcement of China's nuclear capability not so long after the Sino-Indian War also caused

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<sup>28</sup> *Strategic Assessment 2000*, External Assessments Bureau, Department of Prime Minister and Cabinet, 2000, para 2.14.

<sup>29</sup> *China's National Defense in 2000*, Information Office of the State Council of the People's Republic of China, Beijing, October 2000, p. 13.

<sup>30</sup> Wu Xinbo, 'China: Security Practice of a Modernizing and Ascending Power', in *Asian Security Practice*, Stanford: Stanford University Press, 1998, p.121.

<sup>31</sup> O'Leary, Greg, *The Shaping of Chinese Foreign Policy*, Canberra: Australian National University Press, 1980, pp. 31, 155; Short, Phillip, *Mao: A Life*, London: Hodder & Staughton, 1999, p. 489; Wu Xinbo (1998) p. 121.

<sup>32</sup> Wu Xinbo (1998) p. 121.

<sup>33</sup> *China's National Defense in 2000*, Information Office of the State Council of the People's Republic of China, Beijing, October 2000, p. 61.

<sup>34</sup> Cheng Ruisheng, *Sino-Indian Relations After India's Nuclear Tests*, China Institute of International Studies, May 1999, p. 1.

<sup>35</sup> Short, p. 489.

concern in New Delhi.<sup>36</sup> In addition to these issues, China's support to Pakistan in its opposition to Indian regional dominance adds another dimension. India's border conflict with China attracted United States support, which in turn led to China providing arms to Pakistan from the late 1960s.<sup>37</sup> More recently, there have been ongoing concerns that China is providing support to Pakistan in its development of nuclear weapons, a more direct threat to India.<sup>38</sup> The Indian Defence Review reported in 2000 that:

While professing peace with India, China is transferring weapons technology to Pakistan, with a view to intimidating and cautioning India.<sup>39</sup>

India's nuclear capability began in 1947 when then Prime Minister Nehru authorised the development of nuclear power facilities.<sup>40</sup> Initially, India called for nuclear energy to not be used in the manufacture of weapons and to begin 'negotiations for prohibition and elimination of nuclear weapons and in the interim, a standstill agreement to halt nuclear testing...'.<sup>41</sup> It is generally accepted that the border dispute with China, followed by China's own nuclear tests pushed India to begin its own nuclear weapons programme in the early 1960s.<sup>42</sup> India continued to call for the prohibition of nuclear weapons, but when the Non-Proliferation treaty (NPT) was tabled in 1968, it did not require existing nuclear powers to give up their weapons, which India could not accept as it left them vulnerable.<sup>43</sup> This led to India confirming, under Prime Minister Indira Gandhi, that it would develop nuclear weapons. A test was conducted

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<sup>36</sup> Kampani, Gaurav, *Nuclear Overview*, [http://www.nti.org/e\\_research/profiles/India/Nuclear/](http://www.nti.org/e_research/profiles/India/Nuclear/) viewed 6 July 2004.

<sup>37</sup> O'Leary, p. 158.

<sup>38</sup> Kan, Shirley A., *China's Proliferation of Weapons of Mass Destruction and Missiles: Current Policy Issues*, Issue Brief for Congress, 25 July 2002, pp. 2-3; Kondapalli, Srikant, 'Indian security: Threats from China', in *Indian Defence Review*, volume 15(3), July – September 2000, p. 30; Reuters, 'Focus on China's nuclear activities', in *The New Zealand Herald*, Tuesday February 17, 2004, p. B3.

<sup>39</sup> Thomas, Lt Gen (Retd) Matthew (ed.), 'The Hard Choices Facing India and Pakistan in Testing and Deploying Nuclear Forces' in *Indian Defence Review*, Volume 15(3), July-September 2000, p. 33.

<sup>40</sup> Kampani, viewed 6 July 2004.

<sup>41</sup> Government of India, *Evolution of India's Nuclear Policy*, 27 May 1988, <http://www.indianembassy.org/pic/nuclearpolicy.htm>, viewed 6 July 2004.

<sup>42</sup> *India's Nuclear Weapons Program: On to Weapons Development: 1960-1967*, <http://nuclearweaponarchive.org/India/IndiaWDevelop.html>, viewed 6 July 2004; Kampani, viewed 6 July 2004.

<sup>43</sup> Government of India, viewed 6 July 2004.

in 1974, but at that time no apparent effort was made to weaponise the tested material.<sup>44</sup> In 1996 India rejected the Comprehensive Test Ban Treaty (CTBT), again because of its perceived imbalance in allowing nuclear powers to continue to hold their weapons, and in 1998 India tested nuclear weapons thus declaring its own status as a nuclear power and addressing its security vulnerability, particularly concerning China and Pakistan.<sup>45</sup>

India, like China, has declared a 'no first strike' policy, claiming that its nuclear weapons are for self-defence only.<sup>46</sup> Putting aside the complication of Pakistan for now, if both India and China adhere to their claims that they will not strike first, there is little to be concerned about for New Zealand's own security. India's own nuclear policy recognises that 'A nuclear weapon-free-world would, therefore, enhance not only India's security but also the security of all nations'.<sup>47</sup> However, both India and China have a history of going to war with each other, both strive for influence, both may be led in the future by individuals who might consider ridding themselves quickly of a major rival or threat and neither is likely to give up its own nuclear weapons.<sup>48</sup> In light of the significant impact the use of nuclear weapons may have, and a lack of guarantee that India and China will not use them indefinitely, New Zealand needs to consider what the impact of emerging nuclear competition may have on its future security.

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<sup>44</sup> Kampani, viewed 6 July 2004.

<sup>45</sup> Government of India, viewed 6 July 2004; Ministry of Foreign Affairs and Trade, *India – June 2004*, <http://www.mfat.govt.nz/foreign/regions/sea/countrypapers/indiapaper.html#Bilateral%20linkages>, viewed 8 July 2004; Vajpayee, Prime Minister Atal Bihari, *Address by Shri Atal Vajpayee, Prime Minister of India*, at the Asia Society Annual Dinner, New York, 7 September 2000, <http://www.asiasociety.org/speeches/vajpayee2.html>, viewed 30 October 2004; Vajpayee, Prime Minister Atal Bihari, *Statement by India to the United Nations General Assembly*, 24 September 1998, <http://www.acronym.org.uk/spsep98.htm>, viewed 8 July 2004.

<sup>46</sup> Government of India, viewed 6 July 2004; National Security Advisory Board (India), *Draft Report of National Security Advisory Board on Indian Nuclear Doctrine*, 17 August 1999, [http://www.indianembassy.org/policy/CTBT/nuclear\\_doctrine\\_aug\\_17\\_1999.html](http://www.indianembassy.org/policy/CTBT/nuclear_doctrine_aug_17_1999.html), viewed 27 November 2001.

<sup>47</sup> Government of India, viewed 6 July 2004.

<sup>48</sup> Government of India, viewed 6 July 2004; Smith, R. C., 'Nuclear Developments in North East Asia', in Rouben Azizian (ed.), *Strategic and Economic Dynamics of Northeast Asia: global, regional and New Zealand perspectives*, Auckland: University of Auckland, 1999, p. 103.

Nuclear competition is only one aspect of the strategic competition that continues between India and China. Other areas of strategic rivalry may not have the same potential to be as catastrophic with immediate effects as nuclear competition, but collectively the long-term effects may be of considerable magnitude. Strategic competition centres on states competing to gain influence in order to use that influence to best protect their security interests. This competition for influence becomes more intense between two states who are trying to protect themselves from each other. This influence is achieved in two key areas, these being the passive appearance of strength in order to gain respect and influence, and the active seeking of influence. Appearing strong is dependent on national cohesiveness and a strong economy, but is mostly manifested through a strong military capability. Active pursuit of influence can be achieved in a number of ways, including geographical domination by deploying that military capability or using other elements of national power such as political or economic influence, and by seeking associations and alliances. Both India and China are pursuing influence through these means, and, given their close proximity and overlapping interests, are likely to increasingly bump up against each other during the process.

To develop greater military capability, defence spending across Asia is generally on the increase, with China leading the push and India following behind. Both are now considered to be in the top four military powers on the globe.<sup>49</sup> From 1998 to 2001, China increased spending by US\$9.5 billion, while India increased by US\$5.6 billion, included in which are significant increases in technological capability.<sup>50</sup> A large proportion of that spending has gone into the development of maritime power, which is linked to a desire to dominate larger geographical areas through an enhanced projection capability and

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<sup>49</sup> Pillsbury, Michael, *China Debates the Future Security Environment*, Washington: National Defense University Press, January 2000, Chapter 1.

<sup>50</sup> Ball, Desmond, *Working Paper No 380 - Security Trends in the Asia-Pacific Region: An Emerging Complex Arms Race*, Canberra: National Library of Australia, November 2003, pp. 12-13.



presence.<sup>51</sup> This is supported with an attempt to increase political and economic influence from both states.<sup>52</sup> In addition, both India and China are seeking influence through a significant increase in involvement, particularly for China, in a number of international forums and an improvement in relations with other states.<sup>53</sup> New Zealand will need to monitor the effects of this increased strategic competition as it has the potential to influence New Zealand's future security across a broad range of interests.

Strategic competition requires fuel in the form of a strong economy and a reliable flow of the necessary resources. China's economy is the third largest, growing at 9% per annum and predicted by some to eventually overtake the United States.<sup>54</sup> India's economy is only the thirteenth largest in the world, but is growing steadily.<sup>55</sup> Given India's population and increasingly open, but cautious economic policies, India has considerable growth potential.<sup>56</sup> India's and China's economic and resource requirements are similar and as such create

<sup>51</sup> Ball (November 2003), pp. 4, 23; Bateman, Sam, 'More spending on regional sea power', in *Asia-Pacific Defence Reporter*, Volume 29, Number 9, December 2003, pp. 19-20; Bedi, Rahul, 'India outlines vision of future nuclear navy', in *Jane's Defence Weekly*, Volume 14, Issue Number 25, 23 June 2004, pp. 30-1; 'India News' (December/January 2003-2004), p. 52; Kondapalli, p. 29; Ong, Russell, *China's Security Interests in the Post-Cold War Era*, London: Routledge Curzon, 2002, p. 4.

<sup>52</sup> Hill, John, 'China courts friends in Europe', in *Jane's Intelligence Review*, Volume 16, Number 2, February 2004, pp. 54-5; Huiskens, Ron, *Working Paper No. 368: Asia Pacific Security Taking Charge, Collectively*, Canberra: National Library of Australia, May 2002, p. 18; Selth, Andrew, *Working Paper No. 377: Asia Pacific Security Taking Charge, Collectively*, Canberra: National Library of Australia, September 2003, pp. 6-8.

<sup>53</sup> AFP, *Blair backs India's quest for permanent seat on UN Security Council*, 21 September 2003, <http://sg.news.yahoo.com/040920/1/3n8tt.html>, viewed 19 October 2004; AFP, *Brazil, Germany, India, Japan launch joint bid for UN Council seats*, 22 September 2003, <http://sg.news.yahoo.com/040921/1/3n9us.html>, viewed 19 October 2004; Ahrari, Ehsan, 'Still unsafe in South Asia', in *Asia-Pacific Defence Reporter*, Volume 29, Number 5, July/August 2003, p. 14; Banerjee, Maj Gen (Retd) Dipankar, 'India-China Relations and South East Asia', in *Asian Defence Journal*, June 1998, p. 6; 'Conference Report: China's PLA reform success', in *Jane's Intelligence Review*, Volume 15, Number 12, December 2003, p. 55; 'India News', in *Asian Military Review*, Issue 8, December/January 2003-2004, p. 47; Klintworth, Dr. Gary, 'China matters', in *Asia-Pacific Defence Reporter*, Volume 30, Number 6, July/August 2004, p. 44; Lai, Yueh-Tsan, 'China's Strategy Toward the Asia-Pacific Multilateral Mechanism', in *RUSI Journal*, Volume 149, Number 1, February 2004, pp. 68-73; Medeiros, Evan S and Fravel, M. Taylor, 'China's New Diplomacy', in *Foreign Affairs*, November/December 2003, p. 25; Ministry of Foreign Affairs and Trade, *Country Papers: India March 2002*, <http://www.mfat.govt.nz/foreign/regions/sea/countrypapers/indiapaper.html#Political%20Situation>, viewed 13 June 2003.

<sup>54</sup> Hoge, James F. Jr., 'A Global Power Shift in the Making: Is the United States Ready?', in *Foreign Affairs*, July/August 2004, p. 2; Huiskens (2002), p. 23.

<sup>55</sup> Hoge, p. 2; The International Institute for Strategic Studies (2003/2004), p. 238.

<sup>56</sup> Vajpayee, viewed 30 October 2004.

additional areas of competition as they vie for the same sources of income and materiel. The sheer size and potential of their economies suggests that the economic relationship between the two giants will impact across the globe.<sup>57</sup> The effect that they have will largely be determined by whether or not these two economies compete or cooperate, and there are mixed opinions on which way they will go.<sup>58</sup>

Areas of competition include gaining market advantage in the trade of common commodities (such as engineering equipment, clothing and textiles, and more recently, software) and competition for foreign investment.<sup>59</sup> Competition may increase to a level where one or both countries feel their economies are threatened, which may lead to some form of economic containment, generating tension and suspicion. Such containment could include restricting or blocking trade routes or the creation of economic dependence, such as China appears to be creating in India currently.<sup>60</sup> Also of growing concern are the possibilities of competition to secure energy resources required to develop India's and China's

<sup>57</sup> Asia Pacific Summit, *China and India: Competition or Cooperation*, [http://www.asiapacific.ca/apsummit/china\\_india.cfm](http://www.asiapacific.ca/apsummit/china_india.cfm), viewed 30 October 2004; Hoge, pp. 2-3; Dermot, Brigit (ed.), *The Williamsburg Conference: New Delhi, India, 4-6 April 2004*, New York: Asia Society, 2004, p. 11; Sommers, Justin (rapporteur), *The India China Relationship: What the United States Needs to Know*, Conference Report, New York: Asia Society, 30 November 2001, pp. 11, 30.

<sup>58</sup> Business Week online, *India's China Challenge*, 11 March 2002, [http://www.businessweek.com/magazine/content/02\\_10/b3773137.htm](http://www.businessweek.com/magazine/content/02_10/b3773137.htm), viewed 30 October 2004; Chattopadhyay, Udayan, 'India and China: The Need for Radical Strategic Realignment', in *Perspectives*, Volume 3, Number 6, 30 September 2002, [http://www.oycf.org/Perspectives/18\\_093002/Indina\\_China.htm](http://www.oycf.org/Perspectives/18_093002/Indina_China.htm), viewed 30 October 2004; Editor, 'Collaboration, not competition', in *The Hindu*, 28 June 2003, <http://www.thehindu.com/2003/06/28/stories/2003062800841000.htm>, viewed 30 October 2004; *People's Daily Online*, 'India, China aim to better trade relations', 4 August 2004, [http://english.people.com.cn/200408/04/eng20040804\\_151771.html](http://english.people.com.cn/200408/04/eng20040804_151771.html), viewed 28 October 2004; World Economic Forum, *China-India: Creating a Model for Partnership*, Indian Economic Summit, 11 May 2003, [http://www.weforum.org/site/knowledgenavigator.nsf/Content/China-India:%20Creating%20a%20Model%20for%20Partnership\\_2003?open](http://www.weforum.org/site/knowledgenavigator.nsf/Content/China-India:%20Creating%20a%20Model%20for%20Partnership_2003?open), viewed 30 October 2004.

<sup>59</sup> China Council for the Promotion of International Trade, *Main Export Commodities in Volume and Value*, <http://www.ccpit.org/vhosts/english/maine.htm>, viewed 31 October 2004; Editor, in *The Hindu*, viewed 30 October 2004; Hale, David and Hale, Lyric Hughes, 'China Takes Off', in *Foreign Affairs*, November/December 2003, p. 44; Iyengar, Jayanthi, *India v China: It's all in the mind*, <http://www.atimes.com>, viewed 22 May 2003; Ministry of Commerce & Industry (India), *Exports by Regions and Countries: April-March, 2003-04*, [http://commerce.nic.in/india\\_trade/exp\\_country\\_mar2004.htm](http://commerce.nic.in/india_trade/exp_country_mar2004.htm), viewed 1 November 2004; Ministry of Foreign Affairs and Trade, viewed 8 July 2004;.

economies given both are net importers of oil, which may lead to another form of containment as access to external energy sources is restricted or denied.<sup>61</sup> Energy competition also raises a number of concerns such as increased costs of oil caused by the high demand from India and China combined, the environmental damage from increased use of coal by both India and China, and nuclear power proliferation that may be linked to nuclear weapon production.<sup>62</sup> New Zealand needs to monitor these issues to determine potential impact on New Zealand's future security and work to avoid any negative outcomes from economic competition.

While historically the modern states of India and China have had little time where there has been no tension, recent indications of improved relations between both countries suggest that it is possible that they may cooperate in the future, rather than compete.<sup>63</sup> There have been a number of suggestions of possible cooperation due to common concerns or alliances involving India and China, often as part of an axis of three nations including India-China-

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<sup>60</sup> Hong Kong Trade Development Council, *Market Profile on Chinese Mainland*, 7 October 2004, <http://www.tdctrade.com/main/china.htm#1>, viewed 1 November 2004; Ministry of Commerce & Industry (India), viewed 1 November 2004; *People's Daily Online*, viewed 28 October 2004.

<sup>61</sup> Andrews-Speed, Phillip, Liao, Xuanli and Dannreuther, Roland, *The Strategic Implications of China's Energy Needs*, New York: Oxford University Press, 2002, pp. 7, 11; Bajpae, Chietigi, 'India trails China in energy race', in *Asia Times Online*, 20 October 2004, [http://www.atimes.com/atimes/South\\_Asia/FJ20Df04.html](http://www.atimes.com/atimes/South_Asia/FJ20Df04.html), viewed 30 October 2004; Berniker, Mark, 'China's Hunger for Central Asian Energy', in *Asia Times Online*, 11 June 2003, [http://www.atimes.com/atimes/Central\\_Asia/EF11Ag01.html](http://www.atimes.com/atimes/Central_Asia/EF11Ag01.html), viewed 30 October 2004; Blank, Stephen, *Energy, Economics and Security in Central Asia: Russia and Its Rivals*, Carlisle: Strategic Studies Institute, March 1995, p. 1; Hill, John, 'Hu woos Japan', in *Jane's Intelligence Review*, Volume 15, Number 9, September 2003, pp. 50-1.

<sup>62</sup> Kwang, Chi Hung, *How to Overcome the Oil Crisis – Energy Conservation Efforts Are the Key*, 1 October 2004, <http://www.rieti.go.jp/en/china/04100101.html>, viewed 7 November 2004; Rethinaraj, T.S. Gopi, 'Asia looks to nuclear power for energy security', in *Jane's Intelligence Review*, Volume 15, Number 11, November 2003, pp. 36-9; Smith, Nick, 'The New Arms Race', in *The Listener*, 6 May 2006, pp. 22-4; Swinney, Clare, 'Putting Out the Fire with Gasoline', in *Investigate*, February 2004, pp. 39-40; *The Economist*, 'Joining the nuclear family', in *The Economist*, Volume 378, Number 8467, 4 March 2006, pp. 27-8.

<sup>63</sup> Editor (*The Hindu*), viewed 30 October 2004; Garver, pp. 3-4.



Indonesia, India-China-Russia, or India-China-Japan axes.<sup>64</sup> This paper is more concerned, however, with the possible impact of China and India choosing to seek synergies through close cooperation or even a formal alliance, regardless of whether or not there is a third nation involved. The key areas that India and China may choose to cooperate in include economic growth and regional security. Already trade between India and China is rapidly growing and if the two nations focus on developing differing areas of strength rather than competing in common areas, there is potential for considerable cooperation leading to complementary economic roles.<sup>65</sup> India and China also have common security concerns, including the need for stability in the neighbourhood that they share and security of energy and trade routes.<sup>66</sup> Should the two most populous nations on the planet choose to cooperate, with a third of the world's population driving development of one entity and their commensurate economies and strategic reach, there are likely to be significant implications for New Zealand's future security. New Zealand will need to

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<sup>64</sup> Acharya, Alka, *Political Cooperation Between India, China and Russia: Problems and Prospects*, Paper presented at the tripartite conference of Russia-India-China in Moscow, 4-5 September 2001, p. 1; Cohen, Stephen p., 'Toward a Great State in Asia?', in *Military Power in Asian States: China, India, Japan*, Onkar Marwah and Jonathan D. Pollack (Eds.), Boulder Colorado: Westview Press, 1980, p. 10; Ghoshal, Dr. Baladas, 'China, India and Russia: The Troika in Asia's Balance of Power', in *Asian Defence Journal*, 5/2002, p. 4; Krishnamachari, Rajesh Tembarai, *Entente Tri-parti: Triangular Alliances Involving India*, South Asia Analysis Group Paper no. 829, 3 November 2003, <http://www.saag.org/papers9/paper829.html>, 30 October 2004; Malik, Mohan, 'The future of Asian geopolitics: an Indonesia-China-India Axis?', in *Asia-Pacific Defence Reporter*, February/March 2000, pp. 20-21; Myasnikov, Acad. Vladimir, *Strategic Interaction Between Russia and China: A Basis for Development of Three-Lateral Cooperation*, Tamara Karganova (translator), Paper presented at the tripartite conference of Russia-India-China in Moscow, 4-5 September 2001, p. 7; *People's Daily Online*, 'Asian axis would benefit all', 19 May 2004, [http://english.people.com.cn/200405/19/eng20040519\\_143750.html](http://english.people.com.cn/200405/19/eng20040519_143750.html), viewed 16 October 2004; *People's Daily Online*, 'Bilateral cooperation among China, Japan and India more realistic', 14 May 2004, [http://english.people.com.cn/200405/14/eng20040514\\_143304.html](http://english.people.com.cn/200405/14/eng20040514_143304.html), viewed 14 October 2004; *People's Daily Online*, 'China-Japan-India axis strategy', 30 April 2004, [http://english.people.com.cn/200404/29/eng20040429\\_141908.shtml](http://english.people.com.cn/200404/29/eng20040429_141908.shtml), viewed 15 October 2004; *People's Daily Online*, 'Premier Wen hails Sino-Indian relations', 28 June 2004, [http://english.people.com.cn/200406/28/eng20040628\\_147805.html](http://english.people.com.cn/200406/28/eng20040628_147805.html), viewed 12 October 2004; Ranganathan, C.V., *Towards Mutual Understanding of the Bases of Cooperation between India, Russia and China*, Abstract of paper presented at the tripartite conference of Russia-India-China in Moscow, 4-5 September 2001, p. 1; Yang Chengxu, *Possibility and Prospect for Developing Russia-India-China Relations*, Paper presented at the tripartite conference of Russia-India-China in Moscow, 4-5 September 2001, p.6.

<sup>65</sup> India Express Bureau, *India-China trade up 93.1 per cent in first half of 2004*, [indiaexpress.com](http://www.indiaexpress.com/news/business/20040822-0.html), 22 August 2004, <http://www.indiaexpress.com/news/business/20040822-0.html>, viewed 28 October 2004; *People's Daily Online*, viewed 28 October 2004.

<sup>66</sup> Bajpae, Chietigi, viewed 30 October 2004.

monitor developments and prepare and react accordingly in order to ensure that if this occurs, those implications are positive.

This thesis will delineate the parameters of New Zealand security, recognising its complexity and subtlety, and consider the future implications in relation to possible developments in Sino-Indian Relations, and will recommend measures that could be taken to preserve and/or enhance New Zealand security. Sino-Indian relations will be considered first from the basis of the Sino-Indian border conflict, the genesis of tension between the modern states of China and India. A development of that conflict has been the nuclearisation of India and the subsequent potential for further nuclear competition, an aspect of Sino-Indian strategic competition that is significant enough to be examined separately. Other areas of strategic competition will then be examined, including competition for influence through increased military capability and regional relationships. The fuel for this competition will then be considered, including economic and other resources, themselves a source of competition. Finally, the option and implications of possible cooperation will be discussed, considering the implications for New Zealand's future security of such a large regional bloc. Consideration of a range of possible directions that Sino-Indian relations may take can then provide a basis for confirming current measures to protect New Zealand's future security. It may also challenge those areas that have yet to be planned for and protected sufficiently from the impact of future Sino-Indian relations.

# Chapter 1: New Zealand Security

It is hard to conceive of circumstances in which New Zealand would face a direct military threat. We do, however, need the capacity to deal directly with low-level challenges to our sovereignty.

- New Zealand Ministry of Foreign Affairs and Trade statement<sup>67</sup>

The first step in understanding which aspects of Sino-Indian relations may or may not impact on New Zealand's future security is to define New Zealand's current security interests. New Zealand's security interests are difficult to define precisely, a reflection of the lack of shared land borders with competing states or a history of being invaded or seriously threatened by other states, both resulting in having no immediate or direct threats.<sup>68</sup> This is recognised both within Defence policy and by various commentators, including Prime Minister Helen Clark who has asserted that New Zealand exists in an 'incredibly benign strategic environment'.<sup>69</sup> New Zealand's geographical isolation, relative to the majority of other global states, is the key reason why New Zealand has historically remained peaceful. This does not mean, however, that there are no security concerns at all, or that this will always be the case given the increasing ease with which technology is able to deliver people and materiel across the globe.

Don McKinnon has made the point that New Zealand's interests (particularly trading lines) circle the globe, and that 'given the diversity and importance of our [New Zealand's] global interests, we are obliged to look at our security interests as broadly as possible.'<sup>70</sup> The *Inquiry into Defence Beyond 2000*

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<sup>67</sup> Ministry of Foreign Affairs and Trade, May 2000, viewed 6 July 2004.

<sup>68</sup> Goff, viewed 30 October 2004.

<sup>69</sup> Bradford, Max, *Balanced Forces and Balanced Responsibilities*, 31 May 2001, [http://www.maxbradford.co.nz/national\\_news/defence/2001-05-31\\_defence\\_brad\\_speech.htm](http://www.maxbradford.co.nz/national_news/defence/2001-05-31_defence_brad_speech.htm), viewed 14 Apr 03; Ministry of Defence, *Government Defence Statement: A Modern, Sustainable Defence Force Matched to New Zealand's Needs*, Wellington: Ministry of Defence, 8 May 2001, p. 4; Thakur, Ramesh, 'New Zealand Security and the Tyranny of Isolation', in *Strategic Cultures in the Asia Pacific Region*, Ken Booth and Russell Trood (Eds.), Basing stoke: Macmillan, 1999, p. 300.

<sup>70</sup> McKinnon (1999), pp. 16-17.

makes the specific point that 'Security is more than defence, and has both international and domestic dimensions.'<sup>71</sup> When commenting on the *Defence Policy Framework* of June 2001, the current Defence Minister Mark Burton provided some more specific guidance on New Zealand's security interests by reiterating that:

...defence is one aspect of New Zealand's foreign and security policy that is aimed at securing New Zealand's physical, economic, social and cultural well-being, and meeting regional and global responsibilities.<sup>72</sup>

This suggests that New Zealand's security interests can be considered under a broad framework covering the headings of physical, economic, social and cultural security, and commitments to regional and global security. If we add to that the further definitions of security and national power from Barry Buzan, Robert Keohane and Joseph Nye, then New Zealand needs to protect itself from other states or non-state actors imposing their national (or organisational) power in a way that undermines New Zealand's security interests.<sup>73</sup> Sino-Indian relations, therefore, should be considered in the light of any unwelcome external influences that can threaten New Zealand's ability to physically protect itself (through its military and police security forces), society, political influence, economy or environment, or diminish New Zealand's ability to develop independently.

The Ministry of Foreign Affairs and Trade (MFAT) assess that there is little likelihood of New Zealand facing a direct military threat in the foreseeable

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<sup>71</sup> *Inquiry into Defence Beyond 2000: Interim Report of the Foreign Affairs, Defence and Trade Committee*, Forty-Fifth Parliament, Hon Derek Quigley (Chairperson), November 1998, p. 9.

<sup>72</sup> Mark Burton, 'Building a New Defence Framework' in *New Zealand International Review*, 26:5, September/October 2001, p. 6.

<sup>73</sup> Buzan, p. 433; Keohane & Nye, pp. 81-94. Note: Buzan defines national security as '...freedom from threat and the ability of states... to maintain their independent identity and their functional integrity against [hostile] forces of change...', and lists its elements as military, societal, political, economic, and environmental concerns. Keohane & Nye define national power as 'a state's ability to coerce or manipulate the activities of another state'.

future, and this assessment is widely accepted.<sup>74</sup> MFAT, however, recognise some low-level, non-military, direct threats such as terrorist threats, illegal immigration, trans-border crime and exclusive economic zone (EEZ) and territorial waters incursions for the purpose of illegal fishing.<sup>75</sup> In the light of the events following 11 September 2002, New Zealanders must also consider the increased potential for terror attacks.

While New Zealand has in the past been largely protected by isolation from mainstream terrorist attacks, the events of 11 September 2001 have heralded new possibilities for terrorist actions, which are now considerably less constrained by distance.<sup>76</sup> New Zealand has also chosen to participate in the United States led war on terrorism, a responsible commitment, but one with which comes a heightened exposure to targeting by some terrorist groups.<sup>77</sup> New Zealand's support of the war on terrorism has been very public, including commitment of military forces and assisting the international community to freeze terrorist funds.<sup>78</sup> In conjunction with this, Al-Qaeda has issued a warning to those allied with the United States 'that they would be targets of new attacks if they continued to back the "White House gang of butchers"'.<sup>79</sup> All this suggests that New Zealand is now at least a potential terrorist target. While some New Zealanders may believe that New Zealand is not important enough to bother with, they are ignoring the opportunistic nature of terrorism,

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<sup>74</sup> Gerald Hensley, 'New Zealand's defence in the 1990s', in *New Zealand International Review*, 17:3, May/June 1992, p. 5; McNally and Morrison (eds.), p. 118; *Inquiry into Defence Beyond 2000*, p. 9; *New Zealand's Foreign and Security Policy Challenges*, Ministry of Foreign Affairs and Trade, June 2000, p. 15.

<sup>75</sup> *New Zealand's Foreign and Security Policy Challenges*, June 2000, pp. 15-16.

<sup>76</sup> Ferguson, Bruce, 'Defence: the way ahead', in *New Zealand International Review*, Volume 27, Number 6, November/December 2002, p. 4.

<sup>77</sup> Larkin, Naomi, 'Police to probe NZ links to terror', in *Weekend Herald*, 29-30 September 2001, p. A1.

<sup>78</sup> Council on Foreign Relations, *Canada, Australia, and New Zealand*, [http://www.terrorismanswers.com/coalition/Canada\\_2.html#Q9](http://www.terrorismanswers.com/coalition/Canada_2.html#Q9), Viewed 3 Jun 03; Goff, Phil, *Goff speech to 9/11 ANZAC service in New York*, 12 September 2002, <http://www.beehive.govt.nz/PrintDocument.cfm?DocumentID=14890>, Viewed 3 June 2003; New Zealand Government, *NZ Navy & Air Force join campaign against terrorism*, Press Release, Monday, 11 November 2002, 4:56 pm, <http://www.scoop.co.nz/mason/stories/PA0211/S00245.htm>, Viewed 3 Jun 03.

<sup>79</sup> Television New Zealand, *Clark taking terror threat seriously*, One News, 13 Nov 02, [http://onenews.nzoom.com/onenews\\_detail/0,1227,147234-1-9,00.html](http://onenews.nzoom.com/onenews_detail/0,1227,147234-1-9,00.html), Viewed 3 June 2003.



the attractiveness of a comparatively weak target and the possible third party targets available in New Zealand, such as the United States Embassy or other United States interests. New Zealand is certainly weaker than Australia, Britain or the United States in its ability to protect ourselves from terrorist attack, an obvious example being that New Zealand no longer has any combat aircraft to counter an airborne threat.<sup>80</sup> If at some time in the future a demonstration against the West is required, New Zealand may well provide the desired opportunity.

In addition to external terrorist threats, there are now indications of some potential internal terrorist threats in the future. In particular, while the growing Islamic population is no threat to New Zealand's security in itself, it does offer the potential of attracting to it individuals and groups that may adhere to the extremist end of the Islamic spectrum. A 2004 article in the *Sunday Star Times* reported on the leader of the Aotearoa Maori Muslim Association, citing a fascination with al Qaeda among Maori Muslims and a claim that pursuing the goal of Maori Nationalism is a jihad.<sup>81</sup> This type of group is exactly what extremist organisations are looking for in order to spread their doctrine and gain a foothold in countries such as New Zealand. One organisation linked to fund-raising for extremist organisations al Qaeda and Jamaal Islamiya has already applied to set up its organisation in New Zealand, causing concern among New Zealand's mainstream Islamic community.<sup>82</sup> New Zealanders are also increasingly concerned about terrorists or criminals sneaking in amongst immigrants, and becoming a threat from within.<sup>83</sup>

While there are currently no indications that a terrorist threat to New Zealand could emanate directly from either China or India, both countries have domestic

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<sup>80</sup> New Zealand Government, *Defence Report Questions and Answers*, Press Release, 8 May 2001, <http://www.scoop.co.nz/mason/stories/PA0105/S00164.htm>, viewed 19 October 2004.

<sup>81</sup> Hume, Tim, 'Muslim faith draws converts from NZ prisons', in *Sunday Star Times*, 17 October 2004, <http://www.stuff.co.nz/stuff/print/0,1478,3067367a10,00.html>, viewed 19 October 2004.

<sup>82</sup> Wishart, Ian, 'The Rocking of the Dome', in *Investigate*, November 2003, pp. 60-2.

<sup>83</sup> Hoadley, Stephen, 'Our Immigration Policy: rationality, stability, and politics', in *New Zealand International Review*, Volume 29, Number 2, p. 16.

terrorism concerns, including from groups with links to Islamic extremists, that some time in the future could impact on New Zealand's security.<sup>84</sup> For example, should a conflict arise between India and China that New Zealand feels it must contribute to by either supporting one or other side, or contributing to peace support operations, by merely being present in either country or supporting an international action New Zealand might become a target of Indian or Chinese extremists and become exposed to terror tactics. This becomes more of a concern when considering the potential for such targeting to flow back to New Zealand through the significant Indian and Chinese Diaspora populations residing in New Zealand, or even through future indigenous extremist groups, such as may arise from the Aotearoa Maori Muslim Association. In addition to this concern, there is rising international and New Zealand apprehension over terrorist groups gaining access to nuclear weapons or biological and chemical agents.<sup>85</sup> Both China and India represent potential sources of nuclear, chemical and biological material and technology that could leak into the international arena via their domestic extremist groups, which may lead to a future risk to New Zealand's security.<sup>86</sup>

New Zealand's economic security interests are also significant considering the heavy reliance on trade. Jim Sutton, former Minister for Trade Negotiations, stated that 'Trade is vital to New Zealand. It is vital to the living standards and well being of all our citizens.'<sup>87</sup> Gerald Hensley noted in 1992 that exports

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<sup>84</sup> Cordesman, Anthony H., *Defending America: Terrorist Organisations and States and Weapons of Mass Destruction*, Washington: Centre for Strategic and International Studies, 24 September 2001, pp. 33-4, 40-1; Ministry of Defence (India), *Security Environment - An Overview*, <http://www.mod.nic.in/aforces/>, viewed 8 July 2004; The National Institute for Defense Studies Japan, *East Asian Strategic Review*, Tokyo: The National Institute for Defense Studies, 2003, pp. 173-4.

<sup>85</sup> Clark, Helen, 'Facing a Complex Future', in *New Zealand International Review*, Volume 29, Number 5, September/October 2004, p. 4; Cordesman, Anthony H., pp. 10, 13; Dickens, David, 'NZ Boosts Anti-Terrorist Capabilities', in *Asia-Pacific Defence Reporter*, Volume 28, Number 9, November 2002, p. 31; Huiskens, Ron, *Working Paper No. 385: The Threat of Terrorism and Regional Development*, Canberra: National Library of Australia, January 2004, pp. 4, 13; McMillan, Stuart, 'Is the non-proliferation regime at risk?', in *New Zealand International Review*, Volume 29, Number 3, p. 2; Sonti, Chalpat and McKay, Caitlin, 'Terrorist alert in Universities: Spy agencies warn that some students may try to make weapons', in *The Dominion Post*, Wellington, 9 May 2006, p. 4.

<sup>86</sup> Cordesman, Anthony H., pp. 20-1, 26.

<sup>87</sup> Sutton, Jim, 'Address at the Launch of Trade Booklet: Minister for Trade Negotiations, Hon Jim Sutton, 17 September', in *Foreign Affairs and Trade Record*, August/September 2002, p. 22.

were a major part of New Zealand's GDP, and export levels have continued to rise since.<sup>88</sup> Hensley also noted that New Zealand's major markets, less Australia, were in the Northern hemisphere.<sup>89</sup> This remains extant with Australia the primary market and America, Japan and China the next largest markets by mid-2004.<sup>90</sup> This importance of trade means that New Zealand relies heavily on the security of trade routes in the Asia-Pacific, and hence this becomes one of New Zealand's key economic security interests.<sup>91</sup> The well-being of New Zealand's key Asia-Pacific trading partners and the smaller, but growing markets within the other states of the Asia-Pacific are also of economic security interest to New Zealand – without customers, there will be no trade. More specifically, both China and India feature significantly in New Zealand's export (and hence national revenue) figures with a combined export figure of \$NZ 1.8 billion for 2004, which breaks down into \$NZ 1.6 billion exports to China and \$NZ 0.17 billion to India.<sup>92</sup> Trends over the last 3 years, however, indicate that exports to India are shrinking while exports to China are growing.<sup>93</sup> While New Zealand seeks to improve trade with all potential customers, the relative potential of future trade with China versus India, given that recent exports to India are only 10% of those to China, may well counterbalance historical links with India if a contest between the two giants leads to New Zealand having to make a choice over where its primary security interests lie. Other broader issues such as Asian economic problems that

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<sup>88</sup> Hensley, p. 5; New Zealand Official Yearbook On The Web, Overseas Trade 1999, <http://www.stats.govt.nz/domino/external/pasfull/pasfull.nsf/web/Yearbook+25+Overseas+trade+1999>, viewed 16 October 2001; Statistics New Zealand, *New Zealand External Trade Statistics: June 2004*, Wellington: Statistics New Zealand, June 2004, p. 7.

<sup>89</sup> Hensley, p. 5.

<sup>90</sup> Statistics New Zealand (June 2004), p. 7.

<sup>91</sup> Hensley, p. 5; McNally and Morrison, p. 118.

<sup>92</sup> Statistics New Zealand (June 2004), p. 7.

<sup>93</sup> New Zealand High Commission in India, *Visit to India by Prime Minister of New Zealand, Rt Hon Helen Clark 17-20 October 2004*, New Delhi, 14 October 2004, <http://www.nzembassy.com/news.cfm?CFID=8234188&CFTOKEN=55719983&c=26&l=72&i=1349>, viewed 19 October 2004; Statistics New Zealand, *Exports by Destination*, [http://www.stats.govt.nz/domino/external/PASFull/pasfull.nsf/0/4c2567ef00247c6acc256965007ea54b/\\$FILE/special.xls](http://www.stats.govt.nz/domino/external/PASFull/pasfull.nsf/0/4c2567ef00247c6acc256965007ea54b/$FILE/special.xls), viewed 19 October 2004; Statistics New Zealand, *New Zealand External Trade Statistics: December 2003*, Wellington: Statistics New Zealand, December 2003, p. 7.; Statistics New Zealand, *NZ Trade Export Stats*, <http://xtabs.stats.govt.nz/eng/TableViewer/Wdsview/dispviewp.asp?ReportId=395>, viewed 9 July 2004.



affect tourism, population pressure through illegal immigration and refugees, transnational crime and emerging competitors, including India and China, within New Zealand's markets all have implications for its economic security.<sup>94</sup> Any conflict in the region, particularly on a scale that might eventuate between India and China, can also threaten New Zealand's economy as regional markets are destabilised and trade routes are threatened. It should also be noted that actual direct conflict is not necessary to affect a regional economy - even posturing can reduce investor confidence and cause a downturn, as occurred in Taiwan when China fired missiles around the island.<sup>95</sup> Therefore, anything that might threaten or erode New Zealand's economic prosperity becomes a security interest, but the most significant interests centre on trade route security and market stability.

Social and cultural security interests are a little more intangible and therefore more difficult to identify. The social fabric of New Zealand (family cohesiveness, law and order, etc.) may well be threatened by such things as transnational crime leading to an increase in internal lawlessness, an influx of refugees or illegal immigrants in numbers that create domestic opposition, or social paralysis from fear of terrorism. New Zealand's culture, including aspects such as environmentalism, egalitarianism, self-determination and Western and Polynesian values may be threatened (or at least weakened) by undesirable aspects (such as inequality of women) of refugee or illegal immigrant cultures, by regional resource competition, or by economic problems. By suggesting the need to protect social and cultural well being, a large variety of issues might be claimed as security interests. It is possible, however, to identify at least one key social and cultural aspect that generates protective feelings among New Zealanders – that of social and cultural identity.

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<sup>94</sup> McMillan, Stuart, 'Opportunity for us against the world', in *National Business Review*, 12 May 2006, pp. 30-1.

<sup>95</sup> O'Brien (1999a), p. 261.

Social and cultural identity is also somewhat complex, but it can be divided broadly into internal and external perspectives. The external perspective is important as it includes New Zealand's reputation as a good international citizen and defender of such issues as human rights, eliminating weapons of mass destruction (WMD) and protecting the environment.<sup>96</sup> New Zealanders draw a sense of security from the fact that although New Zealand is a small nation, it is well thought of internationally. Any disruption to this is likely to impact on how secure New Zealanders feel within the international environment and may undermine internal confidence and external influence. Loss of New Zealand's confidence and influence may lead to a more tangible decrease in security if it begins to impact on trade, or lead to an exodus of talent as people choose to be identified with more secure nations. The internal perspective of social and cultural identity, on the other hand, includes how New Zealanders view themselves within their own country, including a sense of multi-culturalism, tolerance, and peacefulness.<sup>97</sup> Internal disturbances that shake the sense that New Zealand is a safe and tolerant society detract from the feeling of domestic security that New Zealanders wish to maintain. This may then contribute to emigration, as people seek a more secure environment, or to loss of productivity as New Zealanders become distracted by domestic problems or become more cautious in order to protect against developing internal problems.

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<sup>96</sup> Boanas, Katie, 'Towards a Truly Nuclear-Free and Independent Aotearoa', in *Beyond New Zealand II: Foreign Policy into the 1990s*, Richard Kennaway and John Henderson (Eds.), Auckland: Longman Paul Ltd, p. 102; Goff, Phil, 'Statement to the UN General Assembly: Minister of Foreign Affairs and Trade, Hon Phil Goff, 15 September', in *Foreign Affairs and Trade Record*, August /September 2002, pp. 20-1; Green (Michael), viewed 19 October 2004; Green, Robert, 'Why New Zealand's Nuclear Powered Ship Ban Must Stay', in *New Zealand International Review*, Volume 28, Number 3, May/June 2003, p. 26; Lange, David, cited in Ricketts, Rita, 'Small can be smart', in *New Zealand International Review*, Volume 29, Number 3, May/June 2004, pp. 16-17; McKinnon, Malcolm, *Independence and Foreign Policy: New Zealand in the World Since 1935*, Auckland: Auckland University Press, 1993, p. 278.

<sup>97</sup> Carter, Chris, 'Foreword', in Office of Ethnic Affairs, *Ethnic Perspectives in Policy: A Resource*, Wellington: Office of Ethnic Affairs, 2002, p. 4; King, Michael, Haas, Anthony and Hill, Richard S, *Reconciling Biculturalism and Multiculturalism in Aotearoa/New Zealand*, 31 March 04, pp. 11-12, 22-4; Lange, David, pp. 16-17; McNeil, John, 'Immigration – what kind of NZ do we want?', in *Otago Daily Times*, 28 October 2002, [http://www.maxim.org.nz/main\\_pages/news\\_page/immigration.html](http://www.maxim.org.nz/main_pages/news_page/immigration.html), viewed 19 October 2004.

New Zealand's internal social and cultural identity is becoming increasingly complex as the nation adjusts to an increase in immigrants from right across the globe, of which Chinese and Indian populations make up a substantial proportion. Central to internal identity is a belief that the majority of New Zealanders are, if not integrated with other contributing cultures, at least tolerant.<sup>98</sup> There is strong resistance to one contributing culture attempting to forcefully assert itself over the others, and there is considerable concern over any inter-cultural conflict that may arise.<sup>99</sup> This ability for most New Zealanders to peacefully coexist and draw positively from all the contributing cultures in a sense creates a single social identity for New Zealanders, from which a sense of security is drawn. Threats to this security are increasing as some first generation immigrants arrive with existing prejudices and intolerance and attempt to continue attempts to address previous grievances within New Zealand. While there are no obvious indications that this is the case between Indian and Chinese immigrant populations, the future potential exists for conflict between India and China to flow into their respective diasporas. Both India and China have over recent years made significant efforts to maintain contact with its diaspora populations, which although this may encourage more trade with New Zealand, may also encourage ambiguous loyalties. Current statistics show that New Zealand Asian populations are growing quickly, the Indian and Chinese populations among them.<sup>100</sup> The Chinese population in New Zealand increased 133% to 105,000 between 1991 and 2001, while over the same period the Indian population in New Zealand has grown 102% to 62,000.<sup>101</sup> Of these around, 75% of the Chinese population and 71% of the Indian population are first generation immigrants, the portion of the population most likely to maintain strong feelings of identification with their former home

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<sup>98</sup> King, et al, pp. 23-4.

<sup>99</sup> Barber, David, *Upsurge in racism worries authorities*, New Zealand Herald, 29 November 1997, <http://www.hartford-hwp.com/archives/24/053.html>, viewed 19 October 2004; King, et al, p. 9; Lange, David, pp. 16-17.

<sup>100</sup> Pink, Brian, Government Statistician, *National Asian Population Projections (2001(base) – 2021) - Media Release: 600,000 Asian People by 2021*, [http://www.stats.govt.nz/domino/external/pasfull/pasfull.nsf/web/Media+Release+National+Asian+Population+Projections+2001\(base\)+2021?open](http://www.stats.govt.nz/domino/external/pasfull/pasfull.nsf/web/Media+Release+National+Asian+Population+Projections+2001(base)+2021?open), viewed 19 October 2004.

countries.<sup>102</sup> The former Minister for Foreign Affairs and Trade (now Minister for Trade and Defence) noted that in his 'own electorate of Mt Roskill is 26% Asian (mainly Chinese and Indian)'.<sup>103</sup> New Zealanders should be wary of the potential influence of extremists within these populations and seek to fully integrate immigrant populations so as to ensure that their greater loyalty and sense of belonging lies with New Zealand. This will greatly assist in stemming the flow of grievances from their former countries into New Zealand, thus contributing to an inclusive internal sense of social and cultural identity, and hence, greater security. Part of that integration needs to include a clear definition of New Zealand values, a requirement to agree to adopt those values, a significant trial period during which any breach of those values will result in repatriation to their former state, substantial assistance in language training and employment and severe penalties for any New Zealanders who inhibit integration of immigrant populations through any form of discrimination. This combination of protection of and assistance to new immigrants while demanding conformity to central New Zealand values will significantly assist in assimilation and reduce the chances of immigrant populations carrying over grievances, such as could develop from any Sino-Indian conflict.

A number of values also contribute to New Zealand's external identity. New Zealand's reputation as clean, green and nuclear free is widely supported domestically and promoted internationally.<sup>104</sup> New Zealand's environmental and nuclear stance is so central to its social and cultural identity that it has

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<sup>101</sup> Pink, Brian, Government Statistician, *2001 Census Snapshot 15: Asian People*, Wellington: Statistics New Zealand, 2001, pp.2-4.

<sup>102</sup> Pink, Brian, Government Statistician, *2001 Census Snapshot 15: Asian People*, Wellington: Statistics New Zealand, 2001, pp.3-4.

<sup>103</sup> Goff, viewed 30 October 2004.

<sup>104</sup> *AgriBusiness Ltd*, <http://www.agribusinessltd.com/newzealand.shtml>, viewed 17 October 2001; Roberts, Kevin, *At the Edge – Vision for New Zealand*, <http://www.saatchikevin.com/talkingit/rmla.html>, viewed 17 October 2001; New Zealand Embassy in Germany, <http://www.nzembassy.com/about.cfm?6>, viewed 17 October 2001; *Towards an Organic Nation: The Green Party Policy on Safe Food*, <http://www.greens.org.nz/docs/policy/safefood.htm>, viewed 17 October 2001.

shaped New Zealand law.<sup>105</sup> New Zealand has gained an international reputation for being serious about opposing nuclear proliferation, with broad recognition of New Zealand's long held anti-nuclear stance. New Zealand's commitment is clearly evident by its membership of multi-lateral groups and agreements committed to preventing nuclear proliferation such as the New Agenda Coalition and the Treaty of Rarotonga.<sup>106</sup> New Zealanders, in general, hold to strong values in such areas as human rights and non-proliferation of nuclear, biological and chemical weapons, and they wish to be seen internationally as active promoters of these values.<sup>107</sup> Don McKinnon points out that as partners in the Asia-Pacific community, New Zealand needs to take an interest in other's welfare and security, and that 'opting out, is seen as irresponsible and unfriendly' – a perception that New Zealand wishes to avoid.<sup>108</sup> In the *Inquiry into Defence Beyond 2000* under the heading 'Good international citizen', the significant NZDF contributions to global peace support operations are justified by explaining that the United Nations Charter is 'key to maintaining the independence and integrity of small nations'.<sup>109</sup> Here we see that the concept of being a good international citizen is also linked to protection of New Zealand's own identity as an independent nation.

New Zealand is jealous of its sovereign status, an integral part of New Zealanders' identity.<sup>110</sup> New Zealanders seek to protect that status and exercise the Westphalian sovereignty principle of equality by actively participating in international activities, bodies, debates, forums, etc., in order to

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<sup>105</sup> Ton Buhrs, 'Environmental Policy', in Raymond Miller (ed.), *New Zealand Politics in Transition*, Auckland: Oxford University Press, 1997, pp. 288-90; Steve Hoadley, 'Foreign Policy', in Raymond Miller (ed.), *New Zealand Politics in Transition*, Auckland: Oxford University Press, 1997, pp. 299-300.

<sup>106</sup> Burton, Bob, 'New Zealand points finger at nuclear-supporting neighbor', in *Asia Times*, 20 January 2000, <http://www.atimes.com/oceania/BA20Ah01.html>, Viewed 29 Jun 03; *Treaty of Rarotonga: South Pacific Nuclear-Free Zone Treaty*, 11 December 1986, p.1.

<sup>107</sup> McKinnon (1999), pp. 14-15; *Submission to the Inquiry into New Zealand's Place in the World by the Foreign Affairs, Defence & Trade Select Committee*, July 1997, <http://www.amnesty.org.nz/Publicdo.nsf/bf25~> viewed 17 October 2001.

<sup>108</sup> McKinnon (1999), pp. 17, 20-1.

<sup>109</sup> *Inquiry into Defence Beyond 2000*, p. 15.

<sup>110</sup> *New Zealand's Foreign and Security Policy Challenges*, p. 15.



voice New Zealand's opinion.<sup>111</sup> Meeting regional and global security responsibilities is part of that international participation. The Government Defence Statement of 8 May 2001 lists five key geographically oriented elements of New Zealand's security interests, which summarised, are as follows:

- physical security of New Zealand as a whole,
- a strong relationship with Australia in order to maintain a 'secure and peaceful region',
- a stable South Pacific characterised by good governance and compliance with human rights standards,
- an increasing role in South east and North East Asian security, relative to New Zealand's interests and capabilities, and
- a global outlook that promotes New Zealand's interests and economy.<sup>112</sup>

The statement points out that New Zealand should maintain a 'strong strategic relationship with Australia in support of common interests for a secure and peaceful region', suggesting that there is some commonality with Australia's security interests.<sup>113</sup> New Zealand's security interest in the South Pacific is in assisting in the development of a political environment in which South Pacific states can develop with good governance, economic progress and a sound human rights record. In South East and North East Asia, New Zealand's

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<sup>111</sup> Don McKinnon, *speech to the Wellington diplomatic corps*, Wellington, 14 March 1987, cited in <http://www.amnesty.org.nz/Publicdo.nsf/bf25~>, viewed 17 October 2001; Don McKinnon, *speech to the Cabinet Club*, Dunedin, 9 May 1987, cited in <http://www.amnesty.org.nz/Publicdo.nsf/bf25~>, viewed 17 October 2001.

<sup>112</sup> Ministry of Defence, *The Government's Defence Policy Framework*, Wellington: Ministry of Defence, June 2000, p. 3.

<sup>113</sup> *A Modern, Sustainable Defence Force Matched to New Zealand's Needs*, p. 3.

security interests lie in increased dialogue and a security role that New Zealand is able to carry out without conflicting with its own national interests. In the rest of the world, New Zealand's security interests have to do with the maintenance of human rights, collective security through the United Nations (UN), and strengthening of New Zealand's economic links. While only North Asia is referred to in the Defence Statement, omitting concern over South Asian states such as India, the effects of Sino-Indian relations are not limited to the sovereign territory of both countries, and New Zealand should consider how their relationship might impact on wider global issues that contribute to New Zealand security. The omission of South Asia as an area of security interest in its own right also indicates a New Zealand view that states such as India are less likely to be of security concern, which might prove to be a weakness in New Zealand's security outlook.

India and China have both begun to increase their contact with other nations in the Asia-Pacific region, both through multi-lateral forums and direct assistance and engagement. China has made considerable efforts to reverse its previous isolationist policies by introducing its 'Good Neighbour' policy and increasing international engagement, notably through ASEAN, the formation of the Shanghai Five group, increased co-operation in the UN Security Council, ties with the EU and even an approach to NATO.<sup>114</sup> All of these groups have an impact on New Zealand's security environment, and of particular security interest is the growing involvement in the South Pacific. New Zealand's External Affairs noted in 1974 that China was paying increasing attention to Pacific nations such as Fiji, Tonga, Western Samoa, Nauru and the Cook Islands.<sup>115</sup> It appears that more recently China has returned to increasing its

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<sup>114</sup> 'Conference Report: China's PLA reform success', p.55; Hill (February 2004), pp. 54-5; Klintworth (July/August 2004), p. 44; Lai, pp. 68-73; Medeiros, et al, p. 25.

<sup>115</sup> External Affairs, *China: Press Coverage*, Report to the Secretary of Foreign Affairs, 6 December 1974, p. 2.

links in the South Pacific, notably in Fiji and Tonga.<sup>116</sup> India has also sought more involvement in international forums, seeking to assert itself as a growing regional power, and has embarked on its 'Look East' policy that sees increased engagement in the Pacific, particularly Fiji where there is an increased interest in the resident Indian diaspora.<sup>117</sup> Both Fiji and Tonga are strategically important to New Zealand, being close neighbours with bordering Exclusive Economic Zones (EEZ), having communications cables transiting through Fiji and with both Tonga and Fiji acting as Pacific immigration gateways.<sup>118</sup> The ethnic Chinese populations of both Fiji and Tonga are rising, further adding to their regional influence. There are some concerns about friction between the older Chinese populations, predominantly Cantonese Chinese speakers from

<sup>116</sup> Communist Party of China, *Li Changchun calls for stronger China-Fiji links*, 9 June 2004, <http://www.idcpc.org.cn/english/news/040906-4.htm>, viewed 27 October 2004; Feizkhah, Elizabeth, 'Making Friends', in *Asiaweek.com*, 15 June 2001, <http://www.asiaweek.com/asiaweek/magazine/nations/0.8782.129537.00.html>, viewed 27 October 2004; Foreign Affairs, Defence and Trade Committee, *Inquiry into New Zealand's Relationship with the Kingdom of Tonga*, Wellington: House of Representatives, August 2005, pp. 39-40; Li Ruihuan, *Address by Chairman Li Ruihuan at Dinner Hosted by Prime Minister Qarase*, Suva, Fiji, 12 November 2001, [http://www.foreignaffairs.gov.fj/media\\_releases/151101b.html](http://www.foreignaffairs.gov.fj/media_releases/151101b.html), viewed 27 October 2004; Matangi, *Tonga appoints first ambassador to China*, Nuku'alofa, Tonga, 26 July 2004, [http://www.matangitonga.to/article/tonganews/government/article\\_174.shtml](http://www.matangitonga.to/article/tonganews/government/article_174.shtml), viewed 27 October 2003; Ministry of Foreign Affairs of the People's Republic of China, *Bilateral Relations*, (Cook Islands), 26 August 2003, <http://www.fmprc.gov.cn/eng/wjb/zzjg/bmdyzs/gjlb/3387/default.htm>, viewed 27 October 2004; Ministry of Foreign Affairs of the People's Republic of China, *Bilateral Relations*, (Vanuatu), 12 September 2003, <http://www.fmprc.gov.cn/eng/wjb/zzjg/bmdyzs/gjlb/3387/default.htm>, viewed 27 October 2004; Ministry of Foreign Affairs of the People's Republic of China, *China and Samoa*, 12 September 2003, <http://www.fmprc.gov.cn/eng/wjb/zzjg/bmdyzs/gjlb/3422/t17090.htm>, viewed 27 October 2004; Ministry of Foreign Affairs of the People's Republic of China, *Joint Communiqué between China and Tonga*, 15 September 2001, <http://www.fmprc.gov.cn/eng/wjb/zzjg/tyfls/tyfl/2631/t15498.htm>, viewed 27 October 2004; *People's Daily Online*, 'China, Tonga Vow to Further Military Ties', 15 May 2001, [http://english.people.com.cn/english/200105/15/eng20010515\\_70060.html](http://english.people.com.cn/english/200105/15/eng20010515_70060.html), viewed 27 October 2004; Personal communication to author; Xinhua, *China, Fiji Sign Joint Statement*, 26 May 2002, [http://english.people.com.cn/200205/28/eng20020528\\_96594.shtml](http://english.people.com.cn/200205/28/eng20020528_96594.shtml), viewed 27 October 2004; Xinhua, *President Hu meets Tonga king*, 19 October 2004, [http://en.ce.cn/National/Government/200410/19/t20041019\\_2027990.shtml](http://en.ce.cn/National/Government/200410/19/t20041019_2027990.shtml), viewed 28 October 2004.

<sup>117</sup> AFP, viewed 19 October 2004; AFP, viewed 19 October 2004; Fiji Government, *ICT Partnership with India*, 25 August 2004, [http://www.fiji.gov.fj/publish/page\\_3083.shtml](http://www.fiji.gov.fj/publish/page_3083.shtml), viewed 27 October 2004; 'India News' (December/January 2003-2004), p. 47; Ministry of Foreign Affairs and Trade, viewed 13 June 2003; *The Hindustani Times*, 'India's Role in Fiji', 22 August 2000, <http://www.india-newsbehindnews.com/india-pacific-fiji.html>, viewed 27 October 2004; *The Times of India*, "'Pravasi Bharatiya Samman' for Fiji's Chaudhary", 14 October 2004, <http://timesofindia.indiatimes.com/articleshow/884079.cms>, viewed 27 October 2004.

<sup>118</sup> Martin, Frank, *Status Of The Internet In Pacific Island Countries*, [http://www.isoc.org/inet2001/cd\\_proceedings/g29/report2001.htm](http://www.isoc.org/inet2001/cd_proceedings/g29/report2001.htm), viewed 11 May 2006; World Aware, *Rtz-Cra Award For Long-Term Commitment: The Winner: Cable And Wireless (Pacific Region)*, <http://www.worldaware.org.uk/awards/awards1996/cable.html>, viewed 11 May 2006.



Guangdong Province, and the new immigrants who are predominantly Mandarin Chinese speakers from northern China.<sup>119</sup> The new immigrants are not blending as well into the Pacific cultures as their fore-bears and as such might represent a future cause of instability, or as happens elsewhere in the world, a scapegoat in times of instability.<sup>120</sup> Any potential for instability in New Zealand's Pacific back-yard is a cause for concern. The Indo-Fijian population of Fiji, on the other hand, is decreasing with many of them migrating to New Zealand, further creating the potential for increased Indian influence in New Zealand as it pursues its 'Look East' policy.<sup>121</sup> While this increase in regional and international involvement from both China and India may produce valuable investment in the region, New Zealand should also be concerned about possible negative or ambivalent security outcomes.

Given that New Zealand's security is largely dependent on being able to protect itself from the unwanted influence of another state's national power, New Zealand needs to monitor closely the influence of China and India in its backyard, ensuring that New Zealand's own influence is not displaced to the detriment of future security. For example, investment in the economy of Fiji may reinvigorate Fiji's economy and provide jobs and domestic satisfaction that leads to a more stable region. However, if influence from either China or India led to the establishment of a military presence, this may lead to regional competition and destabilisation. Fiji is another example of a country with strong diasporas from both China and India, and excessive Sino-Indian competition for influence there could lead to further domestic conflict and destabilisation in Fiji, that could spread to other Pacific nations. Any destabilisation in the South Pacific will impact on New Zealand's future security both externally in a regional trade sense, and internally if it flows on to New Zealand's Pacific Island population. It is of considerable importance then, that

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<sup>119</sup> Wikipedia, *Chinese in Fiji*, [http://en.wikipedia.org/wiki/chinese\\_in\\_fiji](http://en.wikipedia.org/wiki/chinese_in_fiji), viewed 11 May 2006.

<sup>120</sup> Private conversations with Fijian and Tongan Officials in April 2006.

<sup>121</sup> Asia Pacific Migration Network, *Migration Issues in the Asia Pacific: Issue Papers from Fiji*, <http://www.unesco.org/most/apmrnwp6.htm>, viewed 11 May 2006.

New Zealand monitors and maintains some influence over the impact of increasing Chinese and Indian interest in the region, particularly if that influence leads to direct Sino-Indian competition in New Zealand's own backyard.

In addition to the direct relationship between India and China, New Zealand must also consider the impact of third parties and particularly great power strategic competition. Terence O'Brien lists the United States, Japan and China as the core of Asia-Pacific stability, mentioning Russia as a great power with influence and India in relation to its nuclear status.<sup>122</sup> Both Don McKinnon and Gerald Hensley recognise the pivotal role the United States plays in the region, and that China, Japan, Russia and India are significant players.<sup>123</sup> From these and other commentators, it appears that there are three central 'great powers' in the Asia-Pacific, these being the United States, China, and Japan, with Russia waning and India emerging as a future great power.<sup>124</sup> The relationships between these powers are multi-faceted and complex. As India's influence grows, so the India-China relationship will grow in complexity and significance to New Zealand, and the inter-relationships with the other Asia-Pacific powers must also be taken into consideration. The two key powers with relationships with both India and China are the United States and Russia, and these third party influences have the potential to both calm and fuel tensions, depending on the circumstances. While New Zealand will have difficulty directly influencing such major powers, every effort should be made to express any concerns through whatever means are available. The influence of a third party has the ability to inflate the confidence of either China or India, which could lead to more aggressive policies and increased tension. Such tension is likely

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<sup>122</sup> O'Brien (1999a), pp. 262, 267-8; O'Brien, Terrence, 'New Zealand Perspectives on Northeast Asia in times of economic tribulation', in Rouben Azizian (ed.), *Strategic and Economic Dynamics of Northeast Asia: global, regional and New Zealand perspectives*, Auckland: The University of Auckland, 1999, p. 13.

<sup>123</sup> Hensley, p. 4; McKinnon (1999), p. 13.

to increase competition leading to regional destabilisation, ultimately impacting on New Zealand's future security in any of the areas discussed above.

The security issues discussed so far in this chapter have been examined in the light of competition between China and India, but New Zealand also needs to consider the impact of Sino-Indian co-operation, particularly if they form, or are part of, a formal bloc that New Zealand is excluded from. Again, drawing from the definition of security being the ability to protect against the unwanted imposition of another state's national power, even more powerful than a single state is an alliance of states. Should a number of states form a significant trading or security bloc, such as the European Union (EU) has, New Zealand will need to consider how its relationship with such a bloc will influence New Zealand's security interests. In a positive light, a large trading bloc such as India and China could form some time in the future may stabilise and improve the regional economy, resulting in a positive economic environment for New Zealand. Alternatively, however, New Zealand's ability to obtain preferential trading status may be diminished, such as happened with Britain when it chose to join the European Economic Community (EEC).<sup>125</sup> New Zealand may find that the increased economic influence of such a bloc may lead to the imposition of trading criteria that are not in the interests of New Zealand's economic security. For example, an Asian trading bloc may require independent customers such as New Zealand to 'shop' with them rather than the United States or the EU, resulting in New Zealand having to choose between creating a more difficult local trading environment, or giving up the security of having a broad range of trading partners.

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<sup>124</sup> J Mohan Malik, 'Securing Australia: from alliances to agreements', in J Mohan Malik (ed.), *Australia's Security in the 21<sup>st</sup> Century*, St Leonards: Allen & Unwin, 1999, p. 70; McNally and Morrison (eds.), pp. 9, 14; Gilbert Rozman, 'The Strategic Quadrangle and the Northeast Asian Region', in Rouben Azizian (ed.), *Strategic and Economic Dynamics of Northeast Asia: global, regional and New Zealand perspectives*, Auckland: The University of Auckland, 1999, p. 8.

<sup>125</sup> Green, Michael, *New Zealand in the World*, Speech by Deputy Secretary Michael Green, Ministry of Foreign Affairs and Trade, at the Indian National Centre, New Delhi, 16 April 2004, <http://www.nzembassy.com/news.cfm?CFID=8234188&CFTOKEN=55719983&c=26&l=72&i=1157>, viewed 19 October 2004.

If such a bloc also extended to security issues, New Zealand may well find a reduction in influence over regional security issues. This may lead to having to choose between submitting to regional security decisions that are derived from an Asian perspective, or clinging to New Zealand's traditional Western security perspective and partners. Security from an Asian perspective is not necessarily a bad thing, but New Zealand's predominantly Western security culture is likely to result in a reduction of influence in a security bloc that predominantly draws from Asian cultural perspectives.<sup>126</sup> Remaining in a Western security grouping while geographically closer to Asia, runs the risk of isolation and mistrust, which may spill over into other aspects of New Zealand-Asian relations and lead to a deterioration of trade and other facets that contribute to New Zealand's security. In the interests of New Zealand's future security then, it may be prudent to remain 'light on its feet' in order to shift security perspectives should a large bloc, such as could be formed through cooperation between India and China, be created within New Zealand's region.

New Zealand needs to preserve, develop and balance relations with both India and China, at the same time maintaining awareness of the state of the Sino-Indian relationship. This is so that New Zealand can react appropriately and in the best interests of future security as the Sino-Indian relationship develops, either positively or negatively. In 1964, the Deputy High Commissioner to India noted that 'India must count for a good deal in any valuation of New Zealand's interests in Asia, little though Indian thought or contemporary policies may appeal to us'.<sup>127</sup> In 1973, the New Zealand High Commission in New Delhi noted Indian concern that New Zealand was paying China too much attention, stating that India felt neglected, not being properly respected as a major power, and that India had a tendency to become diplomatically isolated.<sup>128</sup> The High Commission took the view that: 'moreover, there is something to be

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<sup>126</sup> Kang, p. 84.

<sup>127</sup> Lochore, R.A.E., *Aid to India*, Deputy High Commissioner New Delhi report to the Secretary of External Affairs, 30 March 1964, paragraph 3.

<sup>128</sup> New Zealand High Commission, New Delhi, *India Foreign Policy and New Zealand*, Report to the Secretary of Foreign Affairs, 4 July 1973, paragraph 4.

said for making it manifest that while seeking to improve relations with China, we have not forgotten our relationship with India'.<sup>129</sup> At the same time, New Zealand's Beijing Embassy reported that 'The Chinese are clearly going out of their way to be helpful'.<sup>130</sup> Little has changed now in that New Zealand's relationship with China is again growing, and given India's considerable future potential to impact on New Zealand security, New Zealand should ensure that similar effort is put into its relationship with India.<sup>131</sup> Those relationships need to extend beyond traditional foreign affairs and trade issues, and should include defence to a much greater extent if New Zealand wishes to truly understand the Sino-Indian security situation. A New Zealand Defence Attaché to China has been in place since the late 1990's with a reciprocal Chinese Defence Attaché in Wellington, but a similar exchange is not in place with India, clearly an indication of the current defence relationship with China taking priority over India. Increased exercises and training with both India and China, and establishing a New Zealand Defence Attaché in India to reciprocate the Indian Defence Attaché to New Zealand (resident in Canberra) would be useful steps in extending New Zealand's understanding.

New Zealand's security interests are, mostly due to the lack of a direct threat, complex, overlapping and not always immediately evident. For example, large influxes of illegal immigrants may overload the New Zealand economy, New Zealand's international reputation may impact on future trade opportunities, and strong stances on human rights issues may limit regional acceptability. This complex security situation means that New Zealand needs to be careful to establish and maintain a thorough awareness of the security environment and the players that influence it. The relationship between China and India, in particular, has the potential to impact significantly on New Zealand's security interests. This relationship should be examined carefully in order to predict future

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<sup>129</sup> New Zealand High Commission, New Delhi, paragraph 4.

<sup>130</sup> New Zealand Embassy, Peking, *Trade Mission to China*, Report to the Secretary of Foreign Affairs, 16 October 1973, paragraph 24.

outcomes, as much as possible, and assist in protecting New Zealand's future security from a position of knowledge.

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<sup>131</sup> China Economic Net, *Chinese, New Zealand leaders meet to further bilateral ties*, 20 November 2004, [http://en.ce.cn/National/Politics/200411/20/t20041120\\_2341388.shtml](http://en.ce.cn/National/Politics/200411/20/t20041120_2341388.shtml), viewed 23 November 2004.



## Chapter 2: Sino-Indian Border Dispute

Though China was in the formal control of a Nationalist government and India became independent only in August 1947, New Zealand commentators believed they both had the potential to quarrel with Britain and the United States, but they did not believe that conflict would necessarily have an impact on New Zealand<sup>132</sup>

- *Security in the Pacific*, Wellington 1956

New Zealand's early view of India and China suggested that a conflict between India or China and one of the great powers, Britain or the United States, would not necessarily have impacted on New Zealand.<sup>133</sup> Had India and China gone to war directly after World War II, the scale of conflict would have been less than if they had fought with Britain or the United States, hence it was also unlikely that a Sino-Indian conflict would have had any impact on New Zealand. This essentially remains true in that a limited border conflict between India and China may not *necessarily* affect New Zealand, but this would depend on the scale and severity of the conflict. Given the significant increase in complexity and extent of global inter-relationships, and the increased effectiveness of modern weapons, it is prudent to re-examine this statement to see what future risks to New Zealand may be generated by a Sino-Indian conflict.

The Sino-Indian border disputes began with the Simla Conference in October 1913 during which the British representative, Henry McMahon, sought to finalise the Tibetan border with India with representatives from both Tibet and China.<sup>134</sup> During the conference, McMahon attempted to drive through an agreement that divided Tibet into Inner and Outer Tibet much the same as Inner and Outer Mongolia, and in doing so to establish a clear buffer between China and India.<sup>135</sup> While China did not specifically protest against this division

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<sup>132</sup> NZIIAA, *Security in the Pacific*, Wellington 1956, pp. 5-11.

<sup>133</sup> NZIIAA, *Security in the Pacific*, Wellington 1956, pp. 5-11.

<sup>134</sup> Maxwell, pp. 47-50.

<sup>135</sup> Maxwell, p. 47.

at the time, in its weakened state, it did not agree to it either.<sup>136</sup> The Chinese representative initialled a draft treaty and accompanying map, but only under the understanding that this was not the same as signing and agreeing to it.<sup>137</sup> After talks broke down over the actual demarcation of the border, McMahon proceeded to sign an agreement with the Tibetan representative that made the draft treaty binding for both parties.<sup>138</sup> In addition, there was another British-Tibetan by-product of the Simla Conference that was kept a secret for some time, a demarcation of the Tibet-Assam boundary on the eastern end of the border.<sup>139</sup> This demarcation was referred to as the McMahon Line (see figure 1). The new state of India inherited and adopted the borders resulting from the confused and inconclusive Simla Conference, along with the remainder of Britain's interpretation of India's borders with China that were marked in some British maps. Clearly, China did not agree with some of the boundaries and before the Chinese Communist Party (CCP) came to power, China's Nationalist Ambassador to India reminded the new Indian Government that it did not recognise either the McMahon Line or the Simla Conference as valid.<sup>140</sup> One of the key issues facing the CCP when it did come to power in 1949 was the need to reverse the humiliation China had experienced at foreign hands in the preceding years.<sup>141</sup> One of Beijing's first acts to achieve this was the occupation (or re-occupation from the Chinese viewpoint) of Tibet, an historical part of greater China. This represented a very tangible challenge to the way India had intended the Sino-Indian border to be maintained.

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<sup>136</sup> Maxwell, p. 47.

<sup>137</sup> Maxwell, p. 48.

<sup>138</sup> Maxwell, p. 49.

<sup>139</sup> Maxwell, pp. 49-50.

<sup>140</sup> Maxwell, p. 69.

<sup>141</sup> Garver, p. 35.

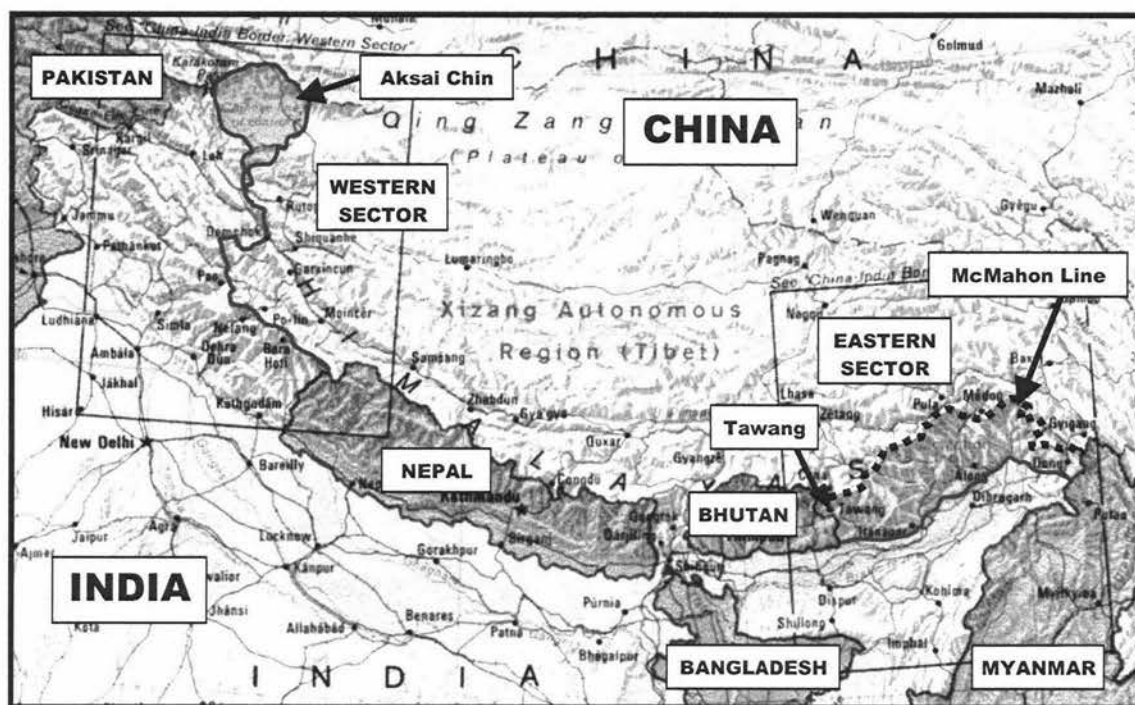


Figure 1 – Map of disputed Sino-Indian border areas.<sup>142</sup>

When India first gained its independence, Prime Minister Nehru had already established relations with Chiang Kai-shek's nationalist government.<sup>143</sup> When Mao's revolution was successful, Nehru approached the PRC offering friendship and became only the second non-communist state to recognise Mao Zedong's government.<sup>144</sup> However, India's offer of friendship did not extend to complete trust, and India supported Tibet's bid for international recognition of the informal independence from China that it had enjoyed for many years under British protection.<sup>145</sup> This support extended to provision of arms to the Tibetan Army who were preparing to resist any attempt by the PRC to reassert its authority in Tibet.<sup>146</sup> India's motivation for this support appeared to be a combination of genuine concern for Tibetan culture and the need to protect it, but also the need for India to maintain a northern buffer between itself and the

<sup>142</sup> Chitre, Vikrant and Vedak, Harshavardhan, 1962 *Sino-Indian War*, Chapter 9: The Aftermath, <http://sinoindianwar.50megs.com/9.htm>, viewed 16 October 2004.

<sup>143</sup> Brecher, p. 572.

<sup>144</sup> Brecher, p. 588.

<sup>145</sup> Garver, p. 35; Maxwell, p. 68.

<sup>146</sup> Garver, pp. 44-45.

biggest competitor it had in Asia.<sup>147</sup> India believed that it was entitled to assume any control or territory that Britain had claimed as part of British India, but lacked the military strength of Britain required to maintain that control.<sup>148</sup> China, on the other hand, viewed India's attempt to support Tibet and subsequent opposition to China's occupation of Tibet as an adoption by India of Britain's historical practice of colonisation.<sup>149</sup> The two opposing viewpoints formed the basis of the border disputes and given that both perspectives were, and still are, deep-seated and enduring, the resolution of these disputes cannot be achieved without significant compromise.

Nehru was the first to offer a form of compromise (probably because India's military was not in a position to decisively repel China and return Tibet to its former status) but not before declaring that Indian troops would deploy to disputed areas and then taking control of Tawang, a portion of Tibet that lay south of the McMahon Line (see figure 1).<sup>150</sup> Surprisingly, China did not respond immediately to the occupation of Tawang.<sup>151</sup> Nehru, perhaps encouraged by the silence on the occupation of Tawang, recovered from initial concern over China's reoccupation of Tibet, and returned to his policy of friendship with the PRC, even going so far as approving a trade agreement in 1954 that referred to Tibet as 'the Tibet region of China', implying recognition of China's sovereignty in Tibet.<sup>152</sup> Shortly after, the 'Five Principles of Peaceful Co-existence' (or Panch Sheel, as it was referred to by India) were signed between the PRC and India, which consisted of the following:

Mutual respect for each other's territorial integrity and sovereignty.

Mutual non-aggression.

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<sup>147</sup> Brecher, p. 557; Garver, p. 32.

<sup>148</sup> Maxwell, pp. 67-71.

<sup>149</sup> Garver, pp. 33, 51.

<sup>150</sup> Dutt, p. 70; Maxwell, pp. 72-74.

<sup>151</sup> Maxwell, pp. 72-73.

<sup>152</sup> Maxwell, p. 79.

Mutual non-interference in each other's affairs.

Equality and mutual benefit.

Peaceful co-existence.<sup>153</sup>

It seemed that the tension had been resolved and now India and China were on the pathway to a friendly and mutually beneficial relationship. However, that was not to be the reality as time proved that both China and India had different views on what had been agreed to, and what was yet to be settled. In essence, China believed that the old Tibetan boundary with India, inherited by the PRC, ran along the southern foothills of the Himalayas, while India clung to the British determined borders that ran along the crests of key areas in the Himalayas.<sup>154</sup> Clearly an Indian border that dominated terrain was preferable to a border that looked up at the high ground to the north.

India continued to develop its military presence in border areas and set about redrawing maps to support and consolidate its border claims. India also began an advance into the Aksai Chin area (see figure 1) on the western end of the border, this time succeeding in gaining a protest from Beijing.<sup>155</sup> A series of key events occurred after this – India continued to establish itself along the McMahon Line in the east and move into other areas depicted as belonging to India on its newly revised maps, and China built a road into the Aksai Chin area while challenging India's presence in the region. The Indian Government also began to accuse China of being in breach of the 'Five Principles of Peaceful Co-existence', while they themselves were not observing the intent of the agreement.<sup>156</sup> A number of incidents occurred between 1954 and 1962, India all the while accusing China of incursions while it was they who were advancing.<sup>157</sup> The Chinese, perhaps because they needed to reduce the number of issues they were dealing with at the time, informally suggested a

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<sup>153</sup> Maxwell, p. 79.

<sup>154</sup> Garver, p. 79.

<sup>155</sup> Maxwell, pp. 83-88.

<sup>156</sup> Maxwell, p. 86.

<sup>157</sup> Maxwell, p. 321.

swap of the Western Sector for the Eastern Sector during a meeting between Nehru and Zhou Enlai, but Nehru rejected this outright.<sup>158</sup> In 1962, the Indian Government ordered an operation to evict the Chinese from the Thag La ridge in Assam in the eastern sector, which led to the first shots of the Sino-Indian border war on 20 September the same year.<sup>159</sup>

India's intent when forcing the Thag La issue was to deal with the Chinese presence in India's claimed territory quickly and forcefully in one area so as to force a Chinese withdrawal and create a reluctance to cross the border in other areas.<sup>160</sup> The Chinese sought to discuss the Thag La incident, but Nehru set an unacceptable precondition of Chinese withdrawal from along much of the claimed border area.<sup>161</sup> India began to build up troops around Thag La, which finally tipped the scales and triggered an unexpected Chinese attack forcing them back, but not without losses on both sides.<sup>162</sup> This spread to clashes in other parts of the border with both sides apparently resolved not to allow the other control of the border, but with India being considerably less able than China to militarily back up that resolve. This led to the People's Liberation Army (PLA) forcing the Indian forces back into India (see figure 2 for Chinese advances in the Eastern Sector), triggering Indian concerns that they were now facing a full-scale invasion, ironically provoked by Indian actions.<sup>163</sup>

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<sup>158</sup> Garver, p. 100.

<sup>159</sup> Maxwell, p. 321.

<sup>160</sup> Maxwell, pp. 202-3, 297, 300.

<sup>161</sup> Maxwell, p. 327.

<sup>162</sup> Maxwell, pp. 338-40.

<sup>163</sup> Maxwell, p. 419.



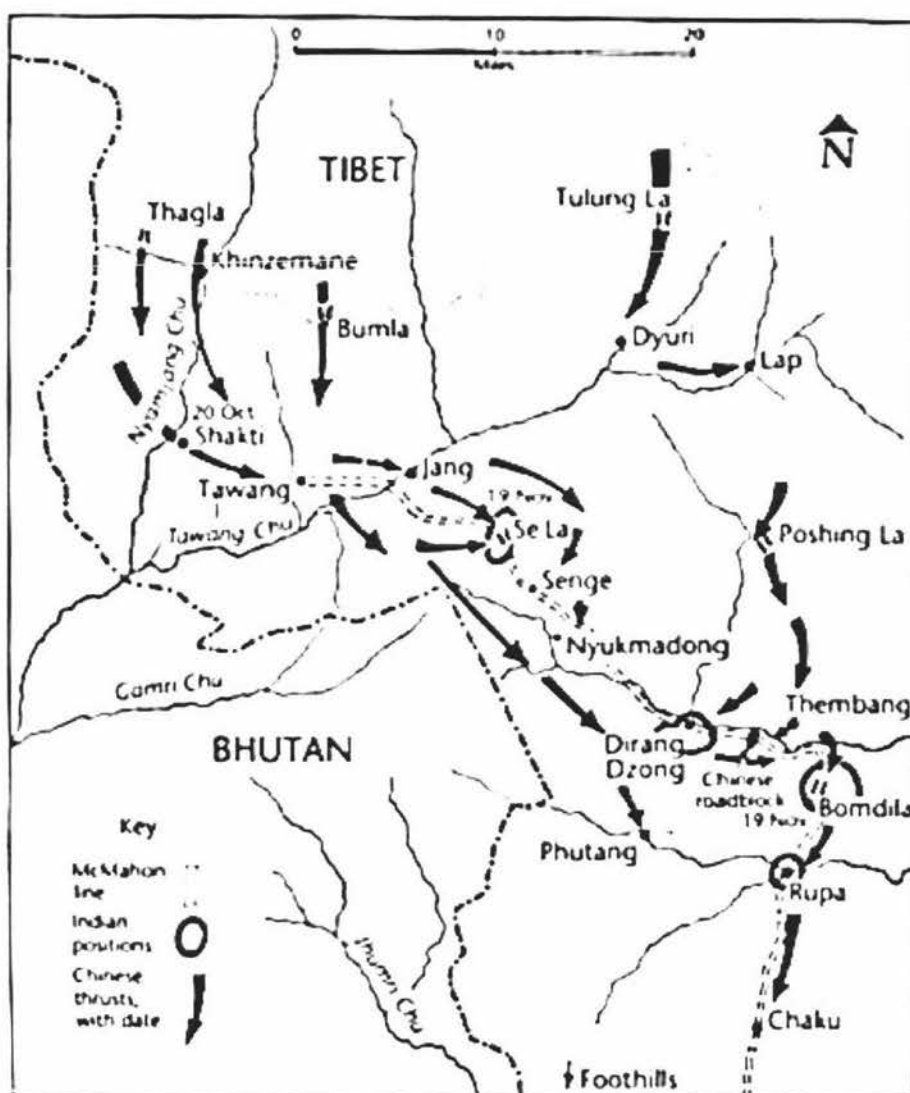


Figure 2 – PLA advances in the Eastern Sector, October-November 1962.<sup>164</sup>

The Sino-Indian border war ceased on 21 November 1962 some two months after it had begun, but not as some had predicted. The victorious Chinese announced a cease-fire and withdrawal to their pre-September positions, a gesture that gave up the ground they had captured.<sup>165</sup> China also stated that the frontier forces of both sides were to withdraw twenty kilometres from the line of actual control, and China reserved the right to retaliate should India choose not to comply.<sup>166</sup> The Indians had little choice but to comply given

<sup>164</sup>Chitre, Vikrant and Vedak, Harshavardhan, *1962 Sino-Indian War*, Chapter 7: The Chinese Attack, <http://sinoindianwar.50megs.com/7.htm>, viewed 16 October 2004.

<sup>165</sup>Maxwell, p. 417.

<sup>166</sup>Maxwell, pp. 417-8.

their proven inability to withstand Chinese military power, and they set about softening their defeat to the Indian public.<sup>167</sup>

There are a number of concerning aspects arising from the conclusion of the border war. Firstly, the war did not remove India's border claims, which remain to today. This means that under a government predisposed to asserting national rights or riding on national pride as a platform, India could re-enflame the border issue and once again attempt a military solution. Secondly, on more than one occasion, the Indian Government relied on the assumption that China would not react militarily to Indian provocation.<sup>168</sup> This may have been excused as a miscalculation the first time, but the second time suggests an inherent optimism that did not recognise that Beijing's resolve was equal to New Delhi's. The possibility that this optimism may again come to the fore and lead to provoking China along the border is a disturbing one. Thirdly, India explained its defeat by quoting the weather, Chinese numbers, poor leadership at the time, logistic issues and other constraints that suggest that if done properly, it might work next time.<sup>169</sup> Finally, India did not accept responsibility for the provocation that led to the war, choosing to cling to the claim that the Chinese were the aggressors.<sup>170</sup>

The above concerns underlie the possibility that at a time India considers success likely, it may again choose to test the border with China and trigger another war. Indeed, since 1962, there have been a number of clashes, some of which could have led to further conflict between China and India. Between 1962 and 1977 Indian policy was to support Tibetan resistance and encourage international opposition to Chinese occupation of Tibet.<sup>171</sup> Immediately after the war, India established the Tibetan Special Frontier Force (SFF), a semi-regular force, manned by Tibetans that was and still is preparing for a day

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<sup>167</sup> Maxwell, p. 437.

<sup>168</sup> Maxwell, pp. 340, 387.

<sup>169</sup> Maxwell, pp. 437-9.

<sup>170</sup> Maxwell, p. 443.

<sup>171</sup> Garver, p. 43.

when they may assist in removing Chinese control from Tibet.<sup>172</sup> In 1970 the Indian Government began to build forces up on the border again and roads to the forward positions were reopened, but it was likely that they realised that they could not dislodge the Chinese, and no further action occurred.<sup>173</sup> In 1971, after the establishment of an Indian-Soviet strategic partnership and the deterioration of the Chinese-Soviet relationship, China became concerned that with Soviet support, India may reassert its 1962 plans.<sup>174</sup> In the UN in 1979, the Soviets further fuelled Chinese concerns when they explicitly condemned China's occupation of Tibet.<sup>175</sup> The Tibetan spiritual and political leader, the Dalai Lama was also in exile in India, from which he launched and maintained his international campaign to have China withdraw from Tibet.<sup>176</sup> In 1980, the Chinese again suggested informally that the Western and Eastern Sectors could be exchanged, recognising each other's respective occupation of these areas, but again this was rejected by India.<sup>177</sup>

Between 1981 and 1987 eight rounds of talks were held between India and China, seeking, but failed to resolve the border issues.<sup>178</sup> In 1985, perhaps because China was now in a stronger position than previously, the Chinese clearly withdrew the informal offer to swap sectors when they pressed their claims for the land south of the McMahon Line during the sixth round of talks.<sup>179</sup> The Indian Government was surprised at this perceived backward step, which may have contributed to the subsequent increase in tension.<sup>180</sup> 1986 saw an increase in tension around in the Samdurong Chu Valley (near Thag La, the starting point for the 1962 war), followed by India formally incorporating Arunchal Pradesh (an area that included Chinese claimed

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<sup>172</sup> Garver, p. 63.

<sup>173</sup> Maxwell, p. 442.

<sup>174</sup> Garver, pp. 64-5.

<sup>175</sup> Garver, p. 65-6.

<sup>176</sup> Garver, pp. 76-77; Indiainfo.com, viewed 14 October 2004.

<sup>177</sup> Garver, p. 101.

<sup>178</sup> Chih, p120; Indiainfo.com, viewed 14 October 2004; Dutta, Sujit, *Analysis of India - China Border Dispute: Much Hype, Small Gains (RC)*, in World Tibet Network News, 4 July 2001, <http://www.buddhapia.com/tibet/hype.html>, viewed 14 October 2004.

<sup>179</sup> Garver, p. 104.

<sup>180</sup> Garver, p. 104.

territory) as a state and a large scale Indian mobilisation exercise on the border.<sup>181</sup> The Chinese countered with their own build up, resulting in the presence of significant forces on both sides of the border, numbering approximately 200,000 troops.<sup>182</sup> This confrontation was considered by many as coming very close to a resumption of the Sino-Indian War of 1962, not the least of whom were Soviet and United States diplomats trying to defuse the situation.<sup>183</sup>

Between 1987 and 1998 a number of talks were held, visits made and agreements signed.<sup>184</sup> These began with a 1988 visit to China by Indian Prime Minister Rajiv Gandhi resulting in an agreement to establish a Joint Working Group (JWG) to help resolve the border issues. In 1993, Indian Prime Minister Narasimha Rao visited China and signed the 'Agreement on the Maintenance of Peace and Tranquillity along the Line of Actual Control in the India-China Border Areas' along with creating a Military and Diplomatic Experts Group as a sub-set of the JWG. In February 1994, the Military and Diplomatic Experts Group met to discuss demarcation of the Line of Actual Control (LAC) and reduction of forces on the border with a follow up meeting held in April 1994. In November 1996, Chinese President Jiang Zemin visited India and signed an 'Agreement of Confidence-Building Measures in the Military Field along the Line of Actual Control in the India-China Border Areas'. All of these efforts to reduce tension and solve the border conflict were promising and demonstrated a comforting resolve on both sides to reach peaceful agreement. However, this was not to last as India, under the newly elected nationalist Bharatiya Janata Party (BJP) dominated government, conducted a series of nuclear

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<sup>181</sup> Garver, p. 97; Klintworth (1987), p. 1.

<sup>182</sup> Garver, p. 97; Library of Congress, *China: India*, [http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field\(DOCID+cn0393](http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field(DOCID+cn0393), viewed 14 October 2004.

<sup>183</sup> Garver, p. 97; Indaiinfo.com, viewed 14 October 2004, Library of Congress, viewed 14 October 2004; Klintworth (1987), p. 14.

<sup>184</sup> Indaiinfo.com, viewed 14 October 2004; Press Trust of India, *Major milestones in 50 years of India-China relations*, [http://www.hindustantimes.com/news/181\\_287333,001300370002.htm](http://www.hindustantimes.com/news/181_287333,001300370002.htm), viewed 12 December 2003.

weapon tests in May 1998, claiming that it was doing so to deter its greatest threat: China.<sup>185</sup>

India's nuclear tests and its key reason for carrying them out greatly concerned China and resulted in a deterioration of the Sino-Indian relationship across a range of areas, including the border dispute. Again, however, there quickly emerged signs that even this would not deter both countries' efforts to resolve conflict. By June 1999, a visit to China by the Indian External Affairs Minister resulted in a resumption of normal bilateral relations and in May there was resumption of military to military exchanges.<sup>186</sup> In June 2001, a new round of border talks resulted in an exchange of maps, albeit of maps of the least controversial middle sector of the border.<sup>187</sup> This exchange was positive, but did not resolve existing disagreement about any part of the actual border.<sup>188</sup>

In June 2003, the BJP Prime Minister, Shri Atal Bihari Vajpayee visited China and, with PRC Premier Wen Jiabao, signed a 'Declaration on Principles for Relations and Comprehensive co-operation between the People's Republic of China and the Republic of India'.<sup>189</sup> The declaration included a commitment to the Five Principles of Peaceful Co-existence and, significantly, given the claim by Vajpayee's Defence Minister that the 1998 nuclear tests were to deter the threat of China, a statement that 'The two countries are not a threat to each other'.<sup>190</sup> Specifically concerning the border, the declaration stated that each side's respective positions had been expounded and that '...pending an ultimate solution, they should work together to maintain peace and tranquillity in the

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<sup>185</sup> Garver, pp. 66-7; Indiainfo.com, viewed 14 October 2004; Press Trust of India, viewed 12 December 2003.

<sup>186</sup> Press Trust of India, viewed 12 December 2003.

<sup>187</sup> BBC News, *China, India in fresh border talks*, Thursday, 28 June, 2001, 16:30 GMT 17:30 UK, [http://news.bbc.co.uk/1/hi/world/south\\_asia/1411335.stm](http://news.bbc.co.uk/1/hi/world/south_asia/1411335.stm), viewed 25 June 2003.

<sup>188</sup> Dutta, Viewed 14 Oct 04.

<sup>189</sup> Governments of the People's Republic of China and Republic of India, *Declaration on Principles for Relations and Comprehensive co-operation between the People's Republic of China and the Republic of India*, reprinted in BBC News, 24 June 2003, <http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/asia-pacific/3017926.stm>, viewed 25 June 2003.

<sup>190</sup> Governments of the People's Republic of China and Republic of India, viewed 25 June 2003; Indiainfo.com, viewed 14 October 2004; Press Trust of India, viewed 12 December 2003.



border areas...'.<sup>191</sup> The agreement was seen as a firm step towards solving conflict between India and China, but previous agreements had also been positive. Like its predecessors, this declaration did not clarify the actual border, which left open the potential for future conflict. Perhaps the major contribution made through the declaration was the formal recognition by India that the Tibet Autonomous Region was part of China, although this in itself did not alter border claims.<sup>192</sup> In addition, the PRC agreed to reopen border trade through India's north-eastern state of Sikkim, which has been interpreted as acceptance by China of India's ownership of the previously contested region.<sup>193</sup> Again, however, allowing trade does not actually solidify any of the border, and India had been caught before in 1985 with interpreting China's comments as tacit acceptance of India's claims in the Eastern Sector only to be later disappointed.<sup>194</sup> The *China Daily* also reported suspicions that behind India's signing of the declaration remained its nationalist aspirations, its need to balance its relations with the U.S and Russia in order to take a more prominent role in the world, and a desire to 'exact more territorial concessions from China'.<sup>195</sup> In spite of this, positive words continued to be exchanged at an official level.

In May 2004, a new Indian Government was sworn in, this time led by the more moderate Indian Congress Party. Even before taking up office, the party began to stress the importance of good relations with China.<sup>196</sup> Other positive statements have been made, including the new Defence Minister refuting his predecessor's claim that 'China is India's enemy number one'.<sup>197</sup> In spite of these apparently positive messages, the border issue clearly remains

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<sup>191</sup>Garver, pp. 66-7; Governments of the People's Republic of China and Republic of India, viewed 25 June 2003; [indiainfo.com](http://indiainfo.com), viewed 14 October 2004; Press Trust of India, viewed 12 December 2003.

<sup>192</sup>BBC News, viewed 23 June 2003.

<sup>193</sup>BBC News, viewed 23 June 2003.

<sup>194</sup>Garver, p. 104.

<sup>195</sup>*China Daily*, 'Sino-Indian ties warming up', 10 August 2004, [http://english.people.com.cn/200408/10/eng20040810\\_152401.html](http://english.people.com.cn/200408/10/eng20040810_152401.html), viewed 16 October 2004.

<sup>196</sup>*People's Daily Online*, 'India's Congress pledges closer ties with China', *US*, 16 May 2004, [http://english.people.com.cn/200405/16/eng20040516\\_143451.html](http://english.people.com.cn/200405/16/eng20040516_143451.html), viewed 15 October 2004.

<sup>197</sup>*People's Daily Online*, 'Indian defense minister refuses to consider China "enemy"', 21 June 2004, [http://english.people.com.cn/200406/21/eng20040621\\_146995.html](http://english.people.com.cn/200406/21/eng20040621_146995.html), viewed 17 October 2004.



unresolved. *Jane's Intelligence Review* reported in March 2004 that '...Delhi and Beijing have relegated the territorial issue to the background and concentrated on cementing confidence-building measures...'.<sup>198</sup> A more recent statement by India's Foreign Minister, K. Natwar Singh, supports this when he told reporters that 'bilateral relations with China are problem free except for the boundary question'.<sup>199</sup> In April 2005, a meeting in New Delhi between Chinese Premier Wen Jiabao and Indian Prime Minister Manmohan Singh resulted in an agreement to recognise the status quo along the disputed border until a permanent agreement is reached.<sup>200</sup> While this too is positive, the permanent agreement is still some time off and there is still time for attitudes and intent to change. Even if a permanent border agreement is reached, future governments may still choose to question its validity in order to reassert nationalist territorial aims at some time when military power and domestic opinion may provide sufficient impetus. In the medium to long term, however, there are three basic possibilities for the future of the border conflict.

The first possibility is a resumption of war to resolve the issues by conquest. This remains a possibility given that there are still military forces gathered on both sides of the border, and therefore the potential exists for misinterpretation, misadventure or an intention to escalate tension to the point that both sides were again engaged in a full-scale war. An intentional escalation could happen if one side believes that they can win outright and domestic opinion seeks the attainment of national objectives. The ability to win outright may be because one side has developed military forces beyond the capability of the other, or because one side has gained the support of enough other nations that a coalition effort could overcome the other. This may be aided by other distractions also. For example, India may, sometime in the

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<sup>198</sup> Bedi, Rahul, 'India, Pakistan prepare for talks on Kashmir', in *Jane's Intelligence Review*, Volume 16, Number 3, March 2004, p.51.

<sup>199</sup> *People's Daily Online*, 'Ties with China "problem free": Indian FM, 25 May 2004, [http://english.people.com.cn/200405/25/eng20040525\\_144285.html](http://english.people.com.cn/200405/25/eng20040525_144285.html), viewed 16 October 2004.

<sup>200</sup> Dikshit, 12 April 2005; Wikinews, viewed 6 August 2005; Premier of the State Council of the People's Republic of China and Prime Minister of the Republic of India, viewed 24 August 2005; Zhao Huanxin, viewed 16 August 2005.

future when the domestic and international situation allows, take advantage of an event such as a United States-China clash over Taiwan to secure the Eastern Sector and push Chinese troops out of the Western Sector. Equally, the Chinese government may in the future be pressured by its citizens to advance China's status by asserting its authority. India may fall out of favour with the international community, as it did when it tested nuclear weapons in 1998, and provide China with the opportunity to assert its authority along the Sino-Indian border. Given the ongoing development of both China and India's militaries, and the complexities of domestic and international politics, this remains a clear possibility. Certainly China is prepared for such an eventuality as reflected in its defence doctrine of 'Local Wars under Modern Conditions', a doctrine focused on taking the initiative in militarily keeping an aggressor outside of China's borders, borders as defined from Beijing's perspective.<sup>201</sup>

The second possible outcome is a resolution of the border conflict. Twice in the past China has offered a swap of territories in order to finalise the border and end the dispute. While that offer is currently withdrawn, China may choose to re-offer it at time when it suits China to be seen as an international peace-maker in order to increase its international prestige. While India has rejected both previous offers, as India too seeks international status, it may wish to be viewed as a magnanimous international player that can put aside nationalist goals in order to further global stability. Certainly both countries have persevered over the last 50 years in their attempts to resolve the border dispute. It is not inconceivable that eventually a compromise will be reached. Sustaining a compromise may be difficult, however, and is likely to depend on maintaining a relative state of military equilibrium between both countries and public satisfaction in both.

The third possibility is maintenance of the status quo, that being the management of tension along the border without coming to any resolution over

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<sup>201</sup> Hill, John, 'China's military modernisation takes shape', in *Jane's Intelligence Review*, Volume 16,

the dispute. With the exception of one war, this has been the case for fifty years and both China and India no doubt have the capacity to continue for another fifty years. While possible, however, this is not a final outcome and it is unlikely to have any significant effect on New Zealand's future security, so it will not be considered further.

The effects of a Sino-Indian war over the border could possibly have a significant impact on New Zealand's security. In the event of a new war, India may call on its fellow British Commonwealth members to provide assistance as it did in 1962. Back then, New Zealand contributed a cash gift of ten thousand pounds and a two hundred and fifty thousand pound wool credit to India's war effort against China.<sup>202</sup> Taking the British view, New Zealand was convinced that India was the victim, with a government press release stating that 'after the Chinese communists began their offensive against India, Mr. Holyoake said... [we would] give what aid New Zealand could'.<sup>203</sup> This also extended to Sir Edmund Hillary providing advice on cold weather clothing, sleeping bags and mountain training in December 1962, presumably to help prepare India for a resumption of alpine conflict.<sup>204</sup> Today, New Zealand's strategic approach is a lot more complicated as multiple links between New Zealand and China have been established while linkages with India have largely been left to wither until recently. A little more effort has gone in lately to strengthen ties with India.<sup>205</sup> Certainly, supporting India in a war against China simply because India is part of the British Commonwealth may no longer be a clear-cut decision. New Zealand would have to consider whether its support would be based on economic benefit, international legality (who struck first and who is to blame), possible repercussions, domestic opinion (complicated by sizable New Zealand immigrant populations from both China and India), or any other of a number of security considerations. New Zealand's current Prime Minister has stated that

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Number 02, February 2004, p. 48.

<sup>202</sup> Holyoake, Keith, dated 30 May 1963.

<sup>203</sup> New Zealand Government, *Press Release*, 16 November 1962.

<sup>204</sup> Lochore, R.A.E., *Letter to the Secretary of External Affairs*, 8 December 1962.

<sup>205</sup> New Zealand High Commission in India, viewed 8 July 2004.

New Zealand 'should not take sides in regional disputes', but the future may not be so simple.<sup>206</sup> The complexity of any future decision may well result in an attempt to remain neutral in such a conflict, but in some circumstances, this too may be contrary to New Zealand's security interests. Examples of such circumstances where neutrality may be at odds with security interests might be where either China or India commit gross human rights violations, a possible loss of significant export revenue from one party, or the UN taking sides in a conflict and expecting member support, including New Zealand.

Perhaps a bigger challenge to New Zealand security would occur if the UN was unable to positively influence a Sino-Indian border conflict. The UN offers considerable utility to New Zealand in that as part of the UN, New Zealand is able to make international statements, participate in international debates, vote on international issues and generally maintain some international influence disproportionate to New Zealand's relative size in the world. New Zealand's ability to use the UN as a means to exercise some international influence in support of New Zealand's security interests may be undermined if the UN proves ineffective. The UN has suffered noticeable challenges to its status in recent years with the United States and other countries choosing to bypass it and intervene in countries such as Yugoslavia and Iraq.<sup>207</sup> A war between China and India, both member nations of the UN, and an inability to influence the outcome would be a further setback in the UN's relevance to modern stability and security. Any loss of credibility that the UN suffers will likely erode New Zealand's ability to influence international issues through the UN, and New Zealand may have to seek other alliances or multi-lateral organisations in order to be effectively heard.

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<sup>206</sup> Clarke, Helen, cited in Rolfe, Jim, 'Might We Fight Another Asian War?', in *New Zealand Defence Quarterly*, Autumn 1996, p. 23.

<sup>207</sup> *China's National Defence in 2000*, p. 6; Cortright, David, Lopez, George A. and Gerber, Linda, *Refinement and Reform in UN Sanctions: The State of the Art*, Paris: The Centre for International Studies and Research, 2001, pp. 4-5; United States General Accounting Office, *U.N. Peacekeeping: Issues Related to Effectiveness, Cost, and Reform (Testimony, 04/09/97, GAO/T-NSIAD-97-139)*, <http://www.fas.org/man/gao/nsiad97139.htm>, viewed 19 October 2004.

Should such a war escalate to the use of nuclear weapons, New Zealand's influence, however small, in this critical global issue would also be undermined. The wider implications of nuclear competition are discussed in more detail in the next chapter.

Economically, New Zealand's Ministry of Foreign Affairs and Trade recognise that any conflict in the Asia Pacific will disrupt trade, and hence impact on its economy.<sup>208</sup> New Zealand's trade with China and India for the year ending June 2004 totalled \$NZ 1.8 billion, a figure that is expected to increase in the future.<sup>209</sup> This trade includes potential national income that might be threatened by a Sino-Indian war, except in the case of a very limited and well contained Sino-Indian border conflict similar to the war in 1964. In the case of a limited war, New Zealand may be able to remain neutral and both countries may continue to require export goods from New Zealand, however, a modern war between India and China has the potential to extend beyond just the border region. Already India's Navy travels into the South China Sea on a regular basis, while China's Navy ventures into the Indian Ocean as part of China's growing intent to safeguard its supply lines through that region.<sup>210</sup> War between the two nations is likely to lead to clashes along New Zealand's critical trade route into Asia making it less secure, and this is likely to lead to a downturn in trade to all Asia. Asia currently represents around \$NZ 10 billion in annual exports for New Zealand, approximately a third of all New Zealand's exports, so any disruption to the Asian trade route will have a significantly negative effect on New Zealand's economic security.<sup>211</sup> In addition to this, a prolonged war will produce refugees and with New Zealand's significant Indian and Chinese populations, it is likely to attract a number of them through family or other associations in New Zealand. A significant unplanned increase in population is likely to place pressure on New Zealand's economy as the new

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<sup>208</sup> Ministry of Foreign Affairs and Trade, p.24.

<sup>209</sup> Statistics New Zealand (June 2004), p. 7.

<sup>210</sup> Ball (November 2003), p. 23; Bateman, pp. 19-20; Bedi (June 2004), pp. 30-1; 'India News' (December/January 2003-2004), p. 52; Kondapalli, p. 29; Malik, J. Mohan, p. 80; Ong, p. 4.

<sup>211</sup> Statistics New Zealand (June 2004), p. 4.



population draws government funding while being processed, and again while drawing unemployment or other benefits before they have fully integrated and found work.

A significant war between India and China also runs the risk of fuelling domestic conflict between the immigrant populations of both countries residing in New Zealand. New Zealand is currently home to 105,000 people of Chinese origin, and 62,000 of Indian origin, providing a significant pool of potential protagonists should tensions rise.<sup>212</sup> The worst case may be open conflict between Indian and Chinese populations, if their allegiances and prejudices are imported with their arrival. This is less likely between immigrants who have been in New Zealand for some time, given that both these immigrant groups are now into their second, third and fourth generations, and with that comes less passionate links to their ancestral homes. A war between the home countries, however, may encourage war refugees who seek to settle with their relatives already here. These new immigrants are likely to arrive with the war foremost in their thoughts, and there may still be some tension and distrust that could lead to worsening of inter-community relations. This may manifest itself in reduced business cooperation, impacting on the local economy, or reduced integration into the wider New Zealand community, which may generate mistrust and prejudice contrary to common New Zealand values.

A war between two such significant states is always going to be a destabilising influence on global security and will influence New Zealand security as a result, but it is also possible that no such war will ever eventuate. The only way that this can be guaranteed, however, is if India and China come to a mutually acceptable and sustainable agreement to resolve the border conflict. However unlikely some may consider this to be, and difficult it may be to achieve, a complete and sustainable resolution is still a goal worth encouraging. If China and India can be encouraged to build on their current measures to resolve their

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<sup>212</sup> Pink (2001), pp.2-4.



mutual territorial disputes with the goal of complete resolution, ongoing discussion makes conflict less likely, even if the goal is never fully achieved. An absence of conflict between India and China will contribute to a more secure Asia-Pacific region, which in turn benefits New Zealand's future security.

It is obviously in New Zealand's best interests for India and China to resolve the border dispute and avoid another war. New Zealand should consider this in its relations with both nations, directly and through other international bodies, and encourage a peaceful solution through dialogue and a reduction of forces along the border. Diplomatic relations with both nations should include such encouragement, both through foreign affairs links and defence contact, including increased military-military links and use of Defence Attachés. The value of Defence Attachés in influencing security issues and monitoring security situations should not be underestimated, and it is noteworthy that New Zealand currently has an accredited Defence Attaché in Beijing, but not in New Delhi.<sup>213</sup> At the same time as encouraging a peaceful solution, it would be prudent for New Zealand to closely monitor the border situation, so that in the event of a war, it is prepared to defuse possible domestic conflict, shore up other economic relationships, seek broad avenues of influence, and avoid having to choose sides.

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<sup>213</sup> Ministry of Foreign Affairs of the People's Republic of China, *China and New Zealand*, 26 August 2003, <http://www.fmprc.gov.cn/eng/wjb/zzjg/bmdyzs/gjlb/3412/t17070.htm>, viewed 22 November 2004.

## Chapter 3: Sino-Indian Nuclear Competition

Let us speculate. If war broke out, how many people would die? There are 2.7 billion people in the entire world... If the worst comes to the worst, perhaps one half would die. But there would still be one half left; imperialism would be razed to the ground and the whole world would become socialist.

- Mao Zedong<sup>214</sup>

China began to develop nuclear weapons primarily to counter the threat from the United States, but as time progressed, China also became concerned about its supposed ally, the Soviet Union.<sup>215</sup> One consequence of China's nuclear programme was India's increased concern, particularly later when China began to assist Pakistan in developing nuclear weapons. India's concern then led to the subsequent development of its own nuclear programme, partly in response to the perceived threat from China, and in doing so created another nuclear competitor for China.

In 1955, after China had participated in both World War II and the conflict on the Korean Peninsula, China started developing nuclear weapons in partnership with the Soviet Union in order to defend communism against the United States led West.<sup>216</sup> This Sino-Soviet cooperation included a 1957 agreement that gave China assistance from the Soviet Union to develop nuclear weapons, but in 1959 the agreement was cancelled by the Soviets as part of a deal with the United States.<sup>217</sup> China's first successful nuclear test was carried out in 1964 and this was followed by a series of tests, the last of which concluded in 1996, just prior to China signing the CTBT.<sup>218</sup> In addition to claims that Chinese nuclear weapons were for peaceful purposes only, Mao was also quoted in

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<sup>214</sup> Short, p. 489.

<sup>215</sup> O'Leary, p. 128.

<sup>216</sup> *China Overview*, [http://www.nti.org/e\\_research/profiles/China/index.html](http://www.nti.org/e_research/profiles/China/index.html), viewed 6 July 2004; Garver, pp. 315-6; O'Leary, p. 30, Wu (1998), p. 121.

<sup>217</sup> O'Leary, p. 31.

<sup>218</sup> *China Overview*, viewed 6 July 2004.

relation to a nuclear test in 1969 saying:

We cannot just take the beaten track traversed by other countries in the development of technology and trail behind at a snail's pace. We must break away from convention and do our utmost to adopt advanced techniques in order to build our country into a powerful modern socialist state in a not too long historical period.<sup>219</sup>

China was clearly focused on superpower competition when developing its nuclear weapons. Development was driven by the need to protect itself from, and catch up technologically with, the United States and the Soviet Union simultaneously. India was also keen to keep pace with the great powers, but in relation to China, Nehru was initially focused on establishing peace with China. Through the series of incidents described in Chapter One, instead in 1962 Nehru found himself embroiled in a limited war over disputed territory. Rightly or wrongly, this engendered a profound shift in the way India would view China from then on – not as a trusted friend but as a country that was willing to betray friendship in order to pursue its own agenda.<sup>220</sup> This shift in perspective was reinforced when China conducted its first nuclear test and India had to consider how it would deal with a seemingly belligerent *nuclear* power on its northern border.

India's first response was to try and create international support through the non-aligned movement and the United Nations to prevent proliferation.<sup>221</sup> Nehru's call for prohibition of nuclear weapons was not heeded, however, with the only action being a ban in 1963 on atmospheric testing, and even this came only after the nuclear powers had developed means to test underground.<sup>222</sup> This was the beginning of a pattern where the major powers would only support restrictions on development of nuclear weapons after they no longer had need for those things being restricted, essentially trying to keep others out

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<sup>219</sup> Mao Zedong, 'Press Statement', in *Peking Review*, number 1, 3 January 1969.

<sup>220</sup> Garver, p. 317.

<sup>221</sup> Garver, p. 317.

<sup>222</sup> Government of India, viewed 6 July 2004.

of the nuclear club while maintaining their own capabilities. In 1965, within this environment of concern that India would never be safe unless it played the same game, debate resulted in an Indian Government decision to develop its own nuclear weapons.<sup>223</sup> India conducted a non-weaponised test in 1974, but it was not until May 1998 that India conducted tests on nuclear weapons, having refused to sign the CTBT in 1996.<sup>224</sup>

India's nuclear tests created considerable concern throughout the world, particularly as they were followed almost immediately by Pakistani nuclear tests in response to what they now perceived as a greater threat – all underlining global concerns about proliferation. India's explanations included concern that the Non-Proliferation Treaty (NPT) and CTBT did not do enough to protect non-nuclear nations from nuclear attack in that it did not deal with disarmament, and that in that environment India needed nuclear weapons for its own security.<sup>225</sup> More specifically, Prime Minister Vajpayee sent a letter to the United States President, which was subsequently published, naming the threat from China as a key reason for conducting the tests.<sup>226</sup> In addition to the threat directly from China, China's support to Pakistan in acquiring nuclear weapons also posed a threat to India. China did not receive this well, indicating that the cross-border tension was alive and well.<sup>227</sup>

India's arguments then and since the tests have not been without logic. As discussed earlier, the Indian Government had attempted to prevent all use of nuclear energy in weapons, but reached a point where it realised that none of the nuclear powers were going to give up their weapons.<sup>228</sup> More particularly, China was not going to give up its weapons and, no doubt, some in India felt that given the betrayal that led to the Sino-Indian War in 1962 and in spite of

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<sup>223</sup> Garver, p. 317; Government of India, viewed 6 July 2004.

<sup>224</sup> Government of India, viewed 6 July 2004.

<sup>225</sup> Government of India, viewed 6 July 2004; National Security Advisory Board (India), viewed 27 November 2001.

<sup>226</sup> Cheng, p.1.

<sup>227</sup> Cheng, pp. 1-2.

<sup>228</sup> Vajpayee, viewed 8 July 2004.

indications of peaceful intentions, China could never again be trusted. In addition to this, there are indications that India was tired of being ignored in its efforts to influence issues such as nuclear disarmament and by conducting tests, India was making a statement that could not be ignored.<sup>229</sup>

Certainly the New Zealand Government didn't ignore the Indian nuclear tests, issuing statements condemning them and calling on India to cease further testing.<sup>230</sup> New Zealand has long opposed nuclear proliferation in any form and clearly to have two new declared nuclear powers (India, followed closely by Pakistan) arise was a major set back for global non-proliferation, particularly given India's outspoken view that there should be no nuclear weapons. From a direct threat point of view, neither China nor India's nuclear weapons are of concern given New Zealand's good relations with both countries and the current lack of threat that New Zealand poses to either country.<sup>231</sup> However, New Zealand needs to consider its *future* security given the probability that India and China will retain their nuclear weapons indefinitely. There are three major areas of concern that should be examined, these being the impact of future nuclear conflict between China and India, the potential for wider proliferation stemming from Sino-Indian nuclear relations, and the impact of nuclear material and/or technology being transferred to terrorist or other criminal organisations.

## **Nuclear Conflict**

When considering the effect of nuclear conflict between India and China, we should first address the likelihood. Threat is made up of capability and intent - if a country has insufficient capability to be able to damage another country

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<sup>229</sup> Kanwal, Colonel Gurmeet, 'Nuclear India: Quest for Strategic Autonomy' in *India Defence Review*, volume 16(1), January to March 2001, p. 11.

<sup>230</sup> New Zealand Mission to the United Nations, *New Zealand Condemns Indian Nuclear Tests*, Wellington, 12 May 1998; New Zealand Mission to the United Nations, *Prime Minister Condemns Further Indian Nuclear Tests*, Wellington, 14 May 1998.

<sup>231</sup> Ministry of Foreign Affairs and Trade, viewed 8 July 2004.

there is no threat, and if there is a capability but no intent to use it, then there may also be no threat. Both India and China now have the capability to target each other with nuclear weapons, but both claim there is no intent to do so.<sup>232</sup> This may be true for now, but intent is less predictable than capability and it can change over night with a change in leadership, a misunderstanding or a mistake that precipitates action. While both India and China have stated that they will not use nuclear weapons first in a conflict, both are prepared to use them if deterrence fails.<sup>233</sup> This means that only one of the two countries needs to use a nuclear weapon in order to start a two-sided nuclear conflict, thus increasing the risk of a conflict occurring. The types of scenarios that could lead to a Sino-Indian nuclear conflict could be such things as a shift in policy combined with misunderstanding, extreme domestic pressure, or third party inflammation such as could be generated by Pakistani provocation with Chinese support.

A shift in policy could lead to use of nuclear weapons if the shift was towards pre-emptive strike, thus allowing one or both of the nations to target the other with a nuclear weapon before the other has actually pushed its nuclear button. This coupled with a misunderstanding over the intended use of nuclear weapons by the other side, could result in a decision to strike first, thus precipitating the conflict. The most recent example of pre-emptive action at the super power level was the United States led invasion of Iraq to prevent Saddam Hussein from developing and using weapons of mass destruction.<sup>234</sup> While some may argue that this was a unique circumstance, China or India may draw from this example in the future to justify their own pre-emptive strikes, and given their respective nuclear declarations they, unlike the United States, will not have to prove that the other country has nuclear weapons. There have

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<sup>232</sup> Governments of the People's Republic of China and Republic of India, viewed 25 June 2003; Indiainfo.com, viewed 14 October 2004; Press Trust of India, viewed 12 December 2003.

<sup>233</sup> *China's National Defense in 2000*, pp. 61-4; Indian National Congress, viewed 6 July 2004; Kampani, viewed 6 July 2003; Singh, Manmohan, *Prime Ministers Address to the Nation*, New Delhi, 24 June 2004, <http://pmindia.nic.in/speeches.htm>, viewed 6 July 2004.

<sup>234</sup> National Lawyers Guild, *Attacking Iraq, Subverting International Law*, Statement, New York: National Lawyers Guild, 2003.



already been suggestions that some in India are wanting to revise the 'no first use' policy in order to allow a nuclear response to a chemical or biological attack.<sup>235</sup> This raises concerns in that it represents potential slippage towards pre-emption. China has also modified its 'no first use' doctrine by suggesting that using nuclear weapons on its own territory does not breach the 'no first use' policy.<sup>236</sup> This is disturbing given that China considers India to be occupying its territory in the Indian state of Arunchal Pradesh, and technically Chinese policy allows them to dislodge India from this region with the use of nuclear force.<sup>237</sup> As unlikely as it is that a nuclear exchange will occur in the near future, however, it is not inconceivable that given the lack of resolution on the border dispute, the more fluid and unpredictable nature of Indian politics and China's single mindedness in gaining parity with the United States and therefore regional dominance, that such a scenario could come about. The only circumstance that would remove this possibility altogether is if both countries gave up their nuclear weapons, but this is considered an unlikely outcome.

Some believe that the 1998 tests were motivated by domestic politics and the nationalist BJP party's desire to gain popularity by enhancing India's prestige, and certainly the BJP's election win suggested a public mandate to do so.<sup>238</sup> While on the scale of possibilities nuclear testing is a relatively mild result of a nationalist agenda, it raises the concern that more extreme domestic support for nationalist objectives could lead to actual use of weapons, no matter how limited that use may be. A scenario that could lead to such an event may come from an epidemic (such as Asian Bird Flu perhaps) triggering severe economic decline that in turn leads to loss of international prestige and an increase in the breadth of domestic poverty. Such an environment lends itself

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<sup>235</sup> *China Overview*, viewed 6 July 2004.

<sup>236</sup> Kanwal (2000), p. 18.

<sup>237</sup> Garver, p. 97; Klintworth (1987), p. 1.

<sup>238</sup> National Democratic Alliance, *For a Proud, Prosperous India: An Agenda*, <http://bjp.org/manifes/manifest99.htm>, viewed 12 November 2001; Kampani, viewed 6 July 2004; Vajpayee, viewed 30 October 2004.

to nationalistic policies and grandstanding that may result in seeking an external scapegoat to blame internal troubles on. Given the historical tension that has existed between India and China, China is likely to be on the short-list (along with Pakistan) of possible scapegoats. Combine this with continued Chinese occupation of disputed border territories and a nationalist government that claims it can punish those to blame for decline and restore prestige, India may be tempted to demonstrate its status through use of nuclear weapons to gain back some of its lost territory. In this scenario, India would not have to actually detonate a weapon, but the mere demonstration of intent could lead to extreme brinkmanship and miscommunication, and then misunderstanding could trigger the use of weapons. Indeed, China has already recognised in its defence policy the potential need to conduct pre-emptive strikes in its 'War Zone Campaign' concept.<sup>239</sup> Although China has a relatively more stable political environment with essentially a single party system, thus lowering the chances of extreme or shifting external pressure leading to a Chinese initiated scenario, China's political stability may not last forever and there may yet be a less stable democracy in China's future. The only guarantee that extreme domestic political pressure could never lead to a Sino-Indian nuclear conflict is if neither country possessed nuclear weapons, but it is highly unlikely that either nation will ever give up nuclear weapons.

Significant destabilisation would need to occur for India and China to succumb to nationalist pressure and initiate a nuclear exchange. However, third party inflammation may also have a significant effect on both countries. Currently, the most likely candidate for third party negative influence is Pakistan. Pakistan could trigger a future nuclear exchange through a miscalculation or radical leadership change that called for a strike on India to settle the Kashmir dispute. Even the appearance of a nuclear threat from Pakistan could create a nuclear reaction from India, believing it to be in self-defence. Conventional war may break out again between India and Pakistan over Kashmir, but this

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<sup>239</sup> Hill (February 2004), p. 48.

always has the potential to escalate to a tactical nuclear exchange if such a war coincides with extreme nationalist feeling in either country. China is likely to be drawn into such an exchange in support of its ally, Pakistan, and this also might lead to a Sino-Indian nuclear exchange. While, again this is not likely in the near future, New Zealand needs to monitor the Indian-Pakistan-China relationship and encourage peaceful solutions to disputes and nuclear disarmament. Obviously, if there were no nuclear weapons, this scenario is no longer possible. While it is unlikely that China, India or Pakistan will ever completely give up their nuclear weapons, pressure to pursue nuclear disarmament should always be applied in order to at least discourage proliferation.

A nuclear conflict between India and China on any scale would affect New Zealand security on a number of levels. Firstly, New Zealand's long standing campaign against nuclear weapons would be severely set back. South East Asian nations and Central Asian nations would begin to feel particularly vulnerable alongside powers that were willing to employ nuclear weapons. Such a conflict would sharply call into question the need for them to defend themselves with nuclear weapons, declared or undeclared, to protect against or at least provide for suitable retaliation against a dominating power. At the very least there would be a number of requests to existing nuclear nations for protection, which if provided will likely lead to proliferation of non-nuclear defence systems such as provided for in theatre missile defence (TMD) programmes. New Zealand's ability to influence this proliferation would be minimal as it lacks the resources to provide any alternative to acquisition of more weapons. In addition, New Zealand's already limited influence over the issue of non-proliferation would diminish even further as countries around the globe deal with both the public pressure to provide protection and the reality of how vulnerable they are without nuclear weapons.

As well as affecting New Zealand's influence, a Sino-Indian nuclear conflict would also have an impact on its economy. China is one of New Zealand's top

ten trading partners with India's contribution to New Zealand's economy growing daily.<sup>240</sup> A nuclear conflict is likely to cause a downturn in both India's and China's economies as they focus funds on the conflict, regeneration of affected areas and reconstruction of defences. In addition, international opinion is likely to lead to trade embargos and sanctions to try and force both countries to negotiate and dismantle their nuclear arsenals given their lack of restraint. This is likely to reduce New Zealand's trade with both countries, thus impinging on its own economy. Trade routes are also likely to be affected by such a significant conflict, as China and India would both seek to deny access to each other's coast lines, thus resulting in military activity in the Indian Ocean and the South China Sea, which is likely to increase the risk to shipping that transports New Zealand goods through those regions into New Zealand's other markets.<sup>241</sup> Aside from the direct effect on India's and China's economies, there is also likely to be a ripple effect throughout Asia, potentially causing another crash as instability shakes economic faith in the region. Any downturn in the wider Asian economies will have a significant impact on New Zealand with Asia representing around a third of New Zealand's export income.<sup>242</sup> New Zealand's economy is unlikely to escape unscathed from a nuclear exchange between India and China.

From an environmental point of view, New Zealand is unlikely to be affected immediately or directly from nuclear explosions in either India or China. However, there is no telling the impact of a series of nuclear explosions on global temperatures and weather patterns in the future. The damage to the environment will be dependent on the level of the conflict. Small tactical nuclear strikes on limited targets will have little effect, however, significant strikes on nuclear power facilities are likely to have a much greater effect, and

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<sup>240</sup> Goff, Phil, *Goff names new High Commissioner to India*, Friday, 16/4/04, <http://www.nzembassy.com/news.cfm?CFID=8234188&CFTOKEN=55719983&c=26&l=72&i=1148>, viewed 8 July 2004, Statistics New Zealand, *Exports and Imports*, <http://www.stats.govt.nz/domino/external/web/nzstories.nsf/Response/Exports+and+Imports>, viewed 9 Jul 04.

<sup>241</sup> Bedi (June 2004), p. 30.

<sup>242</sup> Statistics New Zealand (June 2004), p. 4.

even a small nuclear strike in an urban area with the population densities common in both China and India, will cause considerable loss of life and long term humanitarian problems. In addition, the number of nuclear explosions could increase significantly if third parties become involved, such as Pakistan, Iran, North Korea, or even the United States. It is safe to say that given the potential risks, New Zealand's environmental security will be more assured if there are no further nuclear explosions anywhere in the world.

In the long term, a nuclear conflict between India and China is likely to cause significant hardship in both countries and possibly large numbers of refugees. There is likely to be an initial exodus of refugees to avoid the immediate consequences of a nuclear exchange, but this would be followed later by additional refugees trying to avoid the economic effects in both countries and potential starvation if significant areas of arable land have been contaminated during the conflict. New Zealand has significant Chinese and Indian populations and these people would provide a relatively easy entry point for large numbers of Chinese and Indian refugees.<sup>243</sup> This potential increase in population would add to New Zealand's infrastructure, unemployment and welfare problems, all eroding its economy and reducing the quality of life in New Zealand. There is also the potential for increased ethnic tension in New Zealand between New Zealand Chinese and Indians, which will add to the costs of policing and prisons. Such a significant refugee problem, should it eventuate, will certainly impact on New Zealand's future security.

## **Proliferation**

Even if a nuclear conflict between India and China does not ever occur, New Zealand should be concerned about the current and future potential for proliferation of nuclear weapons and technology. The history of China and India's acquisition of nuclear weapons is a tale of proliferation in itself.

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<sup>243</sup> Statistics New Zealand, *2001 Census Snapshot 15: Asian People*, 2001, p. 1.



First, China began developing nuclear weapons due to the threat from the West and, in particular, the United States.<sup>244</sup> This in turn caused India to commit to the development of nuclear weapons in order to counter the perceived threat from China.<sup>245</sup> Then China assisted Pakistan in the development of nuclear weapons so that Pakistan could counter the perceived threat from India.<sup>246</sup> In order to obtain missile technology, Pakistan began trading nuclear technology with North Korea, which now claims that it has nuclear weapons.<sup>247</sup>

There exists considerable potential for nuclear competition between India and China to spread even further. For example, if India's nuclear status continues to threaten Pakistan, the latter may continue to trade with North Korea and eventually assist North Korea to acquire accurate and more effective nuclear weapons. This in turn is likely to encourage Japan and South Korea to seek nuclear weapons. A resurgent Japan with nuclear weapons may well spark proliferation in a number of countries that Japan had formerly occupied, fearing for its own security. Pakistan may also cause concern for a future developed Afghanistan, who may exploit former Soviet contacts to acquire nuclear technology and weapons. Pakistan has also entered into an accord with Saudi Arabia that allows them to place nuclear weapons and long range missiles in Saudi Arabia in order to gain strategic depth to India and this carries with it the possibility of transfer of nuclear technology with this deal.<sup>248</sup> India may seek further support from countries such as Iran, which may also lead to an exchange of technology or material in the future. India's nuclear aspirations have also caused concern given that its recent success in lobbying the United States to assist in developing India's civilian nuclear programme, in spite of

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<sup>244</sup> Wu (1998), p. 121.

<sup>245</sup> Cheng, p.1.

<sup>246</sup> Kan, pp. 2-3; Sharif, *Prime Minister Nawaz, Statement by Pakistan to the United Nations General Assembly*, 23 September 1998, <http://www.acronym.org.uk/spsep98.htm>, viewed 8 July 2004.

<sup>247</sup> Klintworth, Dr Gary, 'Asia-Pacific defence and security 1974-2004', in *Asia-Pacific Defence Reporter*, June 2004, p. 36; *Skepticism over N. Korea nuclear claims*, Monday, November 18, 2002, <http://www.cnn.com/2002/WORLD/asiapcf/east/11/17/nkorea.nukes/>, viewed 10 Jul 04.



India's disregard for the Non-Proliferation Treaty, other countries, such as Iran, may be encouraged to continue in their own nuclear development.<sup>249</sup> China may feel, as it did with Pakistan, that assisting countries such as Myanmar to become a nuclear power would assist in containing India. A nuclear armed Myanmar would certainly make the rest of South East Asia consider arming themselves. A real possibility may be that India chooses to take a leaf out of China's book and at some time in the future pass on nuclear technology or weapons to China's neighbours such as Vietnam or Taiwan at a crucial time when India wishes Chinese attention to be diverted.<sup>250</sup> While most of these possibilities may not be all that likely in today's security environment, the number of possible outcomes is sufficient to suggest that proliferation is a likely result of long term nuclear competition between India and China, and New Zealand should prepare to counter such proliferation.

Another complicating factor in proliferation is the development of Theatre Missile Defence (TMD) systems. This is a network of missiles capable of shooting down nuclear missiles. The spread of United States developed TMD to Japan, and potentially India, is already causing concern for China.<sup>251</sup> An effective TMD network will largely negate China's nuclear deterrent, leaving China little choice if they wish to maintain a deterrent but to develop its own TMD network, or substantially increase the number of nuclear missiles they have so as to be able to swamp the TMD system and allow a few nuclear missiles through. The capacity for China to achieve this has already been noted back in 1997, but Indian plans have continued for the establishment of a National Missile Defence (NMD) system that could potentially become part of a

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<sup>248</sup> Bodansky, Yossef and Cpley, Gregory R., 'A New Nuclear Age: Pakistan's Accord to Place Nuclear Weapons and Long-Range Missiles in Saudi Arabia Places European and Indian Targets Within Reach', in *Defense and Foreign Affairs Strategic Policy*, October 2003, p. 4.

<sup>249</sup> Smith, Nick, p. 22; *The Economist* (4 March 2006), p. 27.

<sup>250</sup> Malik (2001), p. 83.

<sup>251</sup> *China's National Defence in 2002*, pp. 6-7; 63-4; Information and Research Services, 'US Missile Defence Programme: Responses from Asia', in *Research Note*, Number 30, 2000-2001, p. 1; Zhu Rongji, *Press Conference*, Great Hall of the People, 16 March 2001, <http://english.peopledaily.com.cn/features/lianghui/2001031600A101.html>, viewed 12 June 2003.

wider TMD network.<sup>252</sup> The spread of NMD/TMD is likely to lead to greater nuclear proliferation rather than negate the effectiveness of a nuclear arsenal.

Any nuclear proliferation makes the world a less secure place, and as a result will impact on New Zealand security. New Zealand needs to continue in its quest to educate states and dissuade them from acquiring nuclear weapons, at the same time, preparing for a much less safe security environment. As an extreme outcome, it is possible that one day in the future, New Zealand may also once again need to consider seeking nuclear protection from one of the nuclear powers. Perhaps by then Australia may be a viable nuclear protector and some trans-Tasman pride may have to be swallowed in order to come under its protective umbrella.

### **Transfer of Technology or Material to Criminal Organisations**

Both India and China claim that they have sufficient safeguards in place to protect their nuclear technology and materials.<sup>253</sup> China, however, has in the past failed to control exports in that it supplied nuclear components to an unsafeguarded Pakistani facility in late 1995, claiming later that the central government had been unaware of the transfer.<sup>254</sup> This is concerning as it means that either China is unconcerned about unsafeguarded transfer of nuclear material, or that the central government is unable to control such

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<sup>252</sup> Global Security, *Arrow TMD*, <http://www.globalsecurity.org/space/systems/arrow.htm>, viewed 27 October 2004; Starr, Barbara, "China could 'overwhelm' regional missile shield", in *Jane's Defence Weekly*, 23 April 1997, p. 16; Mohan, Raja C., Vajpayee, 'Bush may Explore Tie-up in Missile Defence', in *The Hindu*, 22 September 2003, [http://www.mtholyoke.edu/org/cwp/projects/us\\_armscontrol/bush\\_vajpayee\\_discuss.htm](http://www.mtholyoke.edu/org/cwp/projects/us_armscontrol/bush_vajpayee_discuss.htm), viewed 27 October 2004; Symonds, Peter, *India embraces Bush and national missile defence project*, <http://www.wsws.org/articles/2001/may2001/ind-m16.shtml>, viewed 27 November 2001; The Center for Security Policy, *India and Missile Defense*, [http://www.mtholyoke.edu/org/cwp/projects/us\\_armscontrol/csp\\_arrow.htm](http://www.mtholyoke.edu/org/cwp/projects/us_armscontrol/csp_arrow.htm), viewed 27 October 2004.

<sup>253</sup> Government of the People's Republic of China, *National Report of the People's Republic of China on the Implementation of the Treaty on the Non-Proliferation of Nuclear Weapons*, 17 April 1995, <http://www.nti.org/db/china/engdocs/npt0495.htm>, viewed 9 July 2004; Vajpayee, viewed 8 July 2004.

<sup>254</sup> *China's Nuclear Exports and Assistance*, <http://www.nti.org/db/china/nexport.htm>, viewed 9 July 2004.

transfers. Also of concern is internal criticism of India's fledgling nuclear command structure, essential to the control of nuclear weapons.<sup>255</sup> This suggests that there is already potential for Indian nuclear material to fall into the wrong hands. China and India's real or potential lack of control means that the only guarantee that no terrorist or other criminal organisation will be blocked from acquiring nuclear technology or material is if the material or technology does not exist. Otherwise, countries can only reduce the risk of transfer but not eliminate it. As an example, after World War II and into the Cold war even the United States was unable to protect its nuclear secrets enough to prevent the technology from leaking to the Soviet bloc and, more recently, the United States believes that China was able to steal some American nuclear technology from the 1970s to the 1990s.<sup>256</sup> If the United States is unable to guarantee that its nuclear technology can be protected given its resources and security systems, then no country currently can.

In addition to this, the security of nuclear material and/or technology is at even greater risk due to the presence of active terrorist organisations in both India and China. China has problems with dissidents in Tibet and Xinjiang, the most significant group being the Eastern Turkistan Islamic Movement (ETIM) operating in the Xinjiang Uighur Autonomous Region. The ETIM has been designated a terrorist group by the United States in line with China's classification of the group who are seeking independence from China.<sup>257</sup> India faces continual pressure from dissident groups including Sikh separatists, bandits and Islamic terrorists in the Jammu and Kashmir regions, allegedly supported by Pakistan.<sup>258</sup> While all of these groups are likely to be motivated to acquire nuclear technology or material, of most current concern are the

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<sup>255</sup> Badri-Maharaj, Sanjay, 'Underestimation of Nuclear India: A Major Mistake', in *Indian Defence Review*, Volume 16 (13), July-September 2001, p. 10; Indian National Congress, viewed 7 July 2004.

<sup>256</sup> Schwartz, Michael I., 'The Russian-A(merican) Bomb: The Role of Espionage in the Soviet Atomic Bomb Project', in *Journal of Undergraduate Sciences*, Summer 1996, pp. 103-8; *The Cox Report on Chinese Espionage*, <http://www.time.com/time/daily/special/newschina/cox/overview/pg1.html>, viewed 9 July 2004.

<sup>257</sup> The National Institute for Defense Studies Japan, pp. 173-4.

<sup>258</sup> Ministry of Defence (India), viewed 8 July 2004.

Islamic extremists as they may be able to draw from other world-wide Islamic terrorist groups in order to gain the resources, capability or assistance to steal nuclear technology or material and then develop nuclear weapons to further their causes. Currently, nuclear terrorism is likely to be limited to use of 'dirty bombs' (nuclear material spread by the explosion of a conventional bomb), but in the future some terrorist organisations may have the resources to develop, or steal and use nuclear weapons.

While it is of concern to New Zealand that terrorist groups in India and China may develop and use nuclear weapons in those countries, it is of even more concern to New Zealand's future security that nuclear technology and material may be transferred by these groups to global terrorist groups. If that occurs, New Zealanders overseas may become victims of nuclear terrorism, and even worse, New Zealand itself may become the target of an attack in retaliation for its support to the United States in the Global War on Terror. These possibilities serve to further underline the issue that the continued existence of nuclear weapons is likely to diminish New Zealand's future security.

In addition to these possibilities, there is also the risk that some time in the future India and/or China may break up into smaller states, resulting in poorer control over existing nuclear resources as happened when the Soviet Union broke up.<sup>259</sup> India is made up of 26 states, among which there are a number of different sub-cultures and religious sects, some of which have internal separatist movements in addition to separatist movements that cross state borders.<sup>260</sup> If the Indian central government was to ever lose the battle to

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<sup>259</sup> Woolf, Amy F, 91144: *Nuclear Weapons in the Former Soviet Union: Location, Command, and Control*, Foreign Affairs and National Defense Division, 27 November 1996, <http://www.fas.org/spp/starwars/crs/91-144.htm>, viewed 14 July 2004.

<sup>260</sup> Hill, John, 'Nepalese Maoists join with Indian groups', in *Jane's Intelligence Review*, Volume 16, Number 09, September 2004, p. 5; *India since independence*, <http://adaniel.tripod.com/separate.htm>, viewed 14 July 2004; Ministry of Foreign Affairs and Trade (New Zealand), viewed 8 July 2004; *Revolutionary People's Front: Manipur*, <http://www.geocities.com/CapitolHill/Congress/4568/>, viewed 14 July 2004; Singh, Col Partap, *National Self-Determination: The Declaration of the Sikh Homeland*, 2001, <http://www.khalistan.net/declare.htm>, viewed 14 July 2004; *ULFA as a Revolutionary Organization*, <http://www.geocities.com/CapitolHill/Congress/7434/ulfa.htm>, viewed 14 July 2004.

keep such disparate peoples together, India could be facing a similar break up to that of the Soviet Union, and therefore similar issues in control of former federal nuclear assets. Current indications are that India's nuclear facilities, both weapon and power related, are spread across the country, including areas that are subject to separatist ambitions.<sup>261</sup>

China likewise is also made up of a number of provinces, of which three out of the twenty-nine have some significant form of separatist movement.<sup>262</sup> While China is populated mostly by the Han people, there are also 54 minorities formally recognised with another 129 waiting to be recognised.<sup>263</sup> China's history has also been one of ebbs and flows between dynasties, which suggests that the current unification in China under one government may not last forever. China's nuclear assets are currently widely distributed across China, presenting the possibility of loss of control if China was ever to break up into its component provinces, with particular concern over nuclear installations such as the Chinese testing facility in Xinjiang where the Uighur separatists currently threaten stability.<sup>264</sup>

Should China or India ever collapse into a number of component states, then there will likely be a period of time where nuclear material and technology will be very difficult to track and control. Elements vying for control will recognise the value of controlling nuclear weapons and facilities and may view them as

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<sup>261</sup> *India Nuclear Map*, <http://www.ceip.org/programs/npp/india.gif>, viewed 19 October 2004; *India's Nuclear Facilities*, [http://www.atomicarchive.com/Almanac/IndianFacilities\\_static.shtml](http://www.atomicarchive.com/Almanac/IndianFacilities_static.shtml), viewed 19 October 2004.

<sup>262</sup> The Allied Committee of The Peoples of Eastern Turkestan, Inner Mongolia, Manchuria and Tibet, 'Unrest in the Dominion', in *Common Voice*, Volume 2 (1992), [http://www.taklamakan.org/allied\\_comm/commonv-2-11.html](http://www.taklamakan.org/allied_comm/commonv-2-11.html), viewed 14 June 2004; Uyghur American Association, Capitol Area Tibetan Association, Inner Mongolian People's Party, Formosan Association for Public Affairs, Taiwanese Association of Greater Washington, Eastern Turkestan National Freedom Center, *Joint Statement: Fifty Years is Long Enough*, 30 September 1999, <http://www.innermongolia.org/english/index.html>, viewed 14 July 2004.

<sup>263</sup> *Chinese Nationalities and Their Populations*, <http://www.paulnoll.com/China/Minorities/China-Nationalities.html>, viewed 19 October 2004.

<sup>264</sup> Carnegie Endowment for International Peace, *Deadly Arsenals*, 2002, <http://www.ceip.org>, viewed 19 October 2004; NTI, *Nuclear Weapon-Related Facilities*, <http://www.nti.org/db/china/wdepdat.htm>, viewed 19 October 2004.



bargaining chips to gain international recognition, support or aid, or as a source of much needed capital to establish new states. This, in extreme cases, may lead to nuclear blackmail and/or the offering of nuclear material or technology to the highest bidder. Bidders may include rogue nations such as North Korea or well funded criminal or terrorist groups. Even though the likelihood of this scenario occurring may be low, its mere existence as a possibility is detrimental to New Zealand's security.

Short of the unlikely event of China and India giving up their nuclear status, New Zealand needs to maintain pressure on all nuclear powers to participate in sound monitoring and control processes, while encouraging disarmament. This should at least help encourage both India and China to realise that the responsibility they have assumed of managing nuclear weapons has much wider implications than just deterrence. The threat to New Zealand's future security from a Sino-Indian nuclear conflict, proliferation and the transfer of technology or material to criminal organisations is significant, potentially impacting on New Zealand's economy, society, environment, status and physical well-being. The scale of this threat should drive New Zealand to apply specific and continuous pressure on both India and China to work on peaceful solutions to conflict, non-pre-emptive nuclear policies, reduction of proliferation, strict control of nuclear material and technology and eventual nuclear disarmament. While it may be difficult for New Zealand to significantly influence both or either country, the stakes are high enough that it is worthwhile to make every reasonable effort to limit Sino-Indian nuclear competition.



## Chapter 4: Sino-Indian Strategic Competition

While China professes a policy of peace and friendliness towards India, its deeds are clearly aimed at the strategic encirclement of India in order to marginalise India in Asia and tie it down to the Indian sub-continent.

- Gurmeet Kanwal<sup>265</sup>

Nuclear competition between India and China is one aspect of strategic competition, but there are other facets that may also affect New Zealand's future security. These largely fall out of India's and China's respective concern for their own future security. New Zealand is not a powerful enough nation to aggressively or militarily guarantee future security. Instead, New Zealand works through multilateral organisations in order to have some influence over its strategic environment, while maintaining as neutral a stance as possible. China and India, on the other hand, both have the capacity to actively influence their respective strategic surrounds.

India's and China's influence is mostly focused on the necessary protection of their respective interests from the unwanted influence of other states or non-state actors. This drives both states to work to increase their strategic influence, using two key methods. The first is through appearing strong on the world stage, which is largely achieved by the development of political influence backed up by apparent military power. The second is by engaging with as many states as possible in the interests of gaining influence with or over them. These are not new goals for either India or China. Both have practiced strategic encirclement by influence for a number of years, but the pace and effort appears to have increased.<sup>266</sup> Achieving this influence involves geographical domination through military, political or economic influence, or by seeking associations or alliances. Inevitably, when two large and relatively

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<sup>265</sup> Kanwal, Gurmeet, 'Countering China's Strategic Encirclement of India', in *India Defence Review*, volume 15(3), July to September 2000, p. 13.

<sup>266</sup> O'Leary, p. 222; Selth, p. 6; The National Institute for Defense Studies Japan (2002), p. 112.

powerful neighbours begin a campaign to spread their influence, their respective interests will begin to overlap and compete with each other. India and China are already contesting for influence over the same groups or geographical areas, or increasing influence in areas that potentially threaten the other. The outcome of those contests and threats are likely to have an impact on New Zealand's future security.

Sino-Indian strategic competition can be broken into a three key areas; political and military capability competition, geographical competition, and alliance competition. Competing politically is about positively raising their profiles on the international stage in order to build credibility, and hence, influence. This is coupled with military capability competition, which may otherwise be described as an arms race. An example of how an arms race may start is when one state feels that its ability to dominate others is waning. To correct this and to maintain the upper hand or military deterrence factor, the state increases its military capability. The arms race continues when another state feels that the first state is now in a position to threaten them. The second state then builds up its military capability with the intent to either dominate or equal the first state so that the first state can no longer threaten the second. The first state then senses that its ability to dominate the second is waning and the race continues. All this occurs in a political environment that also requires maintenance of international support while preventing the competition from blocking military development. This seems to be what is occurring between the more powerful China and the increasingly powerful India.<sup>267</sup>

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<sup>267</sup>Bryskine, Sonya, 'Can China Sustain The Arms Race?', in *The Epoch Times*, 4 March 2006, <http://www.globalsecurity.org/org/news/2006/060304-china-arms-race.htm>, viewed 12 May 2006; Defence Intelligence Organisation, *Defence Economic Trends in the Asia Pacific: 1998*, Canberra: Defence Intelligence Organisation, 1998, p. 45; Margolis, Eric, 'Asias Growing Arms Race', in *Margolis*, [http://www.ericmargolis.com/archives/1999/11/asias\\_growing\\_a.php](http://www.ericmargolis.com/archives/1999/11/asias_growing_a.php), viewed 12 May 2006; Staff Reporter, 'Is India falling into the trap of unnecessary obsolete arms race again? Defense Ministry to consider F16 and other American hardware', *India Daily* <http://www.indiadaily.com/editorial/2072.asp>, viewed 12 May 2006.

Geographical competition includes dominating the region through a military presence or through political or economic strength. This may result in neighbouring countries deferring to India or China's political direction in the region as they become wary of the negative economic implications of contesting that direction (an indirect form of coercion) or allowing (or being unable to prevent) military forces exercising, visiting or operating in the region. It does not necessarily mean that India or China necessarily occupy regional states, only that they enhance their regional situational awareness and increase their ability to influence their neighbours.

Alliance competition is where India and China compete to establish strong alliances with other powers that further improve their own influence. This competition is a relatively new aspect of the Sino-Indian relationship, given that China's traditional isolationism previously meant that India had little competition in this area.<sup>268</sup> Alliance competition seems to be a result of globalisation and the maturing of both nations as they realise the increasing need for international legitimacy through engagement. In a sense it flows on from geographical competition, the key difference being that engagement is conducted from a position of co-operation rather than one of dominance.

Both China and India have worked to build a wide influence base through alliances and associations with various states. China, in recent years, has gone to some lengths to lose its former victim complex and, through engagement, strengthened its position on the world stage as a great power.<sup>269</sup> In 2003,

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<sup>268</sup> Kang, p.64; Lai, pp. 68-9.

<sup>269</sup> Huiskens (2002), p. 9; Lai, p. 68; Medeiros et al, p. 32.

Premier Wen Jiabao stated that:

We have won more understanding, trust, respect and support from the international community, and we enjoy higher status and greater influence in the international arena that ever before.<sup>270</sup>

This sounds like a positive development for New Zealand and the region given that China appears less and less threatening. New Zealand's early views of China were not independent, but rather were formed 'through the distorting lenses of British and American binoculars', a simple indication of this being that New Zealanders referred to Asia officially as the Far East, in spite of having to travel north from New Zealand to reach it.<sup>271</sup> This filtered view encouraged intervention throughout South East Asia in response to fears of communist expansionism perpetrated by China and the Soviets, led to New Zealand's Forward Defence policy and was a key factor in supporting India during the Sino-Indian border conflict.<sup>272</sup> New Zealand was not on its own in viewing China as an expansionist threat, and it suited India's interests to have the West remain fearful of China and to have China remain in isolation.<sup>273</sup> During the Sino-Indian border war of 1962, the Indian Government claimed that China was the aggressor, conveniently negating to mention that it was India who first broke the status quo agreement with China and provoked the first attack.<sup>274</sup> This led to broad support for India during the war, including from New Zealand.<sup>275</sup> As China builds more relationships with other nations, India's ability to sway opinion about China and gain support against China will reduce. For example, if a future Sino-Indian crisis arises, New Zealand is unlikely to take India's word for it and support them without consulting directly with China, thus allowing a more balanced position. While positive for New Zealand, India

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<sup>270</sup> Wen Jiabao, PRC Premier, cited in Hill, John, 'One year on: China's leaders set out strategy for 2004', in *Jane's Intelligence Review*, Volume 16, Number 5, May 2002, p. 54.

<sup>271</sup> Stenson, Michael, 'The origins and significance of 'Forward Defence' in Asia', in *New Zealand in World Affairs*, Wellington: New Zealand Institute of International Affairs, Volume 1 1945-1957, 1973, p. 187.

<sup>272</sup> Stenson, pp. 192-6.

<sup>273</sup> Stenson, p. 186-7.

<sup>274</sup> Maxwell, p. 300.

<sup>275</sup> Holyoake Letter; O'Leary, pp. 155-7.

is unlikely to view China's increased legitimacy from a predominantly positive perspective.

India's response to China's increasing popularity appears so far to be one of caution and balance. The new Indian Government is building bridges with its northern neighbour while also seeking associations and alliances with other states.<sup>276</sup> In particular, India has been developing stronger relations with the United States, both politically and militarily.<sup>277</sup> India is in a difficult position, however, as they do not wish to be dominated by either China or the United States, and as a result it appears that a balancing act is occurring.<sup>278</sup> Capitalising on the opportunity presented by the United States led war on terror and China's support to it, China too is improving relations with the United States, even achieving a level of United States economic dependence on China.<sup>279</sup> The importance of the Sino-United States relationship to China is increased by the fact that a significant issue in Sino-Indian competition is how (or if) the United States uses India to contain China.<sup>280</sup> From that perspective, India and China have some things in common. Both have identified their major threat or competitor (the United States for China and China for India), both are now working to avoid containment by them, both feel threatened by the support their competitor gives to their neighbour (India for China and Pakistan for India), and both seem to measure the success of their place in the world against the status of their major threat or competitor.<sup>281</sup> Unfortunately,

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<sup>276</sup> AFP, viewed 19 October 2004; AFP, viewed 19 October 2004; 'India News' (December/January 2003-2004), p. 47; Limaye, Satu P., 'India-East Asia Relations: India's Latest Asian Incarnation', in *Comparative Connections*, 3<sup>rd</sup> Quarter 2000, <http://www.cis.org/pacfor/cc/003Qoa.html>, viewed 28 November 2001; Ministry of Foreign Affairs and Trade, viewed 13 June 2003; *People's Daily Online*, viewed 15 October 2004; *People's Daily Online*, viewed 16 October 2004.

<sup>277</sup> Ahrari, p. 14; Hallinan, Conn, *A Dangerous Alliance: U.S. and India*, Washington, DC: Foreign Policy In Focus, 6 May 2003, p. 1.; The International Institute for Strategic Studies, *Strategic Survey 2001/2002*, London: Oxford University Press, 2002, pp. 254-6.

<sup>278</sup> Ahrari, p. 14; Information and Research Services, p.2; Shahin, Sultan, Wary of US, India eyes China again, <http://www.atimes.com/atimes/printN.html>, viewed 22 May 2003; Symonds, viewed 27 November 2001.

<sup>279</sup> Klintworth (July/August 2004), p. 44; Malik (2001), p. 80; The National Institute for Defence Studies Japan (2003), pp. 157, 173.

<sup>280</sup> Malik (2001), pp. 79-80; O'Leary, pp. 106-8.

<sup>281</sup> Malik, J. Mohan, p. 78.



this particular similarity is likely to fuel, rather than soothe competition. One commentator has pointed out that China already views India as a future challenger to the title of 'Middle Kingdom' and subsequent control of Asia.<sup>282</sup> For example, India's nuclear test was considered by many as being motivated by a desire to increase India's relative status, which was subsequently supported by India's drive to become a permanent member of the UN Security Council just like the other major nuclear powers. India's drive to compete for status and influence has the potential to lead to other actions that, like India's nuclear testing, are not in the interests of regional security. Such actions could include occupying or controlling the territories of other states, attempting to control regional shipping lanes, or overlooking human rights abuses in order to gain support of smaller states. Any such actions may create tension and may reduce regional security, which is likely to eventually have a negative impact on one or more of New Zealand's security interests.

In the process of competing for influence, India and China overlap in a number of areas. In South East Asia, the meeting place of both India's and China's regional influence, India and China have had different experiences. India was close with ASEAN in the early years, but then became estranged from the mid-1970s after a voluntary withdrawal followed by its unpopular recognition of the Heng Samrin Government in Cambodia in 1980.<sup>283</sup> When India revised its foreign policy in the early 1990s, it began to look east and repair ASEAN relations through a number of India-ASEAN committees, which led to becoming a Full Dialogue Partner in ASEAN in 1996 and at the same time becoming a participant in the ASEAN Regional Forum (ARF).<sup>284</sup> Since then, India has worked to build its relationship and influence with ASEAN across a range of

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<sup>282</sup> Malik (2001), p. 78.

<sup>283</sup> Banerjee (1998), p. 6.

<sup>284</sup> ASEAN Secretariat, *Overview*, <http://www.aseansec.org/92.htm>, viewed 25 October 2004; Banerjee (1998), p. 6; Limaye, viewed 28 November 2001.



economic, scientific and developmental areas, but not to the same extent that China has.<sup>285</sup>

China's involvement in the Vietnam War limited its acceptance by ASEAN until after the war when it began to rebuild relationships with member states, finally completing this task in 1990 when diplomatic relations were established with Singapore, Indonesia and Brunei.<sup>286</sup> China, that was initially suspicious that ASEAN was going to form an anti-China bloc opposing China's assertion of claims in the South China Sea, set about building trust through increased contact, trade and settling territorial disputes.<sup>287</sup> Over the same period ASEAN also grew, which resulted in a transition from an organisation with no direct contact with China to one that shared a large stretch of China's border.<sup>288</sup> Increased trade, shared borders and indications of good will from China led in 1996 to full dialogue status and China's participation in the ARF, alongside India.<sup>289</sup> Since then, China has significantly expanded its trade with ASEAN to become ASEAN's third largest export market (after the United States and Japan) and sixth largest trading partner, while ASEAN has become China's fifth largest trading partner, and by doing so creating China and ASEAN have created a measure of economic inter-dependence.<sup>290</sup> To further develop this economic relationship, China and ASEAN have commenced discussion concerning an ASEAN-China Free Trade Area (FTA) to be in place by 2011.<sup>291</sup> For India, this is a clear indication that ASEAN is predominantly looking north to

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<sup>285</sup> ASEAN Secretariat, *ASEAN-India Dialogue*, 26 January 2002, Kuala Lumpur, Malaysia, <http://www.aseansec.org/5738.htm>, viewed 26 October 2004.

<sup>286</sup> Banerjee (1998), p. 6; Lai, pp. 68-9.

<sup>287</sup> Lai, p. 69; Medeiros, et al, p. 26; Scobell, Andrew, and Wortzel, Larry M., 'Introduction', in *The Costs of Conflict: The Impact on China of a Future War*, Andrew Scobell (ed.), Carlisle: Strategic Studies Institute, October 2001, p. 5; The International Institute for Strategic Studies (2001/2002), p. 270; The International Institute for Strategic Studies, *Strategic Survey 2003/2004*, London: Oxford University Press, 2004, p. 226.

<sup>288</sup> Banerjee (1998), p. 10.

<sup>289</sup> ASEAN Secretariat, viewed 25 October 2004; Lai, pp. 69.

<sup>290</sup> ASEAN-China Expert Group on Economic Cooperation, *Forging Closer ASEAN-China Economic Relations in the Twenty-First Century*, October 2001, p. 1; ASEAN Secretariat, *ASEAN-China Dialogue*, <http://www.aseansec.org/4979.htm>, viewed 27 October 2004.

<sup>291</sup> ASEAN-China Expert Group on Economic Cooperation, pp. 29-30; ASEAN Secretariat, *ASEAN-China Dialogue*, <http://www.aseansec.org/4979.htm>, viewed 27 October 2004.

China, potentially for economic integration, and not west into the Indian Ocean, making it less likely that India will find support from ASEAN nations in any future competition with China.

The one positive aspect of both India and China participating in ASEAN and the ARF is that it provides another avenue through which they can communicate. Over time, India may also find that it holds equal influence in the ARF, given that while a few of the ASEAN nations have experienced previous conflict with China, India has presented much less of a threat.<sup>292</sup> India's more neutral status combined with its growing power may play into India's desire to be recognised as a great power if other ASEAN members look to India in the future to provide an alternative to Chinese regional leadership. However, in the short term India has found itself with less influence than China as China has instigated the ASEAN plus 1 and then ASEAN plus 3 annual meetings and has entered into a number of political agreements with ASEAN.<sup>293</sup> China's current greater influence in ASEAN is mostly due to the more immediate economic and security benefits of dealing with China and the uncertainty of India being able to achieve its potential great power status, and that may at some time lead to desperate and potentially destabilising actions from India in order to balance its influence with China's.<sup>294</sup>

China and India have also focused on developing bi-lateral relations with other nations, such as Singapore and Japan. China's relations with Japan are essential in countering United States regional influence and in gaining economic support.<sup>295</sup> India's interest in Japan is both from an economic and regional security perspective and is also likely driven by a desire to have a friend in North East Asia to counter China's influence.<sup>296</sup> Competition over influence

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<sup>292</sup> Banerjee (1998), p. 10.

<sup>293</sup> Lai, p. 71; Medeiros, et al, p. 25.

<sup>294</sup> Huisken (2002), p. 20.

<sup>295</sup> *China's National Defence in 2000*, p. 7; Gilboy, George, 'The Myth Behind China's Miracle', in *Foreign Affairs*, July/August 2004, p. 36; Hill (September 2003), pp. 50-1; Huisken (2002), p. 23; Kang, pp. 78-9.

<sup>296</sup> 'India News' (December/January 2003-2004), p. 48; Limaye, viewed 28 November 2001.

with Japan is unlikely to escalate to conflict in the foreseeable future given India's inability to project forces that far north. However, competition for investment from Japan and the India-Japan relationship inevitably including United States influence, both combined with relatively poor Sino-Japanese relations, are issues that are likely to complicate the Sino-Indian relationship and potentially add to any tension.<sup>297</sup>

Singapore, a key ASEAN state, sits at one end of the strategic Malacca Straights, the key conduit for shipping from the Indian Ocean to the Pacific and the route through which the bulk of China's external oil supplies travel not to mention being a major trade route for New Zealand.<sup>298</sup> For some time now India has assumed a role in maintaining the security of the Malacca Straights in conjunction with the United States Navy, with the likely intention of reducing the excuse for China to exercise its growing ambition to dominate the Indian Ocean routes.<sup>299</sup> China wishes to secure this trade route to ensure that it has an uninterrupted supply of oil to fuel its economic growth.<sup>300</sup> As a result of both India and China desiring dominance of the same area, Singapore may have a ring-side seat for naval clashes should China and India ever go to war over this control in the future. India has been increasingly wooing Singapore with mixed success. The free trade agreement mooted between the two nations has been put on hold, likely due to Indian difficulties in taking risks in importing commodities without tariffs.<sup>301</sup> In general, however, there continues to be positive momentum in the relationship bearing in mind that Singapore and India have similar colonial histories and that Singapore has a significant

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<sup>297</sup> Xinhua, *China-Japan Relations at the Crossroads*, <http://www.china.org.cn/english/2005/Apr/126003.htm>, viewed 14 May 2006; Xinhua, Luan Shanglin (ed.), *China, Japan try to ease tensions with talks*, [http://news.xinhuanet.com/english/2006-05/09/content\\_4527512.htm](http://news.xinhuanet.com/english/2006-05/09/content_4527512.htm), viewed 14 May 2006.

<sup>298</sup> Malik (2001), pp. 79-80.

<sup>299</sup> Bateman (2003), p. 20; Bedi (June 2004), p. 30; 'India News' (December/January 2003-2004), pp. 47-8.

<sup>300</sup> Malik (2001), pp. 79-80.

<sup>301</sup> Shahin, Sultan, "India's 'Look East' Policy Pays off", in *Asia Times*, 11 October 2003, <http://www.globalpolicy.org/globaliz/econ/2003/1011indiaasean.htm>, viewed 28 October 2003.

Indian population.<sup>302</sup> There is also a large and dominant Chinese population in Singapore and in recent years China has attempted to improve bilateral relations over and above relations via ASEAN, focusing on political, trade, cultural, scientific and technical exchanges.<sup>303</sup> The China-Singapore relationship, as economically and culturally promising as it looked, deteriorated rapidly in July 2004 when Singapore's Deputy Prime Minister visited Taiwan.<sup>304</sup> This potentially puts India ahead in the competition for influence with Singapore, but China will be mindful of the strategic location Singapore occupies as China was when it established strong links with Myanmar at the other end of the Malacca Straights. New Zealand needs to monitor any Sino-Indian competition centred on Singapore as Singapore is a key trading partner and one of the few countries that New Zealand is in a defence alliance (the Five Power Defence Agreement [FPDA]) with.<sup>305</sup> Should Sino-India competition lead to conflict that threatens Singapore, New Zealand may well be called upon to provide military support to Singapore in order to protect its interests. Such a conflict might also draw in Malaysia, also an FPDA member, or other regional trading partners. This potential to escalate into a regional conflict and the likely disruption to trade means such a conflict would not be in the best interests of either Singapore or New Zealand.

Aside from gaining influence through associations and alliances, geographical dominance offers both countries another option for securing key areas. India

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<sup>302</sup>High Commission of India in Singapore, *Business, Trade and Economy*, <http://www.embassyofindia.com/INDIA%20SINGAPORE%20TRADE%20&%20ECONOMIC%20RELATIONS%202002%20data.htm>, viewed 27 October 2004; Ministry of Foreign Affairs (Singapore), *Singapore-India Relations*, <http://app.mfa.gov.sg/generator/asppages/chennai/sporeindiaR.asp>, viewed 27 October 2004; Suryanarayana, P.S., 'India's best partner must be Singapore', in *The Hindu*, 31 October 2003, <http://www.hindu.com/2003/10/31/stories/2003103100631201.htm>, viewed 27 October 2004.

<sup>303</sup>Xinhua, *China, Singapore to Deepen All-Round Cooperation*, 28 May 2002, [http://news.xinhuanet.com/english/2002-05/28/content\\_412877.htm](http://news.xinhuanet.com/english/2002-05/28/content_412877.htm); viewed 27 October 2004.

<sup>304</sup>*Business Week Online*, 'China-Singapore Ties Tense Over Taiwan', 26 July 2004, [http://businessweek.com/magazine/content/04\\_30/b3893090\\_mz015.htm](http://businessweek.com/magazine/content/04_30/b3893090_mz015.htm), viewed 28 October 2004; Jiang Zhuqing, 'China: Lee's Taiwan visit damages relations', in *China Daily*, 14 July 2004, [http://www.chinadaily.com.cn/english/doc/2004-07/14/content\\_348221.htm](http://www.chinadaily.com.cn/english/doc/2004-07/14/content_348221.htm), viewed 28 October 2004.

<sup>305</sup>Statistics New Zealand (2004), p. 7; The New Zealand Government, *The Government's Defence Policy Framework*, June 2000, p. 6.

is currently unable to establish a permanent presence on the Pacific Coast of China, but conversely China can gain, and is in the process of gaining, permanent footholds around India.<sup>306</sup> The two key countries that China can now base out of are Pakistan and Myanmar, essentially flanking India.<sup>307</sup> Pakistan has been described by China as an 'all-weather friend' and has long been supported by China to keep India in check by keeping India busy with regional issues that slow the achievement of India's goal to become a great power.<sup>308</sup> This has reportedly extended to providing Pakistan with conventional arms and nuclear technology and weapons, creating both grave concern for India and what is considered by many as the most potentially dangerous nuclear flashpoint on the globe.<sup>309</sup> More recently, China has been assisting Pakistan with infrastructure projects, including port facilities that China may use.<sup>310</sup> China's support to Pakistan is likely to continue as long as they perceive significant United States influence in India or they believe that India remains a potential threat to China – in other words, Beijing's support is likely to remain indefinitely. In recent times India, however, appears to be taking a more pragmatic approach to the Pakistan-India problems and is working to normalise relations.<sup>311</sup> Aside from improving local stability, which can only be good for India, this move demonstrates India's readiness to assume some responsible regional leadership and a move to reduce China's influence over its neighbour. If successful, India may be able to claw back some of China's influence in the Indian Ocean.

A similar situation has occurred with Myanmar who now plays host to a Chinese naval base that greatly extends China's ability to project itself militarily into the

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<sup>306</sup> Hallinan, p. 1.

<sup>307</sup> Raman, B., 'Chinese Activities in Baluchistan', in *Indian Defence Review*, Volume 16(2), April-June 2001, p. 113; Selth, p. 5.

<sup>308</sup> Ahrari, p. 14; Banerjee, p. 8; Han Hua, 'Searching for Convergence: China's Policy Toward South Asia in the Post Cold War Era', in *Peace Initiatives*, March-April 1996, p. 20; Malik (2001), p. 83.

<sup>309</sup> Banerjee, p. 8; Malik (2001), p. 85.

<sup>310</sup> Malik (2001), p. 86; Raman, B., p. 113.

<sup>311</sup> International Strategic Studies Association, 'Careful Indo-Pakistan Moves Towards Stabilization', in *Defence and Foreign Affairs Strategic Policy*, Volume 1, 2004, p. 16; The International Institute for Strategic Studies (2003/2004), pp. 239-40.



Indian Ocean.<sup>312</sup> China began to engage with Myanmar after economic woes and international isolation drew Myanmar from its isolation and led them to seek assistance from China.<sup>313</sup> This assistance has extended to extensive contributions in military hardware and infrastructure development such as ports and airfields, which if used by China will allow them to project military forces well into the Indian Ocean.<sup>314</sup> In addition to this, there are indications that China has placed surveillance stations in the Coco Islands, other Myanmar islands and along the Bay of Bengal.<sup>315</sup> This combination of improved Chinese situational awareness and the ability to mount naval and air operations from Myanmar is a considerable threat to India as it assists China in influencing India's access to South East Asia. India is concerned about this encirclement from both Myanmar and Pakistan, but given China's new friends in ASEAN and ASEAN's soft diplomacy where they do not tell each other what to do, India is likely to face ongoing difficulties in gaining regional support in its desire to have China withdraw.<sup>316</sup> As with its relationship with Pakistan, India has reversed its previous approach of supporting the opposition to Myanmar's junta and now is building relations with the junta itself, including offering economic and security incentives.<sup>317</sup> While this appears to be having some success, India has probably left repairing its relationship with Myanmar too late to usurp China's influence, but it may be able to limit further Chinese military basing out of this strategic country and it does provide an opening for future influence should there be a leadership change in Myanmar.

India's improved relations with both Pakistan and Myanmar demonstrate that India is not completely helpless in countering Chinese influence. In order to gain more regional influence India has also signed a number of Memorandums

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<sup>312</sup> Munro, Major A.I.D., 'Regional Security Implications of China's and India's Strategic Interests in Burma', in *Fort Queenscliff Papers – 1996*, Melbourne: Australian Army Command and Staff College, 1996, p. 70; Selth, pp. 4-5.

<sup>313</sup> Munro, p. 72; Selth, pp. 4-5.

<sup>314</sup> International Institute for Strategic Studies, 'China's Ambitions in Myanmar', in *IISS Publications*, Volume 6, Issue 6, July 2000, p. 2; Selth, p. 4.

<sup>315</sup> Banerjee, p. 10; International Institute for Strategic Studies, p. 2.

<sup>316</sup> Acharya, Amitav, 'Will Asia's Past be its Future?', in *International Security*, Volume 28, Number 3, Winter 2003/04, p. 156; Kang, pp. 81-2.



of Understanding (MOU) to increase military to military interaction with Singapore, Malaysia, Vietnam, Mauritius and Oman, and India has provided an Army hospital in Tajikistan.<sup>318</sup> India has also engaged in a number of activities that will assist in at least slowing China's moves into the Indian Ocean. This includes being instrumental in the formation of the South Asian Association for Regional Cooperation (SAARC) in order to foster regional unity much like ASEAN and protect interests in the Indian Ocean from outsiders (from India's perspective this includes China).<sup>319</sup> China has shown an interest in becoming a member of SAARC, backed by Pakistan, but so far India has resisted in spite of the potential economic benefits.<sup>320</sup> SAARC has a number of problems, however, and will need to overcome them before becoming the power house ASEAN is, which will be required in order to successfully balance China's influence while gaining economic benefit. These problems in the past have centred on India-Pakistan tension and difficulty in progressing issues.<sup>321</sup> Perhaps India's recent efforts to normalise relations with Pakistan will flow over to SAARC and allow it to move forward in practically improving South Asian security without the dominating influence of China. Peaceful attempts by India to limit China's influence are preferable to some other potential options that India might consider in the future. Some such destabilising options that exist and could be followed if India becomes desperate include exploiting and meeting Taiwan's need for proven submarine technology, or passing on nuclear technology to nations who are willing to counter Chinese influence.<sup>322</sup>

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<sup>317</sup> International Institute for Strategic Studies, pp. 1, 3-4.

<sup>318</sup> 'India News', in *Asian Military Review*, Issue 7, November 2002, p. 52.

<sup>319</sup> South Asian Association for Regional Cooperation, *A Brief on SAARC*, <http://www.saarc-sec.org/main.php?id=76&t=1>, viewed 27 October 2004.

<sup>320</sup> Cherian, John, Unity against terror, <http://www.flonnet.com/fl1902/19020290.htm>, viewed 28 October 2004; Mohan, Raja C., 'China and SAARC', in *The Hindu*, 19 July 2004, <http://www.hindu.com/2004/07/19/stories/2004071905151100.htm>, viewed 28 October 2004.

<sup>321</sup> Cherian, viewed 28 October 2004; Vajpayee, Atal Bihari, *Statement by His Excellency Atal Bihari Vajpayee, Prime Minister, Republic of India, SAARC Secretariat*, <http://www.saarc-sec.org/main.php?id=17&t=7.1>, viewed 27 October 2004.

<sup>322</sup> Bateman, Sam, 'More submarines, more incidents', in *Asia-Pacific Defence Reporter*, Volume 30, Number 6, July/August 2004, p. 19; Malik (2001), p. 83.

For New Zealand, the potential outcome of nuclear or conventional weapon proliferation to meet India's need to counter China's influence is not conducive to its future security. Proliferation has the potential to create or stimulate arms races, which in turn can lead to increased tension, regional misunderstandings, accidents and possible military activity that disrupts trade routes. In addition to this, as the competition fault line between China and India continues to stretch geographically, drawing in more and more regional states, the potential for regional conflict increases, which also threatens New Zealand's security interests, particularly if trading partners and trade routes are threatened, as discussed in Chapter Two of this thesis. However, the option of India conducting significant technology trades for support against China does not appear imminent. However, it is likely that in the mean-time, India will seek limited opportunities to distract China through regional challenges, and slow China's development as much as possible in order to gain some time to realise India's potential as a great power.

In the long term, however, India needs to increase its own military capability in order to protect the Indian Ocean sea lines of communication (SLOC) and either limit China's Indian Ocean presence by giving China no excuse to have significant numbers of naval assets there, or be capable of expelling unwanted Chinese military forces. This creates a tense security environment and potential for clashes as India tries to block China's encroachment. India has already announced a thirty year plan to develop a navy capable of projecting itself into the South China Sea.<sup>323</sup> China is likely to view this with concern, potentially increasing tension as both countries seek to dominate a wider geographical area.

While conflict is unlikely in the short term, India's development of its navy with new aircraft carriers and submarines due to arrive imminently, suggest that it is

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<sup>323</sup> Hallinan, p. 1.

taking the security of the Indian Ocean seriously.<sup>324</sup> China too is modernising its navy in order to give it a blue water capability by improving its submarines and surface fleet.<sup>325</sup> While this is predominantly to protect China's eastern seaboard and be able to reach out and touch Taiwan in the future, China's strategic interests include the Indian Ocean and should the United States withdraw from the region and Taiwan return to the fold, China's naval power will be able to focus more to the south.<sup>326</sup> The greater the quantity and capability of military equipment in the Indian Ocean, the greater the chance of a clash, and this results in the risk of a conflict increasing with each naval purchase. Any conflict in this area will cause disruptions in the SLOC, which will lead to loss of trade in the region. For New Zealand, such disruption will directly affect its own trade and because it would likely cause disruption to the economies of other regional customers, it is likely to have an indirect effect on New Zealand's local trading partners, which will further threaten its economic security. Of additional concern is the increasing number of nuclear weapon capable vessels, both surface and submarine, encouraging proliferation and increasing the possibility of nuclear conflict or a nuclear accident. This increase will impact severely on New Zealand's desire to feel safe from the destructive influences of nuclear weapons, it's sense that it can meaningfully influence nuclear disarmament, both of which contribute to New Zealand's sense of security in the region.<sup>327</sup>

In addition to expanding their naval capabilities, both India and China are developing other parts of their military capability. India's overall defence spending increased by an average of 4.3% from 1990-1998, while China's grew an average of 5.1% per year.<sup>328</sup> As a percentage of GDP over the same nine

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<sup>324</sup> Bateman (2003), p. 20; Bedi (June 2004), p. 30; Seller, Hans-Frank, 'India: A Country Looking for a New Foreign and Security Policy Image', in Wilfred A. Herrmann (ed.), *Asia's security Challenges*, New York: Nova Scotia Publishers, 1998, p. 199.

<sup>325</sup> Ball (November 2003), pp. 22-3; Bateman (2003), p. 19.

<sup>326</sup> Hill (February 2004), pp. 49-50; Hill (March 2003), p. 3; Selth p. 6.

<sup>327</sup> Ayson (August 2000), p. 542.

<sup>328</sup> Defence Intelligence Organisation, p. 45.

years, China spent an average of 1.3% while India spent 2.5%.<sup>329</sup> This shows us that while China has spent a larger dollar amount on defence, India is strongly committed to catching up and has shaped its economy to achieve this. India's almost zealous commitment to defence spending includes being willing to take wider economic risks, evident by the World Bank and International Monetary Fund (IMF) warning India to cut back on defence spending in 1995.<sup>330</sup> This relative commitment to increasing defence spending is perhaps best demonstrated by the statistic that for every dollar per capita that India spent on defence from 1990 to 1998, China spent only seventy six cents.<sup>331</sup> In 2000, India had become the fourth largest military power behind the United States, Russia and China.<sup>332</sup> More recently, India's defence spending as a whole has jumped from \$US 10 billion to \$US 15.6 billion, while China's has increased from \$US 37.5 billion to \$US 47 billion, adding a lot more military equipment to the region.<sup>333</sup>

China has moved to improve its Command, Control, Communications and Intelligence capability to allow it to coordinate combat assets more effectively.<sup>334</sup> The Chinese air force is also being upgraded with more modern aircraft (including a stealth fighter) and weapons systems that make it more of a match for United States systems, and therefore for India's air force too.<sup>335</sup> The Chinese army is being slimmed down and made more portable with modern wheeled armoured personnel carriers, more effective main battle tanks,

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<sup>329</sup> Defence Intelligence Organisation, p. 46.

<sup>330</sup> Bajpai, Kanta, 'India: Modified Structuralism', in *Asian Security Practice*, Stanford: Stanford University Press, 1998, p. 175; Singh, Shri Jaswant (Deputy Chairman of the Planning Commission, Deputy Leader of the Bharatiya Janata Party, Member of the Task Force on the National Security Council), *What Constitutes National Security in a Changing World Order?: India's Strategic Thought*, CASI Occasional Paper Number 6, June 1998, p. 9.

<sup>331</sup> Defence Intelligence Organisation, p. 48. Note that China's Defence spending is difficult to be certain of due to Chinese official statistics generally being modified to suit government purposes, however, the author believes that these analysed estimates are useful as a general guide.

<sup>332</sup> Pillsbury, Chapter 1.

<sup>333</sup> Ball (November 2003), pp. 12-13.

<sup>334</sup> Ball, Desmond, 'China pursues space-based intelligence gathering capabilities', in *Jane's Intelligence Review*, Volume 15, Number 12, December 2003, pp. 36-7; Hill (February 2004), p. 49.

<sup>335</sup> Chang, Yihong, 'China launches new stealth fighter project', in *Jane's Defence Weekly*, 11 December 2002, p. 4; Hill, John, 'China's armed forces set to undergo facelift', in *Jane's Intelligence Review*, Volume 15, Number 2, February 2003, p. 15.

improved missiles (which may fill an NMD role) and an improved amphibious capability.<sup>336</sup>

India's part in the arms race has included for the Indian Army updated T-90S main battle tanks, multi-rocket launch systems, battlefield surveillance systems, and updated small arms.<sup>337</sup> For the air force there have been a number of upgrades and reinforcements. The lifting of the United States embargo has allowed India's light combat aircraft project to continue, and from the Israelis, an airborne early warning aircraft.<sup>338</sup> Also from the Israelis, once the United States gives the go ahead, India intends to acquire an NMD system that will assist in defeating any potential nuclear threat from China or Pakistan.<sup>339</sup>

While India may be primarily concerned about its ability to militarily counter China, China's primary military development concern in the immediate future is China's ability to reintegrate Taiwan peacefully or otherwise, while being able to hold off American attempts at intervention.<sup>340</sup> For India, this means that they are not going to catch up with China's military development any time soon as China's goals are driven by increasing United States capabilities. For New Zealand this means that it can expect a continued regional arms race as China competes with the United States, and India with China, until such times as China feels it can exercise its sovereign rights without external influence. Unfortunately for China, once China has caught up with the United States, India at its current rate of development will have probably caught up with China, thus presenting China with a potential replacement for United States competition in the region. This is likely to continue to fuel the arms race until either China

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<sup>336</sup> 'Conference Report: China's PLA Reform Success', p. 55; Foss, Christopher S., 'Chinese Type 98 tank fires laser-guided missile', in *Jane's Defence Weekly*, 6 November 2002, p. 15; Hill (February 2003), p. 15; Hill (February 2004), pp. 49-50; Hill, John, 'China modernises missile force', in *Jane's Intelligence Review*, Volume 15, Number 03, March 2003, p. 3.

<sup>337</sup> Bedi, Rahul, 'India to buy Russian T-90S MBTs', in *Jane's Defence weekly*, Volume 35, Number 08, February 2001, p. 5; 'India News' (2004-2004), p. 50.

<sup>338</sup> Rai, Ranjit B., 'Airpower in India – A Review of the Indian Air Force and the Indian Navy', in *Asian Military Review*, Issue 1, February 2003, pp. 38-44; The International Institute for Strategic Studies (2001/2002), p. 256; The International Institute for Strategic Studies (2003/2004), p. 239.

<sup>339</sup> The International Institute for Strategic Studies (2001/2002), p. 256.

<sup>340</sup> Hill (February 2004), pp. 49-50; Hill (March 2003), p. 3.



and India resolve their differences and formalise some type of alliance, or they go to war and one is once again reduced in power to the point that it cannot threaten the other. Such a war is likely to be on a significant scale and likely to severely shake New Zealand's security. The preceding arms race is also likely to draw in other growing regional economies as they become concerned about protection of their own security interests, particularly in ASEAN, adding to the potential damage resulting from a large scale Asian war. Even if war does not eventuate between China and India, a Sino-Indian arms race will fuel other arms races in the region as the surrounding states begin to feel less secure. A regional arms race will increase the potential of smaller conflicts breaking out between such nations as Singapore and Indonesia, Cambodia and Vietnam, or any two nations that may be experiencing tension at the time. Regional conflicts will impinge on the security of trade routes, and potentially draw in New Zealand as part of its obligations under the FPDA. It is in New Zealand's best interests to continue to work against regional proliferation and assist wherever possible in resolving Sino-Indian issues in preparation for a time when India may be able to contest China militarily.

China's effort to increase its influence is motivated primarily by the need to be respected as a great nation. Intertwined with this is China's strategic approach to achieving its aims, a key principle being not to fight a war 'if the situation is unfavourable (including the international situation and the attitudes of neighbouring countries)'.<sup>341</sup> As a result of this, China has been patiently waiting for the conditions to be right for its move into leadership in Asia, and perhaps into the world should United States influence fade sufficiently. Beijing's patience to date suggests that they will not give up. India too is driving for the global status that they believe they deserve along side China, and given India's growing power and deep nationalist sentiment that has so far driven it to a border war and nuclear testing, it is unlikely that India will give up

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<sup>341</sup> Tao Hanzhang, General, *Sun Tzu's Art of War: The Modern Chinese Interpretation*, Yuan Shibing (translated by), London: David and Charles, 1987, p. 16.



in this quest. New Delhi is currently some way behind Beijing in its bid for global influence, but it is inevitable that the two will clash at some point in the future. New Zealand needs to recognise that in the near future, it will have to deal with China as the key power in Asia. At the same time, New Zealand needs to ensure that relations with India remain positive, given that India will potentially rise to the same level as China, and become equally important as a factor in New Zealand's wider strategic interests.

There is some potential, if the international situation allows, for China to quash India's future potential either militarily or by becoming so powerful that India is unable to reach a position of equality. A military solution to halting India's rise is not in New Zealand's best interests given the impact of a major war on regional economies, trade routes, and potential domestic friction between New Zealand's Indian and Chinese populations. New Zealand should be prepared to assist in defusing tension at any time, and may have a lot to offer as a mediator in future crises given its British Commonwealth links with India, and the positive light in which China views New Zealand. China considers New Zealand positively as an independent thinking state, largely due to having stood up to the United States over nuclear ship visits to New Zealand ports, and as a country that has effectively employed a 'soft power' approach to international issues.<sup>342</sup>

China as a future superpower may be able to restrain India's leadership ambitions, particularly if given the right leadership, India can pragmatically accept China's position. This option offers considerable stability to Asia and potentially the Eastern Asia-Pacific including New Zealand. David Kang has noted that:

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<sup>342</sup> Oldman, Stu, "NZ's 'soft power' has wide influence", in *Otago Daily Times*, 11 May 2006, p. 10; Personal communication to the author from a senior PLA official indicated that official Chinese opinion is that by maintaining New Zealand's nuclear free status in the face of pressure from the United States, it is viewed as an independent thinker.

Historically it has been Chinese weakness that has led to chaos in Asia. When China has been strong and stable, order has been preserved.<sup>343</sup>

Provided that New Zealand maintains good relations with China, and is prepared to work within an Asian power structure within the region, a future in the stable shadow of a powerful but benevolent China may be beneficial for New Zealand's future security. Of course, benevolence can be a fleeting characteristic and New Zealand should monitor closely any leadership changes that might become too restrictive for New Zealand to exercise its sovereignty. It is for this reason that New Zealand should always seek to maintain as neutral a stance as possible, and maintain a broad base of good international relations, particularly in this case with India. Circumstances may arise when New Zealand requires alternative regional leadership in order to protect New Zealand's security.

Strategic Sino-Indian competition is complex and reaches across a number of bi-lateral, multi-lateral, economic and military issues. As a result of this complexity, there are many possible outcomes as both China and India seek to increase their influence. For New Zealand, common themes and requirements can be drawn out of the range of possible outcomes discussed above. The first is the need to remain situationally aware so that New Zealand can respond appropriately in each scenario to best protect its security. The second is the need to continue to encourage, as best as possible given New Zealand's relative influence, the peaceful resolution of any tension between China and India as any conflict arising from that tension will likely have a negative impact on New Zealand's security. Finally, the need to balance New Zealand's engagement with China with improved engagement with India in order to be viewed positively by India should India achieve its great power aspirations. These measures will assist in protecting New Zealand's future security as Sino-Indian competition relationship develops.

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<sup>343</sup> Kang, p. 66.

## Chapter 5: Sino-Indian Economic and Resource Competition

Many Indian businessmen and policymakers react to evidence of China's superior economic performance first with denial, and then with anger.

- *The Economist*<sup>344</sup>

As India and China compete to expand their influence, the resources needed to fuel their increases in military capability, regional cooperation programmes and development of infrastructure to support increased trade will increase proportionately. Economic and materiel requirements are of concern to both countries. Because of India's and China's close proximity and similarity in requirements, competition to win resources and improve their economies is already happening and likely to intensify. India and China compete directly for some economic and resource goals, but as in other areas of competition, China still benchmarks its economy against the American economy while India benchmarks against China.<sup>345</sup> This means that competition arises as a result of India wanting to catch up with China and achieve equal status, while China considers competition with India in terms of India's ability to limit China becoming equal with the United States. Having said that, if current growth is sustained, there may come a time when India and China compete economically as equals.<sup>346</sup> George Gilboy believes that we should be careful about placing China too high on an economic pedestal, but rather should consider China alongside India 'as a "normal" emerging industrial power'.<sup>347</sup> In any case,

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<sup>344</sup> *The Economist*, 'India and China: Two systems, one grand rivalry', in *The Economist* 19 June 2003, [http://www.economist.com/World/asia/displayStory.cfm?story\\_id=1858862](http://www.economist.com/World/asia/displayStory.cfm?story_id=1858862), viewed 15 May 2006.

<sup>345</sup> Huiskens (2002), p. 18; Malik, p. 78; Mitra, Siddhartha and Handa, Vishal, *Indian infrastructure: The pace of modernisation*, NCAER Industry Brief, 6 August 2003; The National Institute for Defence Studies Japan (2000), p. 183.

<sup>346</sup> Hoge, p. 3.

<sup>347</sup> Gilboy, p. 46.

economic competition between China and India is no small affair given the size of their respective economies.<sup>348</sup>

Since the 1970s when China made its economic growth one of its highest priorities, China's economy has grown considerably.<sup>349</sup> Chinese leaders also began to recognise in the late 1980s and early 1990s, after the collapse of the Soviet Union, that economic strength was a pre-requisite for great power and that it potentially eclipsed military power in importance in the post-cold-war environment.<sup>350</sup> This further strengthened China's commitment to developing a strong economy. President Jiang Zemin recognised in 1992 that, 'If we fail to develop our economy rapidly, it will be very difficult for us to consolidate the Socialist system and maintain long-term social stability'.<sup>351</sup> China's economic growth has been reported as approximately 9% per annum, having averaged 7.5% growth since 2001.<sup>352</sup> Recent predictions claim that 'in ten years it [China] is projected to be the world's top trading nation; and in fifteen, it will likely have the world's largest GDP'.<sup>353</sup> However, the IMF predicted in 2001 that China would replace the United States as the world's largest economy by 2007, but this is now clearly unlikely, and such a claim demonstrates that China's economic growth is a complex process that is not easy to predict accurately.<sup>354</sup> There remain both strengths that protect China, and weaknesses that can be exploited by India in any Sino-Indian economic competition.

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<sup>348</sup> Asia Pacific Summit, viewed 30 October 2004; Sommers, pp. 11, 30.

<sup>349</sup> Wu (1998), p. 127.

<sup>350</sup> Huisken (2002), p. 23.

<sup>351</sup> Jiang Zemin, cited in 'China: Security Practice of a Modernizing and Ascending Power', in *Asian Security Practice*, Stanford: Stanford University Press, 1998, p. 127.

<sup>352</sup> China Council for the Promotion of International Trade, *Statistical Communiqué on National Economic and Social Development in 2003*, <http://www.ccpit.org/vhosts/english/1.htm>, viewed 30 October 2004; Foy, Colm and Maddison, Angus, *China: a world economic leader?*, January 1999, <http://www1.oecd.org/publications/observer/215/e-foy.htm>, viewed 15 May 2006; Hoge, p. 2; The National Institute for Defense Studies (2003), p. 207.

<sup>353</sup> Kaplan, Egen, *The Uneasy U.S.-Chinese Trade Relationship*, 19 April 2006, [http://www.cfr.org/publication/10482/uneasy\\_uschinese\\_trade\\_relationship.html](http://www.cfr.org/publication/10482/uneasy_uschinese_trade_relationship.html), viewed 15 May 2006.

<sup>354</sup> Huisken (2002), p. 23.

One strength of the China's economy is the significant trade with the United States and the resultant trade surplus that China has built up, effectively providing hard United States cash to fuel the Chinese economy.<sup>355</sup> This China-United States trade provides China with economic fuel in any economic competition China may have with India. In addition, China gained a seat in the World Trade Organisation in 2001 creating even wider economic links, a significant increase in foreign investment now totalling \$US450 billion with \$US50 billion from 2003 alone and increased influence as its economy continues to grow.<sup>356</sup> China's foreign reserves are also growing, having increased from US\$330 billion in March 2003 to US\$440 billion in March 2004.<sup>357</sup> This growth has made the Chinese currency so strong that the United States, Japan and South Korea have asked China to devalue.<sup>358</sup> China's economic future is thought to be positive, but not trouble free. While extensive reform has occurred as a result of WTO membership and China's political structure that allows for less consultative and therefore more rapid implementation of reform, political control is still restrictive and may not allow its business sector and entrepreneurs to reach their full potential.<sup>359</sup> In addition, China faces a growing risk of social unrest due to increasing income gaps, particularly between lowly paid farmers and well paid urban workers, and this may destabilise China's economy sometime in the future.<sup>360</sup> In a significant turn around, China's income distribution has gone from one of the most equal in the developing world in the 1980s, well ahead of India, to its current income inequality, now well behind India.<sup>361</sup> India may be able to exploit these vulnerabilities.

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<sup>355</sup> Hale, et al, p. 50, Schmid, John, 'Dragon Lords: China's Role in America's Looming Financial Crash', in *Investigate*, February 2004, p. 63.

<sup>356</sup> Hale, et al, p. 38; Schmid, p. 62; The International Institute for Strategic Studies (2003/2004), p. 238; The National Institute for Defense Studies (2003), p. 206.

<sup>357</sup> China Council for the Promotion of International Trade, *Statistics Forms: Foreign Exchange Reserves*, <http://www.ccpit.org/vhosts/english/forms1.htm>, viewed 1 November 2004.

<sup>358</sup> Hale, et al, p. 37.

<sup>359</sup> Sommers, pp. 22, 24.

<sup>360</sup> China Council for the Promotion of International Trade, viewed 30 October 2004.

<sup>361</sup> Lardy, Nicholas R., *The Economic Future of China*, Speech to Asia Society, Huston, 29 April 2002, <http://www.asiasociety.org/speeches/lardy.html>, viewed 30 October 2004.



From 1962 to the 1990s, India had isolated itself from the rest of Asia and developed an inward-looking economy that failed to optimise the wider dynamism in Asian economics.<sup>362</sup> The collapse of the Soviet Union served as a wake-up call for India in that it realised that it needed to be economically independent in order to survive in the evolving global environment, and this meant developing a serious economy.<sup>363</sup> The Indian economy, while progressing, has still had to struggle against tardy government led reform, economic sanctions as a result of nuclear testing and the effects of the Asian economic crisis, but has survived and continued to show strong growth.<sup>364</sup> From 1990 to the end of 2003, India's foreign exports have more than trebled from US\$18 billion to US\$63 billion.<sup>365</sup> In 2003/2004 India experienced 8% economic growth, rising to the position of thirteenth largest economy in the world.<sup>366</sup> India amassed \$US100 billion in foreign reserves by December 2003, a significant increase in economic security from 1991 when it had only US\$1 billion.<sup>367</sup> In contrast to China, however, India only attracted less than a tenth of the foreign investment that China did in 2003/2004, reaching only US\$4.7 billion.<sup>368</sup> India's growth has been due to its increasingly outward focus, embodied in India's 'Look East' policy, and in its halting, but cautiously progressive steps to loosen up trade restrictions.<sup>369</sup> Reform has been slow coming in India, with a number of countries having experienced difficulties in dealing with India. For example, Singapore and Sri Lanka have both been frustrated after failed attempts to establish practical free trade agreements with India due to lack of Indian compromise, while New Zealand too has noted India's restrictive market.<sup>370</sup> These problems when trading with India currently make China the preferable trading partner. Should India, however, continue to

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<sup>362</sup> Limaye, viewed 28 November 2001.

<sup>363</sup> Limaye, viewed 28 November 2001.

<sup>364</sup> Limaye, viewed 28 November 2001.

<sup>365</sup> Directorate General of Commercial Intelligence and Statistics (India), *Table 189: India's Foreign Trade*, 2004.

<sup>366</sup> Hoge, p. 2; The International Institute for Strategic Studies (2003/2004), p. 238.

<sup>367</sup> The International Institute for Strategic Studies (2003/2004), p. 238.

<sup>368</sup> The International Institute for Strategic Studies (2003/2004), p. 238.

<sup>369</sup> Shahin, viewed 28 October 2004; The International Institute for Strategic Studies (2003/2004), p. 238; Vajpayee, viewed 30 October 2004.

<sup>370</sup> Ministry of Foreign Affairs and Trade, viewed 8 July 2004; Shahin, viewed 28 October 2003.



reform its economic policies (however halting that reform is), India's democratic framework is likely to encourage more productivity than China's in that entrepreneurship and creativity is favoured over control, and this may create the medium to long term advantage that India needs to be competitive.<sup>371</sup>

There are two basic views on what the recent improvements in both India's and China's economies could mean for the future. The first is that the two states are likely to increasingly cooperate in order to enhance both economies, and the second is that they are on a collision course as they compete in the same neighbourhood for the same economic rewards.<sup>372</sup> In 2001 a group of senior American academics assessed that China and India did not yet have sufficient economic linkages in order to describe them as having 'economic relations', but rather remain economic competitors with only US\$3 billion in Sino-Indian trade.<sup>373</sup> By mid 2004, however, this figure had more than doubled to US\$6.7 billion and was close to US\$10 billion by the end of the year, moving them closer to cooperation than competition.<sup>374</sup> While the prospects for future economic cooperation (discussed further in the next chapter) appear positive, given this dramatic increase in Sino-Indian trade, there still remain a number of other areas of potential tension in Sino-Indian relations. Also, as pointed out by David Hale and Lyric Hughes Hale, 'even countries that are highly integrated into regional or international markets – such as... China now – sometimes wage war.'<sup>375</sup> New Zealand should therefore consider the possibility and impact of the current Sino-Indian economic cooperation potentially breaking down and reverting fully to competition. Some analysts have predicted that India, if it averages six percent growth per annum, will equal or overtake China's economy in the next fifty years.<sup>376</sup> As the time approaches when the economies become equal in size, India's economy will allow it to develop the capability to seriously

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<sup>371</sup> Sommers, pp. 22, 24.

<sup>372</sup> Chattopadhyay, viewed 30 October 2004; Sommers, p. 30.

<sup>373</sup> Sommers, p. 30.

<sup>374</sup> People's Daily Online, viewed 28 October 2004; India Express Bureau, viewed 28 October 2004.

<sup>375</sup> Hale, et al, p. 53.

<sup>376</sup> Hoge, p. 3.

threaten China's regional superiority. Capability and intent together represent a threat and New Zealand will need to monitor the intent of both nations in order to determine if a threat develops from intent by India to challenge China, or intent by China to keep India subdued.

There are a number of ways in which India and China may compete economically. These include attracting the necessary foreign investment in order to maintain growth and commodity competition where both countries compete for the same market such as engineering goods, clothing and textiles, and information technology (IT).<sup>377</sup> China or India may also compete by interfering with trade routes or creating a dependence that allows one to control the other.<sup>378</sup> Racing to win the resources required to fuel their respective economies may be another area of competition.<sup>379</sup> Finally, potential competition may also arise because of the use national income is put to, such as developing a military capability that threatens the other.<sup>380</sup>

India and China both include clothing and textiles and engineering equipment in their major export commodities, which naturally means they are competing in the same markets to export these items.<sup>381</sup> However, there has been little indication of significant direct competition in these areas, while in the area of IT and in particular software development, China has been clear in its intention to contest India's dominance. India has dominated the software industry for some time now, reportedly as a result of investment in technical training colleges shortly after independence and supported by India's widespread use of English, the dominant language in software development.<sup>382</sup> India exported

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<sup>377</sup> Editor, *The Hindu*, viewed 30 October 2004; Iyengar, Jayanthi, viewed 22 May 2003; Ministry of Commerce & Industry (India), viewed 1 November 2004; Ministry of Foreign Affairs and Trade, viewed 8 July 2004.

<sup>378</sup> Iyengar, Jayanthi, viewed 22 May 2003; Ministry of Foreign Affairs and Trade, viewed 8 July 2004.

<sup>379</sup> Iyengar, Jayanthi, viewed 22 May 2003; Ministry of Commerce & Industry (India), viewed 1 November 2004; Ministry of Foreign Affairs and Trade, viewed 8 July 2004.

<sup>380</sup> Iyengar, Jayanthi, viewed 22 May 2003.

<sup>381</sup> China Council for the Promotion of International Trade, viewed 31 October 2004; Iyengar, viewed 22 May 2003; Ministry of Commerce & Industry (India), viewed 1 November 2004.

<sup>382</sup> Hale, et al, p. 44; *People's Daily Online*, 'Is India China's imaginative rival?', 23 February 2004, [http://english.people.com.cn/200402/23/eng20040223\\_135584.shtml](http://english.people.com.cn/200402/23/eng20040223_135584.shtml), viewed 27 October 2004.

US\$5.7 billion in software in 1999, compared to China's US\$2.1 billion in software exports.<sup>383</sup> Indications are that China now intends to exploit its 3:1 advantage in software engineers and match India in the software trade by 2010.<sup>384</sup> According to one United States technology research firm, China is likely to catch up to India by 2006.<sup>385</sup> This economic threat from China must be creating concern in India, given China's potential to challenge India across other areas in its economy and the clear indication that China is willing to specifically target an area of strength in India's economy. As China's economy continues to grow and diversify, there may be a time when China can compete sufficiently to create a form of economic containment of India. This may be achieved by China dominating India's traditional markets and blocking India from economic growth. Containment might also extend to limiting India's ability to fund military development and regional engagement. Such an attempt by China is likely to fuel tension across all areas of Sino-Indian relations and exacerbate such issues as the border disputes, which might in turn lead to military conflict. The success of any attempt by China to contain India economically would be dependent on a number of unknowns such as the effectiveness of India's future competitive strategies in the marketplace, and hence the strength of its economy and ability to withstand economic containment. Another unknown is China's ability to prevent internal issues, such as unrest arising from poverty, from interfering with its economic growth and hence slowing its encroachment of India's traditional markets. While not a certain outcome of Sino-Indian economic competition, the potential for China to economically contain India should be considered as it would raise Sino-Indian tension with the possibility of fuelling a military conflict, which in turn could cause considerable regional disruption.

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<sup>383</sup> Hale, et al, p. 44.

<sup>384</sup> Hale, et al, p. 44.

<sup>385</sup> Hua, Vanessa, *Looking Offshore China: Giving India competition Chinese-born entrepreneurs help homeland*, 7 March 2004, URL: <http://sfgate.com/cgi-bin/article.cgi?file=/c/a/2004/03/07/BUGGI5ENK51.DTL>, viewed 1 November 2004.

Initially, increased competition between India and China in the international market is likely to be of benefit to New Zealand. New Zealand's exports are predominantly primary products that do not compete with China and India's areas of strength, however, there is some growing concern that more technologically dependent areas of trade such as New Zealand's clothing manufacture industry, could be impinged upon as China and India seek to improve their technology.<sup>386</sup> In general, however, as a vendor and customer to both China and India, New Zealand is likely to be able to continue to export to India and China regardless of the level of Sino-Indian economic competition, provided that competition does not trigger conflict that would threaten New Zealand's trade routes. In fact, as China and India consume more as their economies both grow, New Zealand may have the opportunity to increase exports to both states and reap the benefits of competitive prices and incentives for imports from India and China. Should Sino-Indian economic competition lead to military conflict, however, New Zealand's trade would likely be impeded due to trade routes becoming threatened or blocked, and by other regional trading partners being drawn in to a Sino-Indian conflict.

In addition to trade competition, consideration should also be given to the potential for competition for investors. As both countries' economies grow, so will the imperative to develop industry and infrastructure in order to maintain competitiveness. Considerable foreign investment will be required to maintain this development, with China already well ahead of India in generating investment, and that in itself leads to competition.<sup>387</sup> China and India offer different advantages and disadvantages to prospective investors. India offers a democratic framework that allows more for more creativity and innovation and so investment in Indian businesses should realise a greater economic return.<sup>388</sup> India's particularly competitive form of democracy combined with its freedom of the press also ensures that little is hidden from investors as

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<sup>386</sup> McMillan (2006), p. 31.

<sup>387</sup> The International Institute for Strategic Studies (2003/2004), p. 238.

<sup>388</sup> Sommers, pp. 22, 25.

'dirty laundry' is regularly displayed.<sup>389</sup> China's political structure, on the other hand, is more restrictive for China's businesses and less transparent for external investors as information continues to be relatively tightly controlled, particularly information that may affect China's ability to maintain its growth towards equivalency with the United States.<sup>390</sup> Openness in an economy, that is having few restrictions when trading with other economies, as opposed to transparency when trading, is also an important factor when considering the attractiveness of trading with either China or India. There is a clear difference in the openness of the two economies, evident by the IMF grading of eight for India and five for China (compared to four for the rest of Asia) on a scale of one to ten where one is the most open.<sup>391</sup> This does not bode well for India, as investors in general prefer to work in a more open, and hence dynamic, economy. This competition for investment appears to be assisting in India's gradual market reform to reduce obstacles to trade, which for countries like New Zealand is likely to allow for increased trade and an ability for New Zealand to compete more effectively in India's large market.

Competition to attract investors has also likely been one of the drivers behind China's move from isolationism to engagement in a number of multilateral forums; this in order to establish a network and profile that encourages foreign investment leading to growth. This has so far included membership of the World Trade Organisation (WTO), which in turn has increased the speed of China's economic reform.<sup>392</sup> China's ongoing reform has improved China-New Zealand economic links, which has extended to discussions starting in 2005 on a free trade agreement that will allow New Zealand to compete more effectively in China's market.<sup>393</sup> For New Zealand, Sino-Indian competition for foreign

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<sup>389</sup> Dermot, p. 28; Shahin, viewed 22 May 2003.

<sup>390</sup> Shahin, viewed 22 May 2003; Sommers, pp. 22, 24.

<sup>391</sup> Dermot, p. 29.

<sup>392</sup> Clark, Helen, 'New Zealand-China Relations: Leaping Ahead, Prime Minister Rt Hon Helen Clark, 13 November', in *Foreign Affairs and Trade Record*, November 2002, p. 19.

<sup>393</sup> Dermot, p. 31; Sutton, Hon Jim, *Bo'ao Forum*, China, Speech, 24 April 2004, <http://www.beehive.govt.nz/ViewDocument.cfm?DocumentID=19542>, viewed 9 July 2004; *The Press*, 'Trade talks resume', in *The Press*, Christchurch, 15 May 2006, p. 4.



investment should lead to a significant increase in exports to both countries, resulting in a more secure economic future. Not everyone in New Zealand is so sure this will be the case, however, as the labour unions have expressed fear that jobs will be lost as New Zealand trade with China, in particular, increases.<sup>394</sup> While on the face of it this may seem a threat to New Zealand's future economic security, it will only be so if New Zealanders fail to diversify and focus on serving niches in the global market. If the establishment of Chinese and Indian open markets encourages further diversity and innovation in New Zealand's economy, then security in the wider sense may be enhanced, rather than eroded.

A less positive impact of economic competition may be an attempt by either country to contain the other by economic means. This could include such measures as blocking or restricting trade routes or creating economic dependence. Sino-Indian competition in the Indian Ocean may lead to either country being able to better control the trade routes through that region, bearing in mind that other international parties such as the United States and Japan are unlikely to allow total dominance. Either India or China gaining significant control over the other's use of trade routes is a form of economic containment. Should China or India feel that trade is being restricted by the other's activities, tension is likely to increase and potentially flow into other areas of Sino-Indian rivalry, such as the border dispute. Increased economic dependence, such as India is developing with regard to China, may also be a type of economic containment. Indian trade with China is increasing rapidly, having stood at US\$260 million in 1990 and risen to US\$5.4 billion by 2003.<sup>395</sup> The balance of mutual trade is clearly in China's favour, with China representing 5% of India's exports, while Sino-Indian trade was less than 1% of China's total

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<sup>394</sup>The National Business Review, *WTO news not all welcome*, [http://www.nbr.co.nz/home/column\\_article.asp?id=833&cid=4&cname=Business+Today](http://www.nbr.co.nz/home/column_article.asp?id=833&cid=4&cname=Business+Today), viewed 13 November 2001.

<sup>395</sup>*People's Daily Online* (August 2004), viewed 16 October 2004.

US\$851 billion in trade in 2003.<sup>396</sup> India's increasing economic dependence on China may be the cause of future suspicions and tensions should China ever use this lever as a means of coercion to solve other areas of tension in China's favour. Given India's history of nationalism, any coercion from China may then lead to conflict in order to reassert India's sense of control. New Zealand needs to monitor potential containment activities given their potential to lead to conflict and hence regional destabilisation. In the event of China attempting to restrict Indian trade routes, or vice versa, supporting the maintenance of free use of trade routes by both countries, using whatever influence New Zealand has in international forums, may assist in avoiding destabilising tension. This would be a difficult position for New Zealand to be in given that the aggressor may see New Zealand's attempt to maintain freedom of trade routes as siding with the victim. New Zealand would need to present its case carefully, focusing on the freedom of trade routes and not the individual states, so as to limit any sense that New Zealand is no longer neutral and therefore protect its trading relationships with both China and India.

In order to sustain long-term economic growth in both India and China, a significant increase in resources will be required. These resources will include such commodities as oil products, natural gas and electricity. India and China are already looking to expand future sources of energy and other resources and already there are signs that they are competing in similar areas to meet their requirements, such as the Middle East and, of recently increased significance, Central Asia.<sup>397</sup> India's and China's oil demands have been rising for some time with China's consumption increasing by 109% and India's by 68% in the last decade.<sup>398</sup> China's need for oil has shifted it from a net exporter of oil in the early 1990s to a net importer from 1995, and by 2020 it is predicted that

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<sup>396</sup> Hong Kong Trade Development Council, viewed 1 November 2004; Ministry of Commerce & Industry (India), viewed 1 November 2004.

<sup>397</sup> Andrews-Speed, et al, pp. 7, 72; Hill (September 2003), p. 51; Berniker, Mark, 'China's Hunger for Central Asian Energy', in *Asia Times Online*, 11 June 2003, [http://www.atimes.com/atimes/Central\\_Asia/EF11Ag01.html](http://www.atimes.com/atimes/Central_Asia/EF11Ag01.html), viewed 30 October 2004.

<sup>398</sup> Swinney, p. 39.

China will import 60% of its oil and 30% of its natural gas requirements.<sup>399</sup> There are also suggestions that China is developing oil unloading facilities in Myanmar, creating the potential to stockpile and import oil by rail into China, thus avoiding the Malacca Straights, which are perceived as vulnerable to blockages and piracy.<sup>400</sup> This effort to secure supply lines further demonstrates the growing need for oil and its importance to China. Given India's slower growth, but similar economic potential and goals to China, India's need for oil is likely to grow to similar volumes, placing immense pressure on the world's oil reserves. India is already the sixth largest energy consumer on the globe and currently imports two thirds of its oil.<sup>401</sup> While there are suggestions that India and China may cooperate as they both seek to address their energy needs, there is an equal likelihood that it will become similar to a closing down sale where both customers are aware that the products they need have a limited availability and both want to be the first to acquire them, even if it means shoving the other out of the way.<sup>402</sup>

Increasing oil consumption by India and China will eat into the world's oil reserves and potentially drive prices up, placing further pressure on New Zealand's own oil requirements and standard of living.<sup>403</sup> When New Zealanders think of oil they generally relate it to fuel for motor vehicles, which are essential to maintain the industry and transport networks that support New Zealand's economy, but oil is also the base product for production of plastic and so is incorporated in almost all the products that New Zealanders use every day.<sup>404</sup> Any pressure that China and India puts on oil supplies is going to significantly impact on New Zealanders' way of life, and hence on New Zealand's future security. Building on its existing expertise, New Zealand needs to make sourcing of alternatives to oil an imperative if it wishes to secure

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<sup>399</sup> Andrews-Speed, et al, pp. 7, 11.

<sup>400</sup> Private information given to the author.

<sup>401</sup> Bajpae, viewed 30 October 2004.

<sup>402</sup> Bajpae, viewed 30 October 2004.

<sup>403</sup> Kwang, viewed 7 November 2004; Swinney, pp. 39-40.

<sup>404</sup> Swinney, p. 40.

its future against depleted or non-existent oil supplies. In addition to this, the potential for Sino-Indian conflict over access to limited oil resources exists, and New Zealand needs to assist in easing tensions. New Zealanders' environmental concerns have led to a focus and some success in the development of alternative energy sources that should be shared with developing countries like China and India.<sup>405</sup> The benefits for New Zealand will include a stronger regional economy, less environmental damage and a reduced risk of conflict over access to traditional sources of energy.

Related to the economic containment discussed earlier is the potential for one or other country (but China in particular right now) to contain the other by restricting external energy supply lines such as oil or gas pipelines. India has already allowed itself to be contained in terms of access to energy sources in that it is surrounded by countries sympathetic to China, thus limiting the ability to build secure and cost-effective land based pipelines for oil or gas.<sup>406</sup> India is now forced to consider more expensive seabed pipelines, or repair relations with Pakistan to a level where a pipeline through Pakistan could be secured.<sup>407</sup> China may not specifically intend to restrict India's ability to establish a reliable supply of oil or gas for economic purposes, but is unlikely to make it easy for India as they are competing for similar resources. This is perhaps best illustrated by India's recent loss of a deal for oil from Angolan oilfields when China offered an aid-for-oil deal that Angola couldn't turn down.<sup>408</sup> China's ongoing activities that begin to restrict India's access to external energy sources may be creating some concern for India, which could lead to increased tension and conflict if India feels backed into a corner at some time in the future. New Zealand needs to monitor potential containment activities given

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<sup>405</sup> ASEAN Secretariat, *Joint Press Release of the Fifth ASEAN-New Zealand Dialogue Manila, 26-27 March 1981*, <http://www.aseansec.org/1569.htm>, viewed 22 November 2004; Energyinfonza.com, *Energy Efficiency*, <http://www.energyinfonza.com/home/IndustryOverview/EnergyEfficiency/index.html>, viewed 22 November 2004; Ministry of Commerce, *New Zealand Energy Outlook to 2020*, February 2000, [http://www.med.govt.nz/ers/en\\_stats/outlook/2000/executivesummary.html](http://www.med.govt.nz/ers/en_stats/outlook/2000/executivesummary.html), viewed 22 November 2004.

<sup>406</sup> Bajpae, viewed 30 October 2004.

<sup>407</sup> Bajpae, viewed 30 October 2004.

the possibility of them leading to conflict and hence regional destabilisation. Supporting India in the development of alternative energy sources, or using what influence New Zealand has in international forums to limit China's energy containment of India, may assist in avoid destabilising tension.

Oil and gas contribute significantly to economic growth in both India and China, but electricity is what drives production.<sup>409</sup> China's electricity needs are growing at 15% per year, predominantly provided by coal-fired generators and hydroelectric schemes with increasing emphasis on nuclear power.<sup>410</sup> Electricity represents 45% of India's energy needs, mostly coal (generating steam) and hydro-electric sources, oil, nuclear power and (increasingly) natural gas fuelling electricity generation.<sup>411</sup> Electricity demand in India is likely to continue to increase as its economy grows and as the government strives to supply power to the 57% of the rural population without power.<sup>412</sup> While electricity demand in itself is unlikely to become a source of Sino-Indian conflict, the increased need for fuel, such as coal or nuclear fuel, to generate the electricity required for China and India to compete economically has some potential to affect New Zealand.

Both India and China are still heavily dependent on coal to meet energy needs.<sup>413</sup> Coal makes up 96% of China's strategic energy reserves with gas and oil representing the other 4%.<sup>414</sup> China's coal consumption rose to 1450

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<sup>408</sup> Bajpae, viewed 30 October 2004.

<sup>409</sup> Sayeed, P.M., *Minister of Power Address to IEEMA*, 2004, p. 2-3; Uranium Information Centre, *Nuclear Power in India and China*, *The Economist*, 'Power to the people', in *The Economist*, Volume 378, Number 8464, 11 February 2006, p. 32; UIC Nuclear Issues Briefing Paper #80, Melbourne, September 2004, <http://www.uic.com.au/nip80.htm>, viewed 7 November 2004.

<sup>410</sup> Uranium Information Centre, viewed 7 November 2004.

<sup>411</sup> CNA, *Electricity in India*, <http://www.cna.ca/english/Articles/Electricity%20in%20India.pdf>, viewed 7 November 2004; Ministry of Power (India), *Energy Profile of India*, as on 31 March 2004, p. 14.

<sup>412</sup> Sayeed, *Address to IEEMA*, p. 3-4; Sayeed, P.M., *The Path to Sustainability: Accessibility, Availability, Acceptability*, Address by Session Chairman – Hon'ble Mr P M Sayeed, Minister of Power, India, World Energy Congress: Sydney 2004, Keynote Address Session 2.

<sup>413</sup> Bajpae, viewed 30 October 2004.

<sup>414</sup> Lu Fucai and Gao Yuehua, *Analysis of Excessive Competition in China's Coal Industry*, 25 April 2003, <http://www1.cei.gov.cn/ce/sample/cemm200403262042.htm>, viewed 30 October 2004. Note that China's official figures are not always reliable, however, even allowing for some distortion, these figures demonstrate significant use of coal.



million tons in 2000, up from only 627 million tons in 1978.<sup>415</sup> Coal provides China with 80% of its electricity production while India relies on coal to produce around 70% of its electricity.<sup>416</sup> India's and China's heavy and increasing reliance on coal as a source of energy has significant implications for the environment. While coal pollution over India or China's cities will not have an immediate or direct impact on New Zealand, the continued reliance on this environmentally damaging energy source is contrary to New Zealand's efforts to promote international controls on pollution and global warming.<sup>417</sup> Should India and China increase coal use due to a lack of suitable or cost-effective alternative, New Zealand's efforts will be undermined. One means of controlling international environmental damage that New Zealand has invested significant time and reputation in is the Kyoto Protocol, which seeks to reduce carbon dioxide emissions in order to control global warming.<sup>418</sup> China and India have yet to be made subject to the Kyoto emission reduction targets, and predictions are that they will not comply given the difficulties in doing so while maintaining their desired economic growth.<sup>419</sup> The difficulty in getting China and India to comply with the protocols, along with the United States refusing to ratify the protocols, make the value of Kyoto questionable.<sup>420</sup> New Zealand needs to be careful to invest its reputation in issues that truly have a chance of success, or it increasingly risks other nations tuning out when New Zealand tries to promote a cause. This might reduce what little international influence New Zealand has, which may in turn reduce national confidence and further limit New Zealand's ability to promote issues that benefit New Zealand security. Given China and India's considerable contribution to the probable failure of the Kyoto initiative, New Zealand may wish to consider looking for alternatives

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<sup>415</sup> Lu, et al, viewed 30 October 2004.

<sup>416</sup> Uranium Information Centre, viewed 7 November 2004; CNA, viewed 7 November 2004.

<sup>417</sup> The New Zealand Government, p. 1.

<sup>418</sup> Clayton, Mark, "New coal plants bury 'Kyoto'", in *Christian Science Monitor*, 23 December 2004, <http://www.csmonitor.com/2004/1223/p01s04-sten.html?s=u>, viewed 18 May 2006; Greenhouse Policy Coalition, *Kyoto Protocol Very Expensive For New Zealand*, Press Release, 17 October 2005, 2:17 pm, <http://www.scoop.co.nz/stories/BU0510/S00294.htm>, viewed 18 May 2006; *The Dominion Post*, 'Abandon protocol and dump Kyoto', 28 September 2005, <http://www.stuff.co.nz/stuff/0,2106,3426260a6220,00.html>, viewed 18 May 2006.

<sup>419</sup> *The Dominion Post*, viewed 18 May 2006.

<sup>420</sup> Greenhouse Policy Coalition, viewed 18 May 2006; *The Dominion Post*, viewed 18 May 2006.

to emission controls that are acceptable to both Beijing and New Delhi. One such option is to support the recently formed Asia-Pacific Partnership on Clean Development and Climate, an organisation that includes China and India and is committed to working together to seek technological means to limit global warming without slowing economic growth.<sup>421</sup> This is a good example of an option that New Zealand could take that would assist in improving environmental security, while preserving relations with India and China, thus reinforcing New Zealand's future security.

From New Zealand's particular point of view, another drawback to India's and China's need to increase their energy supply in order to compete economically, is the likelihood that their reliance on nuclear energy will increase.<sup>422</sup> At the end of 2003 China had eight nuclear reactors in operation with three under construction, while India had fourteen operating reactors with eight under construction.<sup>423</sup> A recent indication of China's intent to develop its nuclear energy capacity is the April 2006 agreement with Australia to allow the import of Australian uranium, creating concern over the long term security of the nuclear material.<sup>424</sup> Properly controlled, this is not of particular concern, but an increase of nuclear power facilities and material in a possible future environment of internal instability in either country increases the possibility of accidents causing environmental damage or nuclear material falling into the wrong hands and being used for terrorist or criminal purposes. Both of these outcomes could possibly impact on New Zealand in the future through long term global environmental damage or terrorist or criminal activities affecting New Zealand or New Zealand's off-shore interests. In an environment where

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<sup>421</sup> Prime Minister of Australia, *Asia-Pacific Partnership Sets New Path, To Address Climate Change*, Joint Press Release, [http://www.pm.gov.au/news/media\\_releases/media\\_Release1743.html](http://www.pm.gov.au/news/media_releases/media_Release1743.html), viewed 18 May 2006.

<sup>422</sup> Rethinaraj, p. 36; Uranium Information Centre, viewed 7 November 2004.

<sup>423</sup> Rethinaraj, p. 38.

energy is essential to remain competitive, eliminating nuclear energy as an option will be virtually impossible without a viable alternative. New Zealand should continue to support the development of alternative fuels and continue its consistent lobbying to encourage more responsible management of nuclear material. While New Zealand's real influence in reducing use of nuclear material may be questionable, every effort should be made to continue to make other states consider ways to reduce nuclear risks and in doing so, there is a chance that management of nuclear material will be improved, and at the same time, New Zealanders will also maintain a sense of security that they are doing something worthwhile.

Increased demand for energy is not all negative for New Zealand. China is looking to liquefied natural gas as an alternative to oil to meet its rapidly expanding energy requirements in order to sustain economic growth, seeking to secure increased Australian and possibly Indonesian supplies.<sup>425</sup> China and Australia's recent agreement to export Australian uranium to China may increase Australia's annual export revenue by \$500 million.<sup>426</sup> Increased China-Australia trade assists in strengthening the Australian economy, which is likely to have a positive flow on effect for New Zealand given that Australia is New Zealand's top export destination.<sup>427</sup>

One more area to examine is the actual use economic gain is put to, such as improved military capability, and the impact that may have on Sino-Indian relations. In general, Sino-Indian economic competition is likely to be healthy and encourage both nations to improve their economies. Stronger economies

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<sup>424</sup> *China Daily*, 'Australia, China sign uranium export deals', 3 April 2006, [http://www.chinadaily.com.cn/china/2006-04/03/content\\_558558.htm](http://www.chinadaily.com.cn/china/2006-04/03/content_558558.htm), viewed 21 May 2006; Hiscock, Geoff, 'Australia, China sign uranium deal', CNN, 3 April 2003, <http://www.cnn.com/2006/WORLD/asiapcf/04/02/australia.china.uranium/index.html>, viewed 21 May 2006; Jennett, Greg, 'Australia, China sign uranium deal', Australian Broadcasting Corporation, *Lateline Transcript*, Broadcast 3 April 2006, <http://www.abc.net.au/lateline/content/2006/s1607607.htm>, viewed 21 May 2006.

<sup>425</sup> Hordern, Nick, 'East Asia shores up its energy security', in *Jane's Intelligence Review*, Volume 16, Number 01, January 2004, p. 42.

<sup>426</sup> Gordon, Josh, 'Canberra set on China uranium deal', in *The Age*, 17 June 2005, <http://www.theage.com.au/articles/2005/06/16/1118869045330.html>, viewed 21 May 2006.

are likely to improve standards of living in both India and China and this in turn may reduce the likelihood of regional conflict as each country has more to lose. Unfortunately, there is also the possibility of strengthened economies coinciding with increased nationalism as national pride in their respective achievements grow.<sup>428</sup> This is unlikely to fuel conflict in itself, but an issue such as the Sino-Indian border dispute that is yet to be resolved will continue to provide a potential flash-point should nationalism rise to a level where either country believes they should solve the dispute once and for all, and believes that their economy can sustain the resulting war. In addition, a strong economy is often spent on increasing military capability as a matter of course.<sup>429</sup> India and China appear to be doing just that - as their economies are growing, they are 'investing' in significant increases and improvements in military equipment.<sup>430</sup> Remembering that threat is made up of intent and capability, if nationalism delivers the intent and the extra national income is funnelled into an increase in military capability for both nations, then their growing economies, spurred on by a sense of economic competition, are increasing the level of threat they pose to each other. One of the characteristics of the Sino-Indian border war was the misplaced Indian belief that it would achieve its goal easily and without significant retaliation from the PLA.<sup>431</sup> Perhaps a strong economy and commensurately powerful military will provide the impetus some time in the future for India to try again to establish what is believed to be the rightful borders. China too, if Beijing believes the Chinese economy can sustain a conflict, may look to reclaim Arunchal Pradesh, an Indian state that includes a significant portion of Chinese claimed territory.<sup>432</sup> In addition, one of the key motivators for China to improve its economy is the need to maintain domestic stability as expectations rise and the potential for significant income gaps increase.<sup>433</sup> A threat to China's economic goals and the commensurate

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<sup>427</sup> Statistics New Zealand (June 2004), p. 7.

<sup>428</sup> Malik (2001), p. 84.

<sup>429</sup> Kang, p. 74.

<sup>430</sup> Ball (November 2003), p. 1; 'India News', in *Asian Military Review*, Issue 7, November 2003, p. 52.

<sup>431</sup> Maxwell, pp. 202-3, 297, 300, 340, 387.

<sup>432</sup> Garver, p. 97; Klintworth (1987), p. 1.

<sup>433</sup> Andrews-Speed, et al, p. 10.

possibility of uprisings and pressure on the government to perform might well spark Sino-Indian conflict if India is perceived as economically threatening. A Sino-Indian conflict is not an outcome favourable to New Zealand given the likely limitations it would place on the use of New Zealand's key trade routes and possible economic damage to other regional states. New Zealand should monitor nationalism levels and military capability in both countries and any other economic factors that might contribute to conflict. From this base situational awareness, New Zealand should then contribute, where possible, to stable relations between India and China, while protecting its own trade should the worst happen.

On a more positive note, another indirect outcome of increased economic competition between India and China could be a more stable regional economy, which includes many of New Zealand's smaller trading partners. Already the strength of China's economy and currency has contributed to stability during the Asian economic crisis and has provided the engine for ongoing economic growth in Asia.<sup>434</sup> The prospect of a second large economy providing additional stability is a positive one, provided the economic competition between India and China that will drive India to develop its economy remains healthy. China's growing trade is already putting pressure on some of the smaller regional economies including Singapore, Malaysia and Thailand, and as India's and China's economies burgeon, there is likely to be some increased pressure on other developed economies.<sup>435</sup> There is some adjustment required as these smaller and larger economies adjust to avoid competing with India and China in the same areas, much the same as New Zealand will need to do. On the whole, however, if New Zealand makes those adjustments, a strong China and strong India are likely to provide New Zealand with greater direct trade volume with both countries and a significant collective increase in trade

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<sup>434</sup> Blank, Stephen J., *East Asia in Crisis: The Security Implications of the Collapse of Economic Institutions*, Carlisle: Strategic Studies Institute, 5 February 1999, p. 6; Dermot, p. 27.

<sup>435</sup> Hale, et al, p. 44; Roach, Stephen, 'The Challenge of China and India', in *The Financial Times*, 31 August 2004, <http://yaleglobal.yale.edu/display.article?id=4462>, viewed 30 October 2004.



throughout Asia as the smaller economies also benefit from India's and China's stronger economic leadership.

Another more local benefit of Sino-Indian economic competition driving growth and delivering a higher GDP for both nations, thus potentially making available increased funds for aid, may be increased support to Pacific Islands. It is of considerable importance to New Zealand that its Pacific neighbourhood remains stable due to the Pacific dominating of trade routes and communication links, and New Zealand's strong and ongoing connection to a number of Pacific Island nations through local Pacific populations in New Zealand and trade and social links into the Islands.<sup>436</sup> Properly focussed aid (contributing to projects that lead to self-sufficiency) from either India or China may assist in raising standards of living, encouraging industry and trade, and reducing the gap between the rich and the poor. These benefits would assist in increasing the independence of Pacific Islands and reducing internal instability, thus reducing the aid burden for New Zealand, and limiting the possibility of disruption to Pacific trade routes and communications links. More stable and prosperous Pacific Islands are also likely to reduce Pacific Island migration to New Zealand, thus limiting future population pressure in New Zealand. China has recently increased its aid to Pacific Island nations, largely to combat Taiwan's influence in the region, but nevertheless is funding projects that contribute to Pacific Island infrastructure and standards of living.<sup>437</sup> Should India also increase its aid to the Pacific in the same manner, a similar effect could be achieved, which would reduce pressure on New Zealand's burden to provide funding and may assist in increasing self-sufficiency.

New Zealand needs to monitor any economic competition between India and China, as this rivalry will provide advantages that New Zealand needs to be

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<sup>436</sup> Martin, viewed 11 May 2006.

<sup>437</sup> *China Daily*, 'Aid package announced for South Pacific states', *China Daily* 6 April 2006, page1, [http://www.chinadaily.com.cn/china/2006-04/06/content\\_561163.htm](http://www.chinadaily.com.cn/china/2006-04/06/content_561163.htm), viewed 18 May 2006; Moldofsky, Leora, 'China's Wen pledges aid for Pacific allies', in *Financial Times*, 5 April 2006, <http://news.ft.com/cms/s/3e86f724-c45b-11da-bc52-0000779e2340.html>, viewed 18 May 2006.

ready to exploit and some potential disadvantages that it needs to be able to defend against. Potential advantages include increased trade with both nations in a more stable economic environment in Asia as the two economies grow and support their surrounding economies. New Zealand needs to continue to identify the niche opportunities provided by its relative proximity to India and China, and continue to negotiate favourable trade agreements. At the same time, New Zealanders will need to keep a wary eye on areas of demand and ensure that New Zealand exports remain diverse and responsive to the market, able to slip in between or compliment Indian and Chinese commodities.

There is also a possibility that economic competition could lead to conflict, due to either increased military capability (and subsequent nationalism) as a result of strong economies, or the appearance of seemingly threatening economic policies that coincide with other tensions. Any regional conflict will threaten in some measure New Zealand's future security, but economic competition is most likely to be a contributing factor rather than the central cause of such conflict. Sino-Indian economic growth is also likely to significantly impact on energy resources and the environment and New Zealand needs to continue to develop alternative and clean energy sources in order to both protect its own production and assist India and China to protect the environment.

While there are both potential advantages and disadvantages to Sino-Indian economic and resource competition, its real impact is to add considerable complexity to the relationship. Economic factors could set the conditions for other areas of conflict or cooperation to develop, enhance or reduce tension and stabilise or destabilise the region. New Zealand's ability to protect its own security interests in relation to Sino-Indian economic and resource competition will depend on its ability to follow this complexity and respond appropriately to potential opportunities or defend from potential threats. This will require equally close relations with both India and China and effort to influence Sino-Indian economic peace as much as New Zealand is able to. If New Zealand

does this, then it is likely that it will benefit from India's and China's competition as they encourage each other to greater prosperity.

## Chapter 6: Sino-Indian Co-operation

Both sides are committed to developing their long-term constructive and cooperative partnership on the basis of the Five Principles of Peaceful Coexistence, mutual respect and sensitivity for each other's concerns and equality.

- First Principle of the June 2003 Sino-Indian Declaration<sup>438</sup>

The ancient administrations of the Chinese Empire and those of the Indian sub-continent were subject to enforced peace between them for much of their history due to being separated from each other by the considerable barrier of the Himalayan mountain range.<sup>439</sup> The modern states of India and China, however, have had little time where there has been no tension, particularly from the time of the 1962 Sino-Indian border war.<sup>440</sup> In spite of this there have been periods of friendliness and cooperation beginning with the early recognition of the PRC by India and subsequent expressions of support.<sup>441</sup> There are also a number of peace agreements between the two nations including the Five Principles of Peaceful Coexistence, or Panch Sheel, a foundational document that continues to be referred to as the recommended basis for successful coexistence for any other nations.<sup>442</sup> China and India also appear to be entering into a new period of constructive dialogue and revived cooperation and these recently improved relations suggest that it is possible that rather than compete in the future, they may instead cooperate.<sup>443</sup>

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<sup>438</sup> *People's Daily Online*, "China, India to Build 'Qualitatively New Relationship'", 24 June 2003, [http://english.people.com.cn/200306/24/eng20030624\\_118820.shtml](http://english.people.com.cn/200306/24/eng20030624_118820.shtml), viewed 16 Oct 2004.

<sup>439</sup> Garver, p. 26; Malik, J. Mohan, p. 76.

<sup>440</sup> Garver, pp. 6, 29.

<sup>441</sup> Brecher, pp. 588-9; Garver p. 29.

<sup>442</sup> *Indiainfo.com*, viewed 14 October 2004; Maxwell, p. 79; *People's Daily Online*, viewed 12 October 2004; Press Trust of India, viewed 12 December 2003; Ranganathan, p. 1; Yang Chengxu, p. 2.

<sup>443</sup> Editor (*The Hindu*), viewed 30 October 2004; Indian National Congress, viewed 7 July 2004; Indian National Congress, viewed 6 July 2004; Premier of the State Council of the People's Republic of China and Prime Minister of the Republic of India, viewed 24 August 2005; World Economic Forum, viewed 30 October 2004.

Sino-Indian cooperation has often been discussed in the context of various axes of three nations including India-China-Indonesia, India-China-Russia, or India-China-Japan.<sup>444</sup> The South Asia Analysis Group, when examining possible tripartite alliances that India may engage in, identified four areas of commonality that would form the basis of an alliance; ideological motivations, geographical factors, economic reasons and a common adversary.<sup>445</sup> To some extent, China and India share all of these, although a common ideological motivation is historically based and not currently obvious, and a common adversary that presents a significant threat is not yet in existence. Modern common ideological motivations, or ideals that motivate decisions, have been expressed to a limited extent under the Five Principles of Peaceful Coexistence, though not applied well or consistently in the Sino-Indian relationship. India is not without some internal communist influences, with two states (West Bengal and Kerala) being ruled by the Communist Party of India, that might assist in future cooperation with Beijing's communists.<sup>446</sup> There are also historical common ideological influences from the Buddhist and Hindu religions, though suppressed (but not completely destroyed) by the Communist Government in China.<sup>447</sup> India and China also share a common geographical neighbourhood, albeit with differing perspectives. Economically, China is further down the development track but both nations are in similar phases with comparable and converging challenges. India and China have also traditionally protected its independence vigorously from potential adversaries and found a common cause in reducing the effect of potential hegemony from states such as the United States, and more recently in countering extremist threats.<sup>448</sup> These key areas of potential cooperation can be grouped under security cooperation (that encompasses geographical security and countering common adversaries) and

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<sup>444</sup> Cohen, p. 10; Ghoshal, p. 4; Malik, (February/March 2000), pp. 20-21; Myasnikov, p. 7; People's Daily Online, viewed 14 October 2004; People's Daily Online, viewed 15 October 2004; People's Daily Online, viewed 16 October 2004; Krishnamachari, viewed 30 October 2004; Yang, p. 6.

<sup>445</sup> Krishnamachari, viewed 30 October 2004.

<sup>446</sup> *The Economist*, 'India's elections Left turn: Local voters like the Communists', in *The Economist*, Volume 379, Number 8477, 13 May 2006, pp. 31-32.

<sup>447</sup> Garver, p. 13-15; Malik, J. Mohan, p. 76; Private information provided to the author suggests that Buddhist beliefs still exist among senior Chinese officials.

<sup>448</sup> Malik, J. Mohan, p. 83.



economic cooperation. There is little meaningful common ideology in the Sino-Indian relationship to underpin other areas of cooperation, however, should other areas of collaboration develop, the resulting mutual benefits may allow both nations to work around the lack of shared philosophy. These areas will be examined as they concern only Sino-Indian bipartite cooperation, either independently or as the Sino-Indian leg of any tripartite cooperation as China and India will always represent the greater population bloc in any multilateral relationships.

Economically, India and China share a similar basic profile – a large and poor peasant society with a growing industrial sector.<sup>449</sup> The parallels in Sino-Indian economic profiles may potentially lead to direct competition given that the development issues are likely to be the same, thus creating competition in analogous areas. However, the economic similarities might also form the basis of mutual understanding and cooperation. China and India will face common issues in harnessing their economic potential without mismanaging growth to the extent that the large peasant populations remain poor and become disenfranchised and disaffected, leading to internal unrest that could counter-balance the efforts to grow economically. Rapid and broad economic growth that delivers broad benefits throughout both countries will aid both in maintaining necessary stability. India and China, being the two largest nations on earth, represent to each other significant markets that could be pivotal in creating that growth. In 2000, during a visit to China by India's President Kocheril Raman Narayanan, Chinese President Jiang Zemin offered up a four point plan to develop Sino-Indian relations, including the establishment of increased trade and economic cooperation.<sup>450</sup> The April 2005 India-China talks in New Delhi reiterated that 'an all-round expansion of India-China economic cooperation, including trade and investment, constitutes an important

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<sup>449</sup> Cohen, p. 14.

<sup>450</sup> *People's Daily Online*, 'President Jiang Makes 4-Point Proposal on Sino-Indian Relations', 30 May 2000, [http://english.people.com.cn/english/200005/29/eng20000529\\_41846.html](http://english.people.com.cn/english/200005/29/eng20000529_41846.html), viewed 28 May 2006.

dimension of a stronger India-China relationship.<sup>451</sup> The benefit of economic cooperation and interaction might reach a level where neither country wishes to damage the ties to the other, and if so, this may increase the effort both countries may go to in order to avoid conflict. Already Sino-Indian trade is growing at an impressive rate. In 2001 there was only US\$3 billion in Sino-Indian trade, but by mid 2004 this figure had more than doubled to US\$6.7 billion and reached around US\$10 billion by the end of 2004.<sup>452</sup> India and China have now agreeing 'to make joint efforts to increase the bilateral trade volume to US\$ 20 billion or higher by 2008', a significant commitment to increased trade.<sup>453</sup> There are a number of factors that would contribute to maintaining or increasing this growth in Sino-Indian trade including each state's economic policies, security and internal stability; but this recent growth spurt in Sino-Indian trade suggests that it could reach figures that make China and India each other's premier trading partner some time in the future.

Certainly, if both India and China recognise the potential for the other to provide sustained economic growth and stability and then tailor their foreign affairs and trade policy to optimise their mutual economic importance, Sino-Indian trade could reach astounding proportions. If established, this level of cooperation would likely be sustained by exploiting a number of supporting circumstances, such as size and proximity of markets. Sino-Indian trade could make primary use of more secure land trade routes directly across their borders, building on the existing border routes and avoiding the piracy ridden Malacca Straights and South China Seas.<sup>454</sup> High capacity rail links could be established that significantly increase trade volume and reduce transport costs, making goods cheaper and so improving spending power and the standard of living in both nations. The significant size of both markets represents

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<sup>451</sup> Premier of the State Council of the People's Republic of China and Prime Minister of the Republic of India, viewed 24 August 2005.

<sup>452</sup> *People's Daily Online*, viewed 28 October 2004; India Express Bureau, viewed 28 October 2004; Sommers, p. 30.

<sup>453</sup> Premier of the State Council of the People's Republic of China and Prime Minister of the Republic of India, viewed 24 August 2005.

<sup>454</sup> Han, p. 20.

generations of consumers, provided that China and India can focus on complementing each other in their offered commodities rather than trying to sell the same things to each other. There are significant similarities in commodities produced by both China and India, particularly in clothing and textiles, engineering equipment and IT products.<sup>455</sup> This may cause tension as they try and compete in the same markets, and will reduce trade opportunities as exporters find that there is little Sino-Indian trade potential in those common commodities. An alternative to competition, however, is for India and China to combine expertise and effort in areas of strength in order to exploit synergies and together dominate key economic sectors. An example of this is the increased cooperation in the software industry with Indian companies, such as the Tata Group, responding to the rising Chinese challenge by investing in China's software sector and initiating joint venture projects.<sup>456</sup> There have also been other joint ventures in the auto and steel and home electric appliance sectors.<sup>457</sup> There are also potential areas of divergence where India and China may compliment each other. India, strong in white-collar industry, offers a significant advantage in English language competency that is particularly valuable in software development and also in training, education, production of supporting literature and other service areas where they may be able to assist China, which lacks a broad English speaking population.<sup>458</sup> China, strong in blue-collar industry, offers a much stronger industrial base that India may be able to utilise and add to, for example by complementing China's hardware expertise with India's software development strengths.<sup>459</sup> China and India could also begin to cooperate in areas of international economic policy that concern both countries, such as tariff barriers, access to developed markets, environmental policy and patent protection, lobbying together to ensure that

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<sup>455</sup> China Council for the Promotion of International Trade, viewed 31 October 2004; Editor (*The Hindu*), viewed 30 October 2004; Iyengar, viewed 1 November 2004; Hale, et al, p. 44; Ministry of Commerce & Industry (India), viewed 1 November 2004; Ministry of Foreign Affairs and Trade, viewed 8 July 2004.

<sup>456</sup> *People's Daily Online*, 'Likely Sino-Indian FTA conducive to nation', 25 June 2004, [http://english.people.com.cn/200404/12/eng20040412\\_140082.shtml](http://english.people.com.cn/200404/12/eng20040412_140082.shtml), viewed 13 October 2004.

<sup>457</sup> *People's Daily Online*, viewed 13 October 2004.

<sup>458</sup> Chattopadhyay, viewed 30 October 2004; *People's Daily Online*, 'Likely Sino-Indian FTA conducive to nation', 25 June 2004, World Economic Forum, viewed 30 October 2004.

policy better suits their developing economies.<sup>460</sup> There exist a number of potential areas of economic cooperation that could lead to a mutually beneficial increase in economic growth for both India and China.

If in the future India and China realise their full potential for economic cooperation, the resultant economic bloc will have a number of implications for New Zealand's future security. On the downside, a Sino-Indian bloc would have a synergistically increased influence in such forums as the World Trade Organisation (WTO) and they may use that influence to skew economic regimes to better suit themselves, being similar in economic profile. In the event of significant economic cooperation, New Zealand will need to monitor any such attempts to specifically shape policy to suit India and China, and attempt to lobby against any policy that will not suit a small trading nation such as New Zealand. India and China, with their newfound influence, may also be less willing to conform to international environmental policies, instead focussing on industrial development regardless of the environmental impact. Such an attitude could hopefully be avoided by an increase in a feeling of Sino-Indian international responsibility, but the United States has already demonstrated that a large, powerful economy may be unwilling to sacrifice economic potential for environmental management, as is the case with the American refusal to agree to the Kyoto Protocols.<sup>461</sup> New Zealand will need to monitor such developments and lobby early with both China and India to work on establishing a strong attitude of environmental responsibility, protecting that aspect of the region's future security.

There are also likely to be some positive outcomes of Sino-Indian economic cooperation on a large scale including better relations in other areas of Sino-

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<sup>459</sup> Bajpae, viewed 30 October 2004; World Economic Forum, viewed 30 October 2004.

<sup>460</sup> Chattopadhyay, viewed 30 October 2004.

<sup>461</sup> United States Information Service, *United States Correcting Climate Change Outside Kyoto Protocol*, 1 October 2004, <http://usinfo.state.gov/gi/Archive/2004/Oct/01-375556.html>, viewed 23 November 2004.

Indian interaction, the stability of both nations internally and a general strengthening of regional economies. Significant economic inter-dependence may not guarantee agreement in other areas of Sino-Indian relations, but it is likely to encourage both nations to continue in their policies of avoiding contentious issues, perhaps allowing time to reduce emotion over the border disputes, India's nuclear status and other areas of tension.<sup>462</sup> Reduced heat over these issues may then lead to more pragmatic and open discussions potentially resulting in compromise and lasting resolutions. Total peace between India and China across the entire range of relational issues, though not considered an imminent likelihood, would greatly contribute to regional stability, avoiding the realisation of any potential for Sino-Indian conflict that exists now, and allowing India and China to project a calming influence throughout the Asia-Pacific and Indian Ocean regions. New Zealand's future security will always be better assured in a peaceful region that allows for increased trade, regional development and cooperation in areas such as combating trans-national crime, terrorism, proliferation and interruption of trade routes.

As well as the external stabilising effect of Sino-Indian economic cooperation, economic cooperation would likely assist in improving internal stability in both countries. Both China and India suffer from internal instability from extremist groups, insurgents seeking independence and rural poverty, and both are seeking to improve their economies in order to assist in countering unrest.<sup>463</sup> If India and China combine their considerable resources to improve their economies, growth is likely to be more rapid, creating more wealth in a shorter period of time. A decrease in poverty will greatly assist in lessening causes for

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<sup>462</sup> *People's Daily Online*, viewed 16 October 2004; Press Trust of India, *China proposes phasing out differences on border dispute*, [http://www.hindustantimes.com/news/181\\_287965.001300370003.htm](http://www.hindustantimes.com/news/181_287965.001300370003.htm), viewed 11 December 2003.

<sup>463</sup> Banerjee (1998), p. 10; Cordesman, pp. 33-4, 40-1; Information Office of the State Council (China), *China's Rural Poverty Reduction*, <http://english.people.com.cn/features/PRpaper/pr.html>, viewed 22 November 2004; Malik, J. Mohan, p. 79; Ministry of Defence (India), viewed 8 July 2004; Sayeed, *Address to IEEMA*, p. 3-4; Sayeed, *The Path to Sustainability: Accessibility, Availability, Acceptability*; The National Institute for Defense Studies Japan, pp. 173-4.



grievance and help to remove support bases from insurgents and extremists who gain most of their followers from among the poor and disenfranchised. This increased stability will in turn provide an increasingly stable economic base, and hence increased growth. Increased economic strength of China and India will have a flow on effect to the region as standards of living increase and the demand for more trade goods also increase. A large Sino-Indian economic bloc with a third of the world's consumers will potentially provide New Zealand with its biggest global customer and future economic security through increased trade. Other Asian states will also benefit from a large Sino-Indian economy and as their economies grow they will offer New Zealand additional trading opportunities. While the creation of a Sino-Indian economic bloc is not likely in the near to mid-term, and may never eventuate, New Zealand should be prepared to capitalise on any opportunities arising from even limited instances of Sino-Indian economic cooperation as a means to enhance New Zealand's own economy through increased trade. The ability of New Zealand to take advantage of economic opportunities may be assisted by developing strong links with both China and India through increased engagement and making optimum use of the cultural knowledge and networks inherent in New Zealand's growing Chinese and Indian populations.

A related area of cooperation that India and China may embark on is the securing of energy in order to fuel economic growth. China appears to be ahead of India in the securing of energy sources for future development, but there is still room for Sino-Indian cooperation to provide a benefit to China.<sup>464</sup> In the competition to win oil from Central Asia there are a number of players including China, India, the United States, Russia, Iran, Pakistan, Turkey, and to a lesser extent, Saudi Arabia and Israel.<sup>465</sup> China and India would do well to combine their efforts to compete for oil from this region, increasing the likelihood of being able to succeed over even the larger players, particularly the

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<sup>464</sup> Bajpae, viewed 30 October 2004.

<sup>465</sup> Blank (1995), p. 1.

United States and Russia. China has already made significant in-roads to Central Asia and is well equipped to exploit energy sources, but India is viewed as less of a regional threat and more culturally aligned with the Central Asian states.<sup>466</sup> Combining the industrial expertise of China with the acceptability of India would likely result in dominating agreements for oil and gas in that region. China and India are also active in exploration and development of their own natural resources, although China is currently well ahead of India in the ability to exploit them.<sup>467</sup> Cooperation in this area could increase the speed and effectiveness of both states' ability to exploit their natural resources, leading to increasing energy independence and therefore becoming less susceptible to interruptions in external energy supplies. This would then have a commensurate flow on effect of further improving conditions for Sino-Indian trade, benefiting both China and India. From New Zealand's perspective, Sino-Indian cooperation in increasing energy to fuel their economies will likely flow on to increased trade as their economies grow. There is also potential for the synergy of a combined Sino-Indian effort to result in the more rapid development of environmentally friendly energy sources in order to reduce reliance on fossil fuels and increase Sino-Indian energy independence. The sooner China and India are able to reduce their use of environmentally damaging sources of fuel such as oil and coal, the better for the global environmental, and more specifically, New Zealand's future environmental security.

In addition to economic cooperation, China and India may consider cooperation in countering regional security concerns some time in the future. Kenneth Waltz has argued that 'Countries with great power economics have become great military powers, whether or not reluctantly'.<sup>468</sup> It stands to reason then, that as India's and China's economies grow, so will their military power and

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<sup>466</sup> Donaldson, John W., 'Bilateral agreements raise stakes in Caspian competition', in *Jane's Intelligence Review*, Volume 16, Number 5, May 2004, p. 53; Bajpae, viewed 30 October 2004.

<sup>467</sup> Bajpae, viewed 30 October 2004.

<sup>468</sup> Waltz, Kenneth, cited in David C. Kang, 'Getting Asia Wrong: The Need for New Analytical Frameworks', in *International Security*, Volume 27, Number 4, Spring 2003, p. 74.

ability to provide regional security. India and China have much distrust to overcome before they will be able to cooperate fully in maintaining security, however, over time strengthening economic inter-dependence may provide the necessary trust-building mechanisms and motivation to eventually achieve security cooperation.<sup>469</sup> India and China already share a number of common security concerns including terrorism and insurgents, and a common trade and energy route through the Indian Ocean.<sup>470</sup> Both countries also desire a stable South East Asia and to balance American influence, creating a multi-polar (or polycentric) global power structure.<sup>471</sup> Both nations have also based their military forces on former Soviet, now Russian equipment and technology, providing a solid base for interoperability.<sup>472</sup> There are also very tentative signs through increasing military exchanges that Indian and Chinese forces are looking to improve military to military relations and mutual understanding.<sup>473</sup> Should the Sino-Indian security relationship move beyond the inherent suspicion that was sparked by the 1962 Sino-Indian border war and fuelled by the 1998 nuclear tests, and at some time in the future result in significant military cooperation, this would have a significant effect on the region.

Security cooperation could begin with transparent and concerted measures to reduce terrorism, insurgency and cross-border crime. Trust could be built on these measures and security cooperation could extend to joint patrols from the northern Indian Ocean through to the South China Sea. Both nations have economic concerns over these trade and energy routes and working together would significantly improve their security, much as India-United States security

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<sup>469</sup> Ghoshal, p. 7; Malik, J. Mohan, pp. 81-2; Vajpayee, Shri Atal Bihari, cited in Press Trust of India, *India, China should resist contradictory pulls: PM*, 23 June 2003, [http://www.hindustantimes.com/news/181\\_288208,001300370003.htm](http://www.hindustantimes.com/news/181_288208,001300370003.htm), viewed 12 December 2003.

<sup>470</sup> Bajpae, viewed 30 October 2004; Ghoshal, p. 7; International Strategic Studies Association, p. 17; Malik (2001), pp. 79-80; Ranganathan, pp. 1-2; Yang Chengxu, pp. 3, 6.

<sup>471</sup> Bajpae, viewed 30 October 2004; Ghoshal, p. 7; International Strategic Studies Association, p. 17; Malik (2001), pp. 79-80; Ranganathan, pp. 1-2; Yang Chengxu, pp. 3, 6.

<sup>472</sup> Kopp, Dr. Carlo, 'Backfires approaching', in *Asia-Pacific Defence Reporter*, Volume 30, Number 7, September 2004, p. 6.

<sup>473</sup> People's Daily Online, *China values military ties with neighboring countries*, 22 March 2004, [http://english.people.com.cn/200403/22/eng20040322\\_138091.shtml](http://english.people.com.cn/200403/22/eng20040322_138091.shtml), viewed 11 October 2004.

cooperation has in the Malacca Straights.<sup>474</sup> If India and China were partners instead of rivals, this might also reduce tension among the states that have previously taken sides (particularly Myanmar and Pakistan in support of China), provided that those states shared in the benefits of the partnership and did not feel trapped between the two powerful countries. India may at some time no longer feel the need to compete for influence and may choose to become more independent from the United States and abandon interest in participating in NMD, reducing tension with China and at the same time reducing the likelihood of proliferation. India and China may also agree to reduce weapon stocks, also drawing in Pakistan as the mutual threat decreases. With the two largest states cooperating and the resources they could offer as a bloc, regional security and stability might increase as a whole.

A more peaceful region is likely to encourage trade and prosperity, flowing on to an increase in trade for New Zealand, as discussed previously. On the other hand, however, a Sino-Indian security bloc may also provide some challenges to New Zealand's future security. Sino-Indian security cooperation could lead to the creation of a closed Sino-Indian or purely Asian security directorate or similar body, and this would erode New Zealand's ability to voice its concerns in the region and hence would undermine New Zealand's identity as an independent nation with an equal say.<sup>475</sup> The sheer size and commensurate influence of China and India combined would provide a challenge to be heard for many smaller nations, and such issues as a nuclear free Pacific may become more difficult to achieve if this is not a shared interest with India and China. New Zealand would need to position itself well towards both India and China both now and in the future in order to ensure that some influence is retained should the two nations ally themselves and begin to expand their influence. This will require patient dealings with India and China for a number of years in order to build trust and credibility. It will also require the maintenance of a

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<sup>474</sup> Bateman (2003), p. 20; Bedi (June 2004), p. 30; 'India News' (December/January 2003-2004), pp. 47-8.

<sup>475</sup> O'Brien (1999b), p. 154.

difficult balance between New Zealand's links to the West and to Asia, ensuring that New Zealand remains as neutral as possible while preserving the beneficial relationships it has with countries such as Australia, the United States.

Overall, New Zealand is likely to benefit economically from significant Sino-Indian cooperation and the increased trade that would result from the increased stability. However, New Zealand may also lose some influence as the region becomes dominated by the combined influence of both China and India. New Zealand will need to maintain an awareness of developing Sino-Indian relations in order to be ready to exploit opportunities that arise as a result, or influence, where possible, decisions made by the two giants. A critical factor in gaining and retaining future influence with both China and India will be how New Zealand develops those relationships now and into the future. Trust needs to be built by demonstrating neutrality as much as practicable, dealing equally with China and India and indicating a balance between New Zealand's Western heritage and Asian links. New Zealand's relationship with China appears to be developing positively, but its relationship with India is lagging and now is the time to rebuild that relationship before India is a co-equal regional power with China. In addition, New Zealand's ties to Asia through its Asian population and geographical proximity need to be further emphasised and exploited so that in a Sino-Indian dominated region, New Zealand may be perceived as a willing and cooperative participant, rather than a reluctant European colonial relic. These measures should be taken carefully, however, with an understanding of the fluctuating history of modern Sino-Indian relations and the significant hurdles both nations still need to leap before trust is built to a level where significant cooperation is achieved. While remaining in a position to benefit from Sino-Indian cooperation, given the likelihood of significant collaboration versus growing Sino-Indian competition, New Zealand should always be prepared for the effects of the rapid erosion of Sino-Indian relations.



## Conclusion

Finally, it [New Zealand] must avoid giving neighbours a cause for hostility. It is much better to be everyone's friend than anyone's enemy. Enlightened self-interest is the safest course.

- Hugh Steadman<sup>476</sup>

New Zealand's isolation has certainly served New Zealand well in protecting its security interests, but with improvements in transport and technology, the world's ability to reach out and touch New Zealand is rapidly improving. In addition to that, New Zealand's security interests are far from simple and many of them are dependent on things that are happening well away from its shores. As the global environment becomes more open and links between nations (including the Sino-Indian relationship) become more numerous and complex, there is increased potential for New Zealand's security interests to be affected. New Zealand's future security can be examined in a number of broad areas that include physical, economic, social and cultural security, and commitments to regional and global security. New Zealand's security interests, in the context of Sino-Indian relations, should be considered in the light of any developments resulting from India's and China's interaction. These developments might impact on New Zealand's physical integrity and military capabilities, the nature of New Zealand's society, political influence, the well-being of the economy, or the environment. A negative impact in any of these areas may then diminish New Zealand's ability to develop independently. In keeping with New Zealand's broad security interests, the complexity of future Sino-Indian relations creates a considerable range of possible direct and indirect effects on New Zealand's future security.

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<sup>476</sup> Steadman, Hugh, 'Towards Comprehensive Security', in *New Zealand International Review*, Vol. XXXI, No. 3, May/June 2006, p 24.

This thesis has examined Sino-Indian relations by chronologically covering the most significant and difficult issues between the two nations, then examined other areas of competition and finally contemplated the effects of potential Sino-Indian cooperation. The first significant conflict between the two modern states was the 1962 border war, which was followed by the next most significant issue of Sino-Indian contention, nuclear proliferation, exemplified by the Indian nuclear tests in 1998. Further areas of competition include the expansion of military capabilities, the achievement of regional influence tending towards dominance, and gaining sufficient resources in order to fuel broader competition. Amidst this range of possible issues over which China and India may be in conflict, there are also signs of potential cooperation, initially economically and maybe in the more distant future in the establishment of regional security. Given the breadth of India's and China's possible future relationship, the potential scale of Sino-Indian competition or cooperation and the importance of Asia to New Zealand's security, New Zealand cannot expect to remain unaffected as the Sino-Indian relationship develops.

The Sino-Indian border disputes remain unresolved and rates as the most contentious issue between India and China. Despite ongoing attempts to resolve the dispute, the current Indian Foreign Minister has pointed out that 'bilateral relations with China are problem-free except for the boundary question'.<sup>477</sup> The border represents the only areas where Indian and Chinese troops face each other over what are large contested areas. There are now other possible places where Indian and Chinese forces could clash, such as in the Indian Ocean, Bay of Bengal, or the South China Sea, but along India's northern border there is a constant possibility of the resumption of physical conflict. A war between India and China would affect New Zealand's future security in a number of areas. Trade is likely to be reduced as both nations focus on funding their war effort, trade routes are likely to be less secure as both India and China seek to dominate the region, and even regional trade may

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<sup>477</sup> *People's Daily Online*, viewed 16 October 2004.

reduce if the war draws in other countries. While New Zealand has been careful to trade globally in order to avoid significant suffering from reduced trade with any particular country or region, an attempt to use economic leverage from either India or China to take sides in a conflict would still represent a challenge to New Zealand's ability to make independent choices. UN influence could reduce if it responds ineffectively to such a destabilising conflict, which could impinge on New Zealand in that the UN is a key organisation through which New Zealand tries to influence international issues in favour of its security interests. A more direct, serious and prolonged conflict between China and India could have an effect on South Pacific security because of the presence of large ethnic Chinese and Indian populations, as in Fiji for example, and economic destabilisation as Chinese or Indian investment is withdrawn to fund a war effort. A prolonged conflict might affect New Zealand's own domestic Chinese and Indian populations, leading to a degree of unrest. Worse still is the potential for such a conflict to escalate to the use of nuclear weapons, leading to a loss in the effectiveness of nuclear non-proliferation regimes, an area that New Zealand has worked hard to develop.

There is also an outside possibility that the Sino-Indian border conflict might be resolved, and this too will have an effect on New Zealand's security interests, but this time a positive one. The demonstration of two great powers resolving seemingly intractable differences is likely to have a significant impact by improving regional stability and hence security. A more secure and stable region will encourage regional development and trade, flowing on to enhancing New Zealand's economic security.

A reminder of the potential, however limited at this time, of a border conflict escalating to a nuclear conflict was provided in 1998 when India tested nuclear weapons and became an overt nuclear power. While both China and India have claimed that it is their intent to maintain nuclear arsenals for defensive purposes only, the existence of those weapons means that India and China remain capable of engaging in a nuclear conflict. Of concern is the potential

for a change in intention or a miscommunication or mistake to trigger a nuclear exchange. In addition, India's development of nuclear weapons in response to a perceived threat from China set back non-proliferation measures, something that New Zealand has lobbied hard to establish and reinforce. Pakistan's subsequent nuclear test in response to India's and the possible spread of TMD to India is testament to the potential for further proliferation as a result of Sino-Indian nuclear competition. Aside from proliferation, there is also the growing threat of nuclear terrorism and the more nuclear material and weapons in existence, the more potential nuclear sources that terrorist organisations can target for theft or acquisition. New Zealand may be some way off being threatened by nuclear terrorism, but its active involvement in the American led war on terror has exposed us to a heightened threat and the chilling possibility, however unlikely, of a nuclear terrorist attack at some time in the future. In addition to this, given its enlarged scale and the resulting increase in damage, a nuclear conflict between India and China would have a far greater economic impact on New Zealand than the conventional border conflict discussed above, in terms of disruption to trade. Such a conflict is also likely to generate refugees and given New Zealand's substantial Indian and Chinese populations, this may result in an influx of refugees along with the increased costs of absorbing the extra population and possible unrest caused by local resentment, increased unemployment and possible inflammation of local Sino-Indian tension. Nuclear competition between India and China is not positive for New Zealand's future security whichever way you look at it.

In addition to nuclear competition, which is linked to status, India and China also compete in other areas to gain influence. These include modernising military capabilities and developing their regional influence. Both countries are expanding their military capabilities with significant military purchases, particularly those that enhance naval power. Major improvements in military capabilities will increase the potential for China and India to threaten each other, and hence the chance of Sino-Indian conflict. Any Sino-Indian conflict would not be conducive to New Zealand's security interests, particularly given

the possible threat to New Zealand's trade and potential for some instability among New Zealand's immigrant Indian and Chinese populations. There is also the risk that Sino-Indian military development will spark a regional arms race that could destabilise the region. Should such destabilisation threaten Singapore or Malaysia, New Zealand may be drawn in under its FPDA obligations. India's and China's enhanced efforts to influence other regional states could also lead to conflict as one or both respond to escalated attempts at mutual containment. Chinese and Indian forces might come into increasingly regular contact in the Indian Ocean, South China Sea, or on the borders of neighbouring countries such as Myanmar and Pakistan, thus expanding opportunities for mishap in times of tension. While China is currently ahead of India in the development of regional influence, and a regionally dominant China may provide considerable stability, it might only be a matter of time before India can compete as an equal. New Zealand will need to manage its relationship with both states, maintaining good relations and keeping an eye on the future.

Economic development and resource acquisition are other areas that generate pressure in the Sino-Indian relationship. Economic competition may add to tension in areas where China and India compete directly, such as the software industry where India is currently more dominant but China has declared an intention to surpass India. Growing economies can also add to national confidence and if combined with an increase in defence funding, and hence capability, may lead to emboldened military posturing and increase the possibility of military conflict. There may, however, also be some positive implications, as competition for trade may improve trade arrangements for New Zealand, and as competition drives growth in both China and India, the volume of trade is also likely to increase. Sino-Indian economic competition may also improve standards of living in both countries, thus reducing the chances of internal instability and reducing motivation to disturb the new levels of comfort by entering into a Sino-Indian conflict. Another complication, however, is that if that growth is uneven and the gap between the wealthy and poor continues



to increase, this may provide a source of internal unrest that could reach levels that are destructive for economic growth. Damage to the Indian and/or Chinese economies is not in the best interests of New Zealand as a trading nation that relies fairly heavily on trade in Asia.

In order to grow India's and China's economies, significant resources are required and these offer sources of competition in themselves. Competition for energy and other resources will have a range of effects on New Zealand's security interests, including being another source of prospective conflict and potential environmental damage as both nations seek to gain whatever resources are available with little thought for the environmental impact. There is likely to be an increase in use of fossil fuels that further damage the environment, and nuclear energy that offers additional sources of nuclear material for proliferation or use by criminal or terrorist organisations. New Zealand should assist wherever possible in the development of cleaner alternative energy sources for India and China in order to avoid these potential negative impacts on New Zealand's security interests. It is doubtful that New Zealand can actually do much substantially in this area. New Zealand may be able to offer assistance, but it is the will of the administrations in New Delhi and Beijing that will ultimately determine any substantive efforts to protect the environment.

In contrast to the above, there is also the possibility that at some time in the future India and China will choose to cooperate. Based on some limited points of agreement, embodied in the Five Principles of Peaceful Coexistence, India and China could choose to engage in economic cooperation and in the maintenance of regional security. China and India's economic similarities could provide the basis for economic cooperation by complimenting exports, increasing Sino-Indian trade to stimulate each other's economies or cooperating in international forums to create favourable economic policies. A Sino-Indian economic bloc could provide considerable regional economic stability that encourages regional growth, which in turn would increase New Zealand's trade

opportunities. A combined Indian-Chinese economy would also provide a much larger regional economic engine, which might, subject to economic complexities, be able to steady the region in times of economic crisis and provide greater economic security. There is a possible negative outcome, however, in that the influence of a Sino-Indian economic bloc would be difficult to resist and New Zealand would need to monitor any economic policy development to avoid the effect of any pro-Sino-Indian policies that may not suit New Zealand. Sino-Indian economic cooperation could also extend to cooperation in the acquisition of energy. The synergy of such a cooperative effort could lead to quicker development of clean alternative energy sources and hence lesson the damage to the environment resulting from industrial development. This would certainly be positive for New Zealand's future environmental security.

Future Sino-Indian economic cooperation may not be unrealistic given the mutual motivation to develop and the advantages of combining the economies of the two largest countries on the globe. Should current Sino-Indian trade grow significantly and a level of inter-dependence be achieved, then there is some possibility that other areas of tension might be eased, or perhaps overlooked for a time. Given that India and China share the same neighbourhood and potentially face similar future security challenges, they may also choose at some time to cooperate on some security issues. Even very limited security cooperation between the two giants, perhaps through some combined patrolling and cooperation on trans-national crime, terrorism and separatism, may create improved regional stability that would be beneficial to other regional states, including New Zealand. Any improvement to security in the region will help to stimulate trade, reduce the likelihood of conflict, and reduce proliferation – all positive contributions to New Zealand's. One negative effect of cooperation, however, is the possibility that as a bloc, India and China could begin to make closed security decisions that may affect New Zealand, but in which it is not consulted. New Zealand should engage early with both China and India in order to protect against reduced regional influence and help

ameliorate any regional security decisions that are not positive for New Zealand.

A number of common themes in New Zealand's security interests appear out of an examination of Sino-Indian relations. Firstly, the importance of trade and the range of issues that can affect it. In an economically driven world, New Zealand's trade is vital to its future security, and just about anything that India and China do can impact on it, albeit to varying degrees. Secondly, the importance to New Zealand of bringing to bear as much international influence as possible in order to create a more secure environment in the future. A Sino-Indian conflict, whether over their border disagreements or clashes of their growing military forces in other areas, and whether or not it escalates to a nuclear conflict, is likely to impinge on New Zealand's security interests through a negative impact on regional trade, potential unrest in New Zealand itself and a reduction of influence through bodies such as the UN who are likely to be ineffectual against such large powers as India and China. While this sounds obvious, New Zealand should never relax and always remain watchful, doing all that is within its limited power to influence India and China to always look for peaceful solutions to disagreements. New Zealand should also, as much as possible, remain neutral during any Sino-Indian period of tension or conflict in order to help limit any adverse effects on New Zealand's trade, or already limited influence, that might arise from a victor identifying New Zealand with its adversary. Sino-Indian cooperation may also present New Zealand with significant trade opportunities, but its ability to exploit those will likely depend on the relationships New Zealand builds now, and how balanced they are. Currently New Zealand's relationship with India does not receive the same attention and resources as that with China, and this may lead to a loss of potential opportunities for New Zealand as India's power grows. Balancing New Zealand's relationships with China and India may also assist in maintaining some influence should India and China ever extend to security cooperation. New Zealand will need to develop thorough situational awareness of Sino-Indian inter-action based on enhanced and balanced relationships with both

countries. This will allow New Zealand to remain constructively engaged and flexible in order to respond appropriately to developing Sino-Indian relations.

When the range of issues that affect Sino-Indian relations is considered, it seems appropriate that China and India are separated by the Himalayan mountain range given that the range is a product of pressure from two opposing plates along a wide area of contact.<sup>478</sup> For the most part, the range remains peaceful and picturesque, but always lurking beneath is the potential for one of the many pressure points to shift, creating friction and sometimes quakes. China and India's relationship currently appears positive and almost tranquil, but underlying that appearance are a number of areas of tension that could, given the right circumstances, erupt into open conflict. As the power of both nations expand, particularly as India catches up with China, so the pressure behind any tension will increase. These points of tension are not independent and will potentially overlap and exacerbate tension. For example, economic containment combined with a border scuffle could erupt into conflict that escalates into a nuclear exchange, or China's economic need to secure and develop ports in Myanmar could lead to a Sino-Indian naval clash in the Malacca straits leading China to block India's oil routes past Pakistan. The complexity of Sino-Indian relations combined with the breadth of impact they may have on New Zealand's future security leads to a complicated security environment. In order to protect New Zealand's security interests against the negative influences and exploit the positive influences of an unfolding Sino-Indian relationship, New Zealand will need to maintain watchfulness and flexibility in its responses, all the while critically protecting its trade and influence.

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<sup>478</sup> Garver, p. 22.

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