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**China-Bangladesh Relations:
An Emerging Strategic Partnership?**

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INTRODUCTION

China-Bangladesh relations have moved ahead steadily in spite of profound changes in the domestic politics of both countries and major international developments during the last three decades. China has emerged as a reliable partner to Bangladesh, extending economic, military and diplomatic support, while simultaneously attempting to gain a strategic foothold in South Asia and benefit from Bangladesh's natural resources.

This paper provides an overview of recent developments in Sino-Bangladesh relations and their significance for both countries, as well as the possible implications for India.

**I
BRIEF HISTORY**

China and Bangladesh established diplomatic relations on 4 October 1975, four years after the founding of Bangladesh. Determined by relations with Pakistan and ongoing hostilities with India, China was opposed to Bangladesh's emergence as an independent state during the 1971 civil war. During Sheikh Mujibur Rahman's rule, China exercised its veto power when Bangladesh sought UN membership. With the 1974 Bangladesh-Pakistan-India treaty, China finally withdrew its opposition to UN recognition of Bangladesh. It was only after Mujib's assassination in 1975 that China officially recognized Bangladesh as an independent state.

In 2002, the BNP led four party coalition government in Bangladesh adopted a 'Look East' policy to maximize economic and strategic gains that could emerge from

closer relations with eastern countries, especially China. While this shift in policy was primarily aimed at trade diversification, Bangladesh also sought closer relations with China in lieu of its status quo with India. According to an Indian analyst, Bangladesh's tilt towards China needs to be understood in terms of the psychological threat it (Bangladesh) perceives from India so that closer ties with China provide Bangladesh with a sense of security against India.¹

Prime Minister Begum Khaleda Zia's visit to China in December 2002 was a significant landmark in bilateral relations; three treaties and a Memorandum of Understanding were signed covering military, economic, and technological cooperation between the two countries. China promised Bangladesh a 100 million Yuan, in addition to the previously sanctioned interest free 50 million Yuan for constructing the sixth Bangladesh-China friendship bridge on the river Dholessori. In addition, China converted the \$24 million interest free loan, for the construction of an international conference centre at Dhaka, into a grant and pledged its support for Bangladesh's tourism and agriculture sectors. During talks, Bangladesh also expressed its support for the One-China policy.²

¹ Interview with Smuti S Pattanaik, *Institute for Defence and Strategic Analyses*, 2 November 2006.

² Dr. Kazi Chesham and Mohammad Mahabubur, "Sino-Bangla relations and Bangladesh's Look East policy," *The Daily Star*, 23 May 2005.
<<http://www.thedailystar.net/2005/05/23/d505231501126.htm>>

2005 as China-Bangladesh Friendship Year

Marking the 30th anniversary of diplomatic relation, 2005 was declared a 'China-Bangladesh Friendship Year'. During Chinese Premier Wen Jibao's visit in April 2005, a 13-point Joint Communiqué on further strengthening of bilateral relations was signed, along with five agreements and two MoUs. China also offered to assist Bangladesh in water management, nuclear energy, trade and investment, training of security and defence personnel, as well as infrastructural development. The Joint Declaration agreed to promote development, multidimensional and multilevel trade, and economic cooperation, while also allowing the Joint Economic and Trade Commission to develop and expand potential bilateral trade.

Both sides agreed to a preferential duty arrangement to boost the import and export of commodities between the two countries. Recognizing the overwhelming trade imbalance in its own favour, China promised to take steps to rectify the situation through, for example, granting Chinese businesspersons subsidies for Bangladeshi imports. In addition, the two countries signed the Bangladesh China Cooperation Agreement on the Peaceful Usage of Nuclear Energy, whereby China would assist Bangladesh in the peaceful development of nuclear energy for power generation, medicinal and other developmental uses. The three MoUs signed between them addressed cooperation in the field of agriculture, digital telephone projects, and the management of the Barakpuria coalmine, highlighting China's contribution towards infrastructural development in Bangladesh. The Greater Dhaka power project is also to be implemented with supplier's credit from China. Furthermore, the two countries agreed upon a direct air link between Beijing and Dhaka via Cumming and exchanged a letter on cooperation on the use of water

resources.³ Overall, Jibao said that China and Bangladesh were committed to establishing "a comprehensive and cooperative partnership of long term friendship, equality, and mutual benefits".⁴

II DEFENCE AND MILITARY COOPERATION

China currently plays a vital role in Bangladesh's security, as the largest and most important provider of the latter's military hardware and training of its armed forces. In 2002, China and Bangladesh signed an important defence agreement to meet Bangladesh's defence requirements. It was the first such agreement signed by Bangladesh with any country, and it helped institutionalize and codify the existing accords in the defence sector. It provided a comprehensive framework for cooperation in training, maintenance and some areas of production. The agreement was perceived as an insurance policy for Bangladesh in the India specific context and another attempt by China to befriend India's immediate neighbour, having already done the same with Pakistan. It was also believed that China would get a strategic foothold on India's Eastern Flank in Bangladesh.⁵ According to Ruksana Kibria, "the terms of this agreement were deliberately left unarticulated, flexible, and ambiguous, so as to allow Bangladesh to reap the benefits of a strategic partnership with a nuclear power without involving itself in any formal

³ "Joint Communiqué between the Government of the People's Republic of Bangladesh and the Government of the People's Republic of China," *Ministry of Foreign Affairs- Bangladesh*, 8 April 2005.

<http://www.mofa.gov.bd/press_release_1.htm>

⁴ "China, Bangladesh hail bilateral relationship: Joint Communiqué," *People's Daily*, 9 April 2005.

⁵ Subhash Kapila, "Bangladesh China Defence Cooperation Agreement's Strategic Implications: An Analysis," *South Asia Analysis Group*, 14 January 2003.

defence arrangement, which could pose problems for it in the future.”⁶

In March 2006, China donated police equipment to Bangladesh as part of the cooperative effort between the Home Affairs Ministry of Bangladesh and the Public Security Ministry of China.⁷ Bangladesh has also bought 16 F-7 BG fighter planes from China.⁸ During Bangladesh Minister of State for Home Affairs’s visit to China, both countries agreed to deepen law enforcement cooperation.⁹ In May 2006, the Bangladesh Army Chief met with the Chinese Defence Minister Cao Gangchuan. General Cao stressed that “China and Bangladesh have forged good cooperation and coordination on international issues and China will make joint efforts with Bangladesh to safeguard regional and world peace and stability,”¹⁰ so that the friendly exchange and cooperation between the two armies could enhance the Bangladesh-China partnership.

The importance Bangladesh gives to its military, and therefore to China, became apparent in 2004 when the Bangladesh Commerce Ministry permitted the opening of a Taiwanese office in Dhaka. The ministry claimed that this office represented a private sector agency devoted only to encouraging trade. However, in Taiwan, the office was proclaimed as an official representative office able to issue visas and carry out other consular functions. China angrily protested that the move compromised Bangladesh’s One-China

policy as well as diplomatic relations, with China briefly recalling its ambassador for consultation. The Taiwanese office was promptly relegated and a new minister was appointed to the Bangladesh Commerce Ministry.

Similarly, the importance China gives to Bangladesh in its military calculus is evident in the number of official visits to Bangladesh: there have been 84 visits to Bangladesh since 1974, as compared to 60 or 70 visits to India in the same time span. However, according to analyst Arnold Zeitlin, “It is common knowledge among diplomatic circles in Dhaka that the army is not happy with the quality of Chinese arms and it is equally well known that it cannot find other goods as cheap.”¹¹ Thus, while Bangladesh’s subcontinent-centric policies aimed at military cooperation and security enhancement have produced minimal results, Bangladesh has turned to China almost out of necessity and China is only happy to respond and reassert its strategic presence in South Asia.

III TRADE AND ECONOMIC COOPERATION

In 2002, Bangladesh’s imports from China were worth 64.2 million USD while its exports were worth 19 million USD.¹² In 2004, Bangladesh’s trade volume amounted to 1.96 billion USD, an increase of 43.5 per cent from the previous year, and China’s exports to Bangladesh stood at 1.9 billion USD, up 42.8 per cent from 2003. Chinese imports from Bangladesh totaled 57.01 million USD, an increase of 70.7 per cent.

⁶ Ruksana Kibria, “Strategic Implications of Bangladesh- China Relations,” *The Daily Star*, 19 February 2005.

⁷ “China donates police equipment to Bangladesh,” *People’s Daily*, 23 March 2006

⁸ “Bangladesh procures fighter Aircraft from China,” *People’s Daily*, 5 April 2006

⁹ “China Bangladesh agree to deepen law-enforcement,” *Xinhua*, 25 April 2006

¹⁰ “Chinese Defence Minister meets Bangladesh Army Chief of Staff,” *People’s Daily*, 16 May 2006.

¹¹ Arnold Zeitlin, “Bangladesh’s ambivalent relations with the PRC,” *The Jamestown Foundation- China Brief* (Vol.5, Issue 5,) 1 March 2005.

<http://www.jamestown.org/publications_details.php?volume_id=408&issue_id=3246&article_id=2369335>

¹² Ihtesham and Mahabubur, “Sino-Bangla relations”

In 2005, China emerged as the number one import source for Bangladesh, over taking India for the first time. While Bangladesh's imports from China mounted to 495.5 million USD during the 2005-2006 fiscal year, imports from India amounted to 416.6 million USD. In contrast, during the 2005-2006 fiscal year, Bangladesh's import from India amounted to 1.9 billion USD while its import from China amounted to 1.52 billion USD.¹³

Despite healthy trade links between the two countries, there exists a huge trade surplus in China's favour. During the Bangladesh Foreign Secretary's visit to Beijing on 19 April 2006, both countries agreed to take steps to reduce this gap with Beijing promising to send a team to explore possible mechanisms for increasing imports from Bangladesh.¹⁴ The Foreign Secretary also requested for duty free access to Bangladeshi goods by China. At present, under the Bangkok agreement, China provides duty free access to 84 Bangladeshi products, though Dhaka is pushing for a complete opening of the Chinese market for its products in order to reduce the trade imbalance. During this 8th annual consultation, officials also discussed various issues like China's possible investments in small and medium scale industrial plans under joint ventures, as well as the matter of providing grants and credits to help reduce the yawning gap.

To appease Bangladesh, China has been sending purchase missions and has promised to import Bangladeshi commodities in large quantities under preferential trade policies and promote

Chinese investment. China had decided to give these concessions to Bangladesh under APTA, which is an initiative of the Economic and Social Commission for Asia and the Pacific.¹⁵

Frictions in Sino-Bangladesh economic relations

The major aggravation is the textile industry that accounts for 77 per cent of Bangladesh's annual exports, which are valued at close to 4.6 billion USD. About 1.8 million Bangladeshis are employed in the industry. With the dissolution of the Multi-Fiber Trade Agreement on 1 January 2005, which ended textile export quotas for countries such as Bangladesh, and with China's entry into the World Trade Organization, Dhaka's garment industry will now have to compete with China - the world's largest textile giant. Beijing is attempting to pacify the situation by outsourcing textile jobs to Bangladesh where labour is available at half the cost, and with the comparatively low wage levels, Chinese producers might consider moving operations to Bangladesh.¹⁶ It has been reported that China is seeking a 400-acre site in Bangladesh to set up an industrial park including garment factories. Chinese investors have also announced the establishment of a "China Town," a wholesale market across 14 acres of Dhaka suburbs with 500 electronics, handicrafts, and cosmetic shops that are projected to draw a turnover of 100 million USD.¹⁷

Although in comparison with India, or even Pakistan, Chinese trade and economic cooperation with Bangladesh is comparatively minimal, China is actively seeking to pave the way for much greater

¹³ Anand Kumar, "China Replaces India as largest exporter to Bangladesh," *South Asia Analysis Group*, 3 March 2006, <<http://www.saag.org/%5Cpapers18%5Cpaper1717.html>>

¹⁴ Dhaka, Beijing agree to boost trade, investment", *The Daily Star*, 19 August 2005

<<http://www.thedailystar.net/2005/08/19/d5081901096.htm>>

¹⁵ "Duty-free access to China," *The New Nation*, 25 April 2006

¹⁶ Tarique Niazi, "China's foot in India's door", *Asia Times*, 24 August 2005

<http://www.atimes.com/atimes/South_Asia/GH24Df05.html>

¹⁷ Zeitlin, "Bangladesh's ambivalent relations with the PRC"

economic integration with Bangladesh in the years to come as it (China) repositions itself as both a South East Asian power and South Asian heavyweight. Even though enhanced economic cooperation between two countries does not, by itself, result in a strategic partnership, it does help provide a wider basis for a long-term partnership, especially when combined with infrastructural development.

IV GAS EXPLORATION, CHITTAGONG PORT, AND INFRASTRUCTURAL DEVELOPMENT

China values Bangladesh for its immense natural gas reserves where Bangladesh's geographical proximity to Myanmar makes these reserves accessible to China through pipelines. Dhaka has granted China exploration rights for developing its natural gas fields at Barakpuria, which hold an estimated reserve of 390 million tonnes over an area of 6.69 square kilometres. China has channeled massive investment towards the development of these gas fields that are some of the world's largest reserves of best quality bituminous coal, which is ash free and with little sulphur content.¹⁸ The second unit of the Barakpuria Coal-Fired Power Plant Project, set up by the China National Machinery Import and Export Corporation (CMC), is expected to be completed by the end of 2006, which will then provide reliable energy to the northwestern regions of Bangladesh, thereby playing an important role in the development of the Bangladesh economy.¹⁹ In June 2006, Bangladesh discovered another coal reserve in the northern district of Dinajpur which China could also help develop.²⁰

¹⁸ Tarique Niazi, "China's March on South Asia," *Association for Asian Research*, 6 March 2005. <<http://www.asianresearch.org/articles/2613.html>>

¹⁹ "CMC continues to explore opportunities in South Asia," *People's Daily*, 27 March 2006.

²⁰ "Energy security dependent on proper use of coal reserves," *The Financial Express*, 1 September 2006.

Bangladesh has also offered China naval access to its prized Chittagong port, which India has long but unsuccessfully sought. India needs access to Chittagong port in order to have its planned natural gas imports from Myanmar shipped to its northeast region.²¹ For China, access to Chittagong ties in neatly with its apparent "string of pearls strategy," having also invested hugely in the development of Gwadar port in Pakistan. As per a 2002 Pentagon Report titled *Energy Futures in Asia*, access to Chittagong assists China in protecting "the sea lanes of communication through which a huge volume of oil is expected to flow."²² In return, Bangladesh could earn economic benefits through substantial transit fees. In addition, it could gain certain bargaining power against India.

Road Links

China and Bangladesh are developing road links between Kunming and Chittagong via Myanmar, and the air route connecting Kunming and Dhaka is already operational, providing great scope for boosting trade, business, and tourism between the two countries. China has also provided assistance for the construction of a water treatment plant in Dhaka and a sewage plant. The Barakpuria coalmine project and the greater Dhaka power project are also being implemented with supplier's side credit from China. To quote the Bangladesh Ambassador to China, Ashfaqur Rahman, "The two countries have engaged bilaterally in intensive cooperation making China one of our most important partners in development. A large portion of our infrastructural development including roads

²¹ "China to build Chittagong naval base in Bangladesh," *India Defence*, 12 June 2006. <<http://www.india-defence.com/reports/2076>>

²² "China builds up strategic Sea Lanes," *The Washington Post*, 18 January 2005.

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<http://www.washingtontimes.com/national/20050117-115550-1929r.htm>>

and bridges, power plants and mining and industrial establishments were built with Chinese assistance and technology.”²³

VI

THE STRATEGIC PARTNERSHIP?

While the China-Bangladesh friendship is still rather young when compared with the robust relationship that China shares with Pakistan, the future holds promise. Chinese investment in Bangladesh, whether in the form of infrastructural development or joint venture companies, could help boost the latter’s domestic economy. A correction in the existing trade imbalance would also go in Bangladesh’s favour.

With the dissolution of the Multi Fiber agreement, Bangladesh could face stiff competition from China. This issue still needs to be ironed out though at this stage, it seems unlikely that China would allow it to significantly dent its relations with Bangladesh. China would rather make an effort to compensate for the competition in the garment sector by moving some of the low-end garment manufacturing capabilities to Bangladesh. Reports suggest that China might consider investing in Bangladesh’s garment industry so that, rather than competing for a share in the global market, both countries could become ‘business partners’ with China at the forefront.

Limitations to Strategic Relationship

In terms of economic cooperation, both India and China have an unequal balance of trade with Bangladesh. While with India this is rooted in political disputes, with China there is a limit to the amount of trade that is viable and favorable. Relevant in this regard is a statement by the Bangladesh Additional Foreign Secretary, “We have nothing to sell to the Chinese. We could sell a great deal

more to the Indians if they allowed us.”²⁴ Bangladesh also shares three of its borders with India and none with China, thereby limiting Bangladesh’s ability to distance itself from India. China too has its own limitations, as it would not want to sabotage improving relations with India by over emphasizing its relationship with Bangladesh. Indicative of this position was Chinese President Jiang Zemin’s 1996 visit to Pakistan during which he suggested that India and Pakistan should work out a bilateral solution to the Kashmir issue as well as China’s non-interference during the Kargil War. China and Pakistan share much closer relations than China and Bangladesh and while China has refused to stretch itself in favour of Pakistan and against India, it would not do so for Bangladesh.²⁵

Nonetheless, for China, its relationship with Bangladesh is part of a larger strategy that actively seeks markets and natural resources. China’s foreign policy is being dictated by these objectives, the successful implementation of which requires a flexible, maneuverable, and self-assured foreign policy. China is consequently finding creative and resourceful ways to engage with South Asian countries, including Bangladesh. While China has substantial deficits with all of its South Asian trading partners, excluding India - with whom trade is flourishing - it is compensating these trade imbalances with long-term infrastructural developments. Substantial investments in infrastructure development are an effective way for laying the groundwork for a long-term strategic and stable relationship with a country.

Is China an emerging South Asian power?

As China embraces Bangladesh, Pakistan, Sri Lanka, the Maldives, and Myanmar, what are its larger objectives? As Satyajit Mohanty argues in *Asian Affairs*, China’s quest for raw

²³ “Pursuing a Win-Win Situation- Interview with Ashfaqur Rahman, *Beijing Review* (No. 52,)12 May 2005.
< <http://www.bjreview.com.cn/En-2005/05-12-e/12-world-5.htm>>

²⁴ Zeitlin, “Bangladesh’s ambivalent relations with the PRC”

²⁵ Interview with Jabin T. Jacob, *Institute of Peace and Conflict Studies*, 29 October 2006

materials and hunt for markets to sustain double-digit growth has resulted in a skilful interlacing of its economic diplomacy and ideological doctrines. To reassure its neighbours that its regionalism is benevolent, China has evolved a notion of 'peaceful rise'. On the economic front, this doctrine poses a commitment to China's opening-up policy on international trade and economic exchanges that has to be achieved not at the expense of any other country's growth and development. By forging ties with various geographical regions in Asia, China is promoting a hub of development in the continent. Prospects of natural gas in countries like Bangladesh, access to the Indian Ocean, a desire to link western China with the contiguous regions of South Asia and promote Chinese goods in the region have resulted in increased Chinese presence in South Asia, and in this context, in Bangladesh. As long as China's focus on South Asia remains benign, it is not of great significance whether it *intends* to become a South Asian power as its engagement with South Asia makes perfect economic sense and is a logical outcome of its national objectives.²⁶ In order to pursue its policy of 'peaceful rise and development' China needs to secure its peripheral regions, which underlies its advent into South Asia – as does its desire to establish comprehensively both its hard and soft power.²⁷

Undoubtedly, there is an India angle to China's relations with South Asia. According to Srikanth Kondapalli, it can be inferred that China seeks to strengthen 'against-India' regions in order to challenge India's supremacy in South Asia.²⁸ Nevertheless, while China deepens ties with Bangladesh and other South Asian countries

it would not want to jeopardize relations with India, thus posing no overt threat to Indian security in the near future.²⁹

The United States, however, interprets China's intentions in South Asia with some suspicion. According to the 2002 Pentagon Report *Energy Futures in Asia*, "China is strengthening its ties to the Bangladesh government and building a container port facility at Chittagong. The Chinese are seeking much more extensive naval and commercial access in Bangladesh" whereby "China, by militarily controlling oil shipping sea lanes, could threaten ships, thereby creating a climate of uncertainty about the safety of all ships on the high seas."³⁰ The report noted that the vast amount of oil shipments through the sea-lanes, along with growing piracy and maritime terrorism, prompted China to build up naval power at "chokepoints" along the sea routes from the Persian Gulf to the South China Sea. At this point however, in 2006, China's strategy is largely defensive and it is primarily concerned with securing oil shipments. While there are no Chinese deployments, bases, or military alliances, the Pentagon report is a harsh interpretation of Chinese intentions, especially keeping in mind the current Chinese official policy of opposing military alliances and following an independent foreign policy of peace and development.³¹ This reading does not rule out the possibility of Chinese policy taking an offensive stance for maximizing its security in the next 15 or 20 years.

VII IMPLICATIONS FOR INDIA

What are the implications for India and how is India to react to these developments? Will Indian foreign policy accept the above-

²⁶ Satyajit Mohanty, "Business will blend," *Asian Affairs*, July 2006.

<http://www.asianaffairs.com/july2006/sino-south_asia_trade.htm>

²⁷ Interview with Srikanth Kondapalli, *JNU*, 30 October 2006.

²⁸ *Ibid.*

²⁹ Interview with Smruti Pattanaik.

³⁰ "China builds up strategic Sea Lanes," *The Washington Post*

³¹ Srikanth Kondapalli, "China's String of Pearls Strategy: Creeping entry into Indian Ocean", *IDSA*, January 2002.

mentioned one-dimensional analysis put across by the Pentagon report, or instead demonstrate dexterity and ingenuity in accepting the above analysis as a possibility that needs to be closely monitored, while simultaneously learning an important lesson from China's emerging role in South Asia?

India needs to understand that it is in China's national interest to carry forward its current 'long march' towards economic prosperity and consequently realign its (India's) diplomacy and strategic doctrines to recast Chinese forays into South Asia as an opportunity to be tapped and not as a threat to be warded off.³² Furthermore, theories about China's strategic encirclement of India are so far unfounded as, at this point, there is no military alliance between Pakistan and China, nor China and Bangladesh and China and Myanmar. Therefore, such an interpretation would be premature.

Moreover, while Bangladesh provides a vast market for Indian trade, India only allows a small fraction of Bangladeshi goods into the country. India retains its extensive and formidable non-tariff barriers to discourage Bangladeshi products from entering its market. While not disregarding the gravity of disputes between India and Bangladesh - including the illegal immigration of Bangladeshis and the problem of Islamic terrorism - when a country lying outside the subcontinent, like China, emerges as Bangladesh's largest trade partner and replaces India it suggests that there could be something lacking in the latter's trade and foreign policy - especially as South Asia is thinking of integrating under SAFTA..

India's access to Myanmar's gas reserves hinges on Dhaka's willingness to allow Delhi a passage for laying a gas pipeline. In September 2005, Dhaka said a deal had not emerged because India would not agree to link the pipeline deal to trade-related concessions sought by Dhaka and the

removal of the existing trade barriers. The MoU signed on 7 December 2005 between the Myanmar government and a Chinese company, Petro China, for supplying natural gas from offshore oil fields in Myanmar was then a further setback to Indian efforts at securing gas supplies from the same source. Overall, India has been comparatively unsuccessful in diversifying its energy resources when compared to China. While India displays a vulnerability to supply disruptions, China has been successful in molding its foreign policy to enable a diversification of its energy resources - developing a varied network of oil suppliers from Africa to Latin America.³³

The souring relations between India and its neighbours have come in the way of maximizing the potential benefits that engagement with these countries could have for India. India needs to shed its 'big brother' attitude towards neighbouring states while moving away from a form of coercive diplomacy. In this context, perhaps the Gujral Doctrine needs to be reflected on which emphasised that "with its neighbours like Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka, India does not ask for reciprocity, but gives and accommodates what it can in good faith and trust."³⁴ India thus bears the responsibility of improving relations with neighbouring countries, which would work to its own advantage, and China's entry into South Asia should remind India of the urgency of rethinking its foreign policy. It can perhaps even learn from the Chinese example where even though China has outstanding political disputes with the ASEAN nations, refusing to compromise on its national sovereignty, it maintains

³³ Chietij Bajpae, "India China locked in energy game," *Asia Times*, 17 March 2005.

<
http://www.atimes.com/atimes/Asian_Economy/GC17Dk01.html>

³⁴ Aspects of India's Foreign Policy," *Speech by I.K. Gujral at the Bandaranaike Center for International Studies in Colombo, Sri Lanka, 20 January 20, 1997.* <

<http://www.stimson.org/southasia/?sn=sa20020116302>>

³² Mohanty "Business will Blend"

robust economic relations with the ASEAN nations. A pertinent example would be Taiwan, which in 2005 received FDI of 220\$ million from China. Admittedly, there is a significant difference between the options available to China and India with Taiwan being an East Asian Tiger economy. Nonetheless, the idea should be to create economic and business stakes in countries where political disputes continue to fester thereby, reducing the inclination towards outright conflict.³⁵

After all, if the Chinese long-term intention were to compete with India as an Asian power, or challenge the importance of India, the best way to combat this would be face the challenge that China presents. To do so, India would be required to improve relations with its neighbours and seek its own 'peaceful rise and development.' While this is admittedly a simplistic breakdown of India's options at this stage, this is nonetheless a time for constructive and creative engagement with China- for 'cooperative competition'-especially in light of the reopening of Nathu La and President Hu Jintao's visit to India in November 2006.

In the specific case of Bangladesh, perhaps visible gestures of good will - as adopted by the Chinese through public infrastructural development- and concessions for improving the balance of trade would be a start towards improving relations. While there are limitations to the China-Bangladesh friendship, the same friendship could provide Bangladesh with a certain bargaining power against India. The onus then lies with India: rather than feel threatened by Bangladesh's tilt towards China, it should resolve some of the outstanding disputes with Bangladesh and actively seek greater economic and diplomatic engagement, where this becomes especially important given India's growing energy demands.

³⁵ Interview with Srikanth Kondapalli

About the Author

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