

**SIZING UP THE ELEPHANT:
CHINESE VIEWS OF INDIA
IN THE NEW MILLENNIUM**

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Executive Summary

1. The 13th round of border talks between China and India made little progress in the resolution of their territorial disputes. While Sino-Indian relations have enjoyed steady improvement over the last decade, failure to resolve the border issue will continue to impede full normalization of bilateral relations.
2. Beijing and New Delhi have made great efforts in building a strategic and cooperative partnership for peace and prosperity. Over the years, these have translated into and are built upon summit meetings, high-level visits, and military-to-military contacts.
3. Perhaps the most noticeable achievement in bilateral relations over the last two decades is the rapid growth in two-way trade, which reached \$51.7 billion in 2008, compared to a mere \$117 million in 1987, putting China as India's largest trading partner, replacing the United States. Beijing and New Delhi have set a target of \$60 billion for 2010.
4. Chinese analysts are increasingly recognizing the growing importance of India as an important and rising power. Such assessments are based on India's recent economic growth, its active great-power diplomacy and "look east" policy, and its increasing military capabilities and changing defense posture.
5. Beijing has been carefully watching growing India-U.S. ties in recent years, especially in the areas of defense and nuclear cooperation. China is also concerned with India's growing naval capabilities and its ambitions regarding the Indian Ocean, which is critical to China's energy security.
6. India is also developing its long-range missile capabilities and cementing its conventional buildup in the Sino-Indian border region. In addition, New Delhi seeks to reinforce its territorial claims by encouraging migration to Arunachal, seeking international recognition of the status quo on the ground, and establishing formal administration.

7. China sees both opportunities and challenges in its relationship with India in the coming years. Beijing recognizes New Delhi's desire to play a more prominent role on the global stage, and is carefully assessing how India's growing economic power, military capabilities, and its more active great-power diplomacy could affect China's national interests.
8. Overall, Beijing remains confident that it can manage if not resolve differences and disputes between the two countries, and promote bilateral cooperation as China and India continue their upward trajectory toward great-power status. It is also sanguine about the prospects of reaching a final resolution to their territorial disputes.