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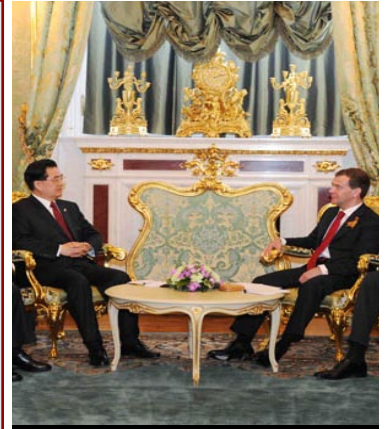
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China Brief is a bi-weekly journal of information and analysis covering Greater China in Eurasia.

China Brief is a publication of The Jamestown Foundation, a private non-profit organization based in Washington D.C. and is edited by L.C. Russell Hsiao.

The opinions expressed in China Brief are solely those of the authors, and do not necessarily reflect the views of The Jamestown Foundation.



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In a Fortnight

HU CALLS ON RUSSIA TO SHAPE NEW INTERNATIONAL POLITICAL ORDER

By L.C. Russell Hsiao

At the invitation of Russian President Dmitry Medvedev, Chinese President Hu Jintao visited Moscow from May 8 to May 9. The occasion marked the 65th anniversary of Russia's Great Patriotic War, which celebrates the Soviet Union's victory over the Nazis in World War II. Hu lauded the sacrifices made by the Russian people during the fight against "fascism," and used the occasion to highlight the history of cooperation between China and Russia. The Chinese head of state's participation at the symbolic parade can be interpreted as a signal of Hu's determination to forge a close strategic alliance with Russia against the backdrop of the World War II anniversary event. Indeed, according to Russian state-owned *RIA Novosti*, Hu called upon Russia and China to consolidate their strategic partnership, and promote "multipolarity" (*duojihua*) in the international system and the "democratization of international relations" (*guojiguanxi minzhuhua*) (*World Journal* [Chinese], May 10). To be sure, China's vision of a "democratic international order" would place legitimate authority with the United Nations, where China and Russia—as veto-wielding permanent members of the UN Security Council—possess great influence.

Hu's packed itinerary included meeting with President Dmitry Medvedev and Prime Minister Vladimir Putin, attending Russia's 65th anniversary Victory Day Parade on the Red Square, and meeting with Russian veterans that fought in China's northeast against the Japanese Imperial Army. Other prominent Chinese officials that accompanied Hu's visit included Secretary of the Central Secretariat of the Chinese

Communist Party (CCP) and Director of the General Office of the CCP's Central Committee Ling Jihua, Secretary of the Central Secretariat of the CCP and Director of the CCP's Policy Research Office Wang Huning, and Chinese State Councilor Dai Bingguo, among others (*China Daily*, May 8). Hu's visit represents a continuation in the flurry of high-level contacts between the two sides and marks the second time that the heads of state met within the span of one month. Medvedev and Hu met on the side of the financial conference held in Brasilia on April 15 for the 2010 BRIC (Brazil, Russia, India and China) conference.

During Hu's meeting with Russian veterans that fought with the Chinese against Japan, President of the Russian Academy of Military Sciences and General of the Russian Army Makhmut Gareyev noted that, "the Soviet and the Chinese people assumed the heavy responsibility of fighting the aggressors during the world anti-fascist war, paid a huge sacrifice and made an outstanding contribution to the final victory" (PRC Embassy [Denmark], May 9). Hu reciprocated Gareyev's statement by emphasizing that, "we [China and Russia] should advocate a correct view of history and the new security concept of mutual trust, mutual benefit, equality and coordination under the current fluctuating and complex international situation, cooperate closely in international affairs and jointly maintain regional and world peace" (PRC Embassy [Denmark], May 9).

In his meeting with Putin, Hu told the Russian prime minister that "China-Russia relations are now enjoying a sound momentum of development and the two countries have made much headway in their cooperation in all fields" (PRC Foreign Ministry, May 9). Hu stressed that as strategic partners, Beijing and Moscow share extensive interests on many major issues. Under the current historic circumstances, he added, the two countries should work together, support each other and deepen their all-round strategic cooperation to better safeguard their common interests and world peace and promote common development (PRC Foreign Ministry, May 9). Putin praised Hu's presence at the ceremonies as demonstrating the high-level strategic cooperative partnership between the two nations (PRC Foreign Ministry, May 9).

Using the diplomatic stage offered by Medvedev's invitation, Hu advanced China's "new security concept" (*xin anquan guan*) as the harbinger for future cooperation between Beijing and Moscow. According to the Chinese Foreign Ministry, China's "new security concept," is, "in essence, to rise above one-sided security and seek common security through mutually beneficial cooperation ... and refrain from interfering in other countries' internal affairs and promote the democratization of the international relations" (PRC Foreign Ministry, "China's Position Paper

on the New Security Concept," August, 6, 2002). While this is not the first time that the Chinese leadership articulated this concept, the largely symbolic yet historically significant stage commemorating the end of World War II lays bare the observation that in spite of some signs of competition with Russia, Beijing still sees Moscow as a strategic partner in its effort to shape a new international political order (*China Times* [Taiwan], May 10).

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Kim Jong-Il's Secret Visit to Beijing

By Willy Lam

North Korean President Kim Jong-Il's recently completed visit to Beijing, which came on the heels of South Korean President Lee Myun-bak's trip to attend the 2010 Shanghai Expo, has testified to China's unprecedented clout over strategic developments in the Korean Peninsula. Yet despite Dear Leader Kim's positive signals over re-opening the Six-Party Talks on denuclearization, it has become increasingly unlikely that the Chinese Communist Party (CCP) administration will do much to oblige Pyongyang to dismantle its nuclear arsenal. Instead, the leadership under President Hu Jintao is banking on fast-growing economic links with the DPRK—and Kim's reliance on Beijing's blessings for the continuation of the Kim Dynasty—to ensure that China's interests will not be hurt by North Korea's accession to the Nuclear Club. Beijing's apparent softened line toward Pyongyang, however, could antagonize both South Korea and Washington, which are counting on China to crack the whip on a regime that has displayed more signs of roguishness in the past few months.

While the global media's interest in the Kim visit is focused on the nuclear issue, this hardly had pride of place in statements released by the Chinese and North Korean authorities. After Kim's tête-à-tête with Hu on May 5, the official Xinhua News Agency quoted the North Korean supremo as saying "the DPRK remains unchanged in sticking to denuclearization on the Korean Peninsula," adding, "Kim said the DPRK will work with China to create favorable conditions for restarting the six-party talks" (Xinhua News Agency, May 7; China News Service, May 7). Yet in Kim's talks with Hu, Premier Wen Jiabao and other top Chinese leaders, he made no reference to any possible steps that he might take to revive the Six-Party Talks, such as temporarily halting Pyongyang's nuclear program. Nor did Hu or Wen say anything to pressure the North Korean dictator to wind down the Stalinist regime's

efforts to manufacture weapons of mass destruction (WMD).

Beijing's apparent acquiescence to Kim's nuclear brinkmanship is clear if comparisons are made with the harsh rhetoric the Hu leadership used soon after the DPRK detonated a nuclear device on May 25 last year. On that occasion, the Chinese Foreign Ministry reacted angrily and said Beijing was "resolutely opposed to the DPRK again undertaking a nuclear test in disregard of the global community" (See "Beijing Mulling Tougher Tactics Against Pyongyang," *China Brief*, June 12, 2009). Chinese diplomats began immediate consultations with Washington on a tougher set of United Nations sanctions against the DPRK, which were passed on June 12. The sanctions included a widened ban on arms exports from the DRPK, inspection of North Korean ships in international waters, and punitive financial measures (BBC news, June 12, 2009; *Guardian* [London] June 12, 2009). Perhaps most significantly, state censors under the direct supervision of the CCP leadership allowed renowned Chinese scholars to, for the first time, openly criticize Beijing's erstwhile ally. Sun Zhe, an international affairs professor at Tsinghua University, said that Beijing should punish Pyongyang for "nuclear blackmail." Pointing to the fact that most of the DRPK's WMD facilities are located near China's northeastern region, Central Party School Korea expert Zhang Liangui warned that any mishap would result in "China's economically resurgent northeast (provinces) bursting like a bubble." Zhang warned that "This is an unprecedented threat that China has never faced in thousands of years" (Reuters, June 2, 2009; Globaltimes.com, June 4, 2009).

Even before Premier Wen visited the DPRK last October, however, it had become clear that the CCP leadership had decided that tough tactics would not work. Wen boosted economic and fuel aid to Pyongyang despite failing to get from Kim any concessions about de-escalating his nuclear program or reactivating the Six-Party Talks. At about the same time, Beijing effectively stopped observing DPRK-related U.N. sanctions. Last November, South African authorities seized a shipment of North Korean tank parts bound for the Republic of Congo. The cargo, which belonged to a North Korean company, had first been loaded onto a vessel in a northeastern China port (Reuters, February 23; BBC News, February 26). More significantly, the CCP leadership seems reconciled to the fact that they could not stop the DPRK from attaining its decades-long goal of developing nuclear weapons and other WMDs. As Zhou Yongsheng, an international politics specialist at China Foreign Affairs University pointed out on the eve of the Kim visit: "It would be difficult for North Korea to give up its nuclear arsenal." "When Pyongyang didn't

have the weapons, they were reluctant to abandon [efforts to develop them]," he explained. "Now that the DPRK already possesses the weapons, they would be even less willing to give them up" (*Ming Pao* [Hong Kong], May 5; *Zaobao.com* [Singapore], May 8).

Also disappointing to China's neighbors in the Asia-Pacific region is that Pyongyang's increasingly apparent involvement in the sinking of the South Korean warship *Cheonan* did not seem to have come up in Kim's discussions with top Chinese cadres. Neither Chinese officials nor the official media said anything about asking Pyongyang to clarify its role in the naval mishap in late March. This was notwithstanding the fact that South Korean President Lee Myun-bak had met Hu on the sidelines of the opening ceremony of the Shanghai Expo on April 30 for the purpose of asking Hu to twist Pyongyang's arms regarding the *Cheonan* issue. Yet all that the Chinese leader did on the occasion was to express condolences for the *Cheonan*'s victims (*Korea Times* [Seoul], May 2 and May 7; *New York Times*, April 28). Dissatisfaction with China's tame stance toward Pyongyang prompted the South Korean Foreign Ministry to lodge a formal protest with Beijing about Kim's visit. The South Korean media was more forthcoming about Seoul's frustration with China's DPRK policy. South Korea's largest paper, the *Chosun Ilbo*, criticized Beijing for remaining mum on the *Cheonan* issue while showering North Korea with more economic assistance. "Aid would end up neutralizing the effects of U.N. sanctions against Pyongyang following its second nuclear test last year and make a joke out of punitive measures the international community could take if the North is responsible for the sinking," the paper editorialized (*Chosun Ilbo* [Seoul], May 5; Globaltimes.com, May 5).

Irrespective of the global reactions to this latest twist in China's DPRK policy, the CCP leadership seems confident that it can enhance its leverage with Pyongyang through two potent weapons. One is helping the 68-year-old Kim ensure that his third son, Kim Jong-Un, can successfully take over power upon his demise. Secondly, Beijing hopes that North Korea's growing dependence on Chinese economic aid and investments will translate into Kim—and his successor—fully respecting China's geopolitical interests in the region. Noted Renmin University political scientist Jin Canrong had this to say about the Kim visit: "The transfer of power is the number one issue, money is number two, and then the security situation" (BBC News, May 5; *Ming Pao*, May 6). Given the sensitivity of the succession issue, it is not surprising that neither the Chinese nor the North Korean authorities touched upon this matter in public. This was despite speculation in the South Korean press that Dear Leader Kim had brought along his heir to China. It is understood, however, that

since Kim fell seriously ill in 2008, the increasingly frail Dear Leader has repeatedly sought the blessings of the DPRK's only patron for a smooth-sailing transfer of power to his 26-year-old son (*Chosun Ilbo*, May 5; *Los Angeles Times*, May 7; *Chaoxian.com.cn* [Beijing], May 5).

Cementing bilateral economic ties was the centerpiece of the Kim visit. President Hu suggested to his visitor that "relevant departments of the two governments should discuss and explore ways on expanding economic and trade cooperation." Premier Wen also told Kim that both countries should "make joint efforts to advance major cooperative projects, quicken the infrastructure construction in border areas and explore new cooperative fields and methods so as to benefit the two peoples." The DPRK superno reciprocated by signaling his country's readiness to learn from the Chinese reform experience. "China's achievements are a great encouragement to the people of the DPRK" he said, adding that "the DPRK side welcomes Chinese enterprises to invest in the country and will actively lift the level and quality of bilateral pragmatic cooperation" (*People's Daily*, May 8; Reuters, May 7).

Prior to arriving in Beijing, Kim visited Dalian in Liaoning Province and Tianjin, North China's fast-developing business and high-tech hub. It is significant that for the first time, Kim brought along senior regional officials with experience in trade and foreign investment. The South Korean press has reported that aides traveling with Kim were unusually aggressive in talking to potential investors in Dalian and Tianjin. Chuang Li Group, a Dalian-based company, recently signed a 10-year lease for a port in the North Korean city of Rajin (*Globaltimes.com*, May 4; *Korea Herald*, March 29). The state-run corporations in Dandong on the Chinese side of the Sino-North Korean border are planning to lease two DPRK islands in the Yalu River for development into special economic zones. Earlier this year, the Chinese Foreign Ministry claimed that these enhanced economic ties, which were "normal exchanges and cooperation" between the two countries, would not constitute any violation of U.N. sanctions against the DPRK (*Globaltimes.com*, May 7; *Voice of America*, February 25).

While the CCP leadership may feel satisfied about prolonging its "lips-and-teeth" relations with the DPRK, its failure to discipline Pyongyang could render the prospect for denuclearization even bleaker. Both Seoul and Washington have indicated that the Six-Party Talks should wait until North Korea's role in the *Cheonan* disaster is cleared up. When asked about the talks, Chief U.S. Negotiator Stephen Bosworth said Washington was in a "posture of waiting" to ascertain factors behind the *Cheonan*'s demise. "Our focus is on supporting the Republic of Korea as it tries to establish

exactly what happened with the *Cheonan*," Bosworth said. Other experts pointed out that given Pyongyang's don't-give-an-inch stance on its ongoing nuclearization program—and Beijing's redoubled backing for its client state—a re-opening of the Six-Party Talks could only result in little more rounds of mutual recrimination (AFP, May 6; *Los Angeles Times*, May 7). With Pyongyang having won new endorsements from its patron, there seems little that South Korea, Japan or the United States can do to prevent the increasingly determined Kim from reaching his lifelong goal of joining the Nuclear Club.

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Shifting Sands in the Gulf: The Iran Calculus in China-Saudi Arabia Relations

By Chris Zambelis

The fourth joint meeting on economy and trade convened by China and Saudi Arabia in January 2010 in the Saudi capital of Riyadh came and went without much fanfare. Yet the meeting between China, the world's second largest and fastest growing oil consumer, and Saudi Arabia, the world's largest producer of oil, cemented a burgeoning bilateral relationship that is attracting increasing international attention for its potential impact on Middle East geopolitics and as a manifestation of China's growing power on the world stage (*Xinhua News Agency*, January 10). China surpassed the United States by the end of 2009 as the top importer of Saudi oil (*Global Times* [Beijing], February 23). Co-chaired by Chinese Minister of Commerce Chen Deming and Saudi Minister of Finance Ibrahim bin Abdel Aziz al-Asaf, both countries highlighted the bilateral economic and trade ties that have witnessed a marked expansion since the third meeting of the joint Sino-Saudi committee held in 2006; Saudi Arabia has been China's largest trading partner in the Middle East for eight years running, with bilateral trade reaching \$40 billion in 2010. In demonstrating Beijing's commitment to strengthening the economic ties binding China and Saudi

Arabia, Minister Chen also called for both countries to increase bilateral trade to \$60 billion by 2015 (Xinhua News Agency, January 10). Saudi Arabia also committed to allowing for an increased profile for Chinese energy giants in joint oil and gas exploration projects in the Kingdom while China affirmed its interest in formulating a Free Trade Agreement (FTA) between Beijing and the Saudi-led Gulf Cooperation Council (GCC) (Xinhua News Agency, January 10).

Strong relations with Saudi Arabia are becoming an integral part of China's strategy to achieve energy security and to further its broader foreign policy objectives in the Middle East. China's energy and overall economic interests in Saudi Arabia and the wider Middle East, however, are inseparable from the larger geopolitical issues that loom large in the region, namely the Iranian nuclear question. While China may continue to insist that it is conducting relations under the principle of divorcing economics from politics, it is becoming increasingly clear, particularly in the Middle East, that it cannot remain aloof to the region's most contentious issues. As the de facto leader of the bloc of pro-U.S. Arab regimes, Saudi Arabia (along with Israel) is on the forefront of opposing its regional rival Iran's nuclear program.

Recognizing the growing profile of Sino-Saudi relations, the United States enlisted the support of the Kingdom in convincing China to change course on Iran. U.S. Secretary of State Hillary Clinton's February 2010 trip to Saudi Arabia and its GCC partner and natural gas powerhouse Qatar aimed to rally support for persuading China to back U.S.-led efforts to sanction Tehran (Al-Jazeera, February 16). The root of China's concerns about U.S. intentions toward Iran lie primarily on the impact of any potential disruption in Iranian supplies of oil and gas—either through sanctions or war—on Chinese and international markets. Washington's efforts to engage Saudi Arabia and Qatar were likely meant to convince the Chinese that the Saudi-led GCC would be prepared to offset any disruption in Iranian energy supplies to China following the imposition of sanctions. The flurry of U.S.-led diplomatic activity in the Gulf states was reinforced by a February visit to Beijing by Bank of Israel Governor Stanley Fischer and former Israeli military Chief of Staff and Minister for Strategic Threats Moshe Yalon to convince China to support sanctions on Iran (Israel National News, February 21).

In spite of the united front comprised of the United States, Saudi Arabia and its GCC partners, and Israel to win over Beijing's support on isolating Tehran, the latest diplomatic efforts appear to have made little headway. To put the onus of the Iranian nuclear tussle on China, Saudi Foreign Minister Prince Saud al-Faisal quipped: "China is perfectly

aware of the scope of its responsibilities and its obligations [with regards to Iran], including in the position it holds on the international stage and as a permanent member of the [U.N.] Security Council" (AFP, March 15). Evidently, however, China places a premium on maintaining strong relations with Iran; among other things, Iran is China's second largest supplier of oil and Beijing is looking to tap the Islamic Republic's abundant natural gas resources (*The National* [Abu Dhabi] March 17). China is also a major investor in various sectors of the Iranian economy.

China's support for Iran amid U.S.-led calls for crippling sanctions over its nuclear ambitions (and Israeli calls for military strikes) thrusts it in the middle of a simmering imbroglio that will test China's mettle as a global power; as a veto-wielding permanent member of the U.N. Security Council, China must sign on to any global sanctions regime along with its fellow permanent members, which would be placed on the Islamic Republic.

At this point, China is the most resistant to adopting any form of crippling sanctions against Iran. In spite of Chinese President Hu Jintao's assurance to U.S. President Barack Obama during their April 2010 discussions of China's commitment to "working together [with the United States] to ensure that Iran lives up to its international obligations," Beijing has yet to demonstrate a serious willingness to undermine its relationship with Iran by backing a U.S.-led sanctions regime, let alone passively acquiescing to a U.S. (or Israeli) invasion (Al-Jazeera [Doha], April 2). In fact, it appears that China is digging in to protect its vital interests in Iran. Incidentally, China reportedly opened a missile plant in Iran in March 2010, the latest in a series of expanding military ties between Beijing and Tehran (UPI, April 23). China also increased exports of gasoline to Iran in an effort to ease pressure on Tehran amid U.S. efforts to target Iran's domestic gasoline industry through sanctions (Press TV [Iran], April 17). China also regularly counters calls for war against Iran emanating from Israel and some circles in the U.S. with pleas for diplomacy and negotiations. China's continued support for Iran amid growing U.S. opposition is also rooted in the larger Sino-U.S. rivalry, particularly in the context of ongoing U.S. military and diplomatic support for Taiwan. China was angered when the U.S. announced in January 2010 that it agreed to a \$6.4 billion deal to supply Taiwan with a host of advanced weapons platforms (See "The Role of U.S. Arms Sales in Taiwan's Defense Transformation," *China Brief*, March 5). In this regard, China's insistence on supporting Iran must also be seen as a form of retaliation against U.S. policies it deems as threatening to its vital national interests and security in Asia.

THE OIL FACTOR

Since the establishment of diplomatic relations in 1990, Sino-Saudi ties have become one of the most dynamic bilateral relationships in the region. The evolution of Sino-Saudi relations is emblematic of the impact of China's rapid economic development and its pursuit of energy resources in the Middle East to sustain its growth. In 2009, Saudi oil exports to China topped 1 million barrels per day (bpd), a figure representing 20 percent of China's total oil imports and nearly double the number of bpd imported by China in 2008. In contrast, U.S. imports of Saudi oil dropped to below 1 million bpd in the same year for the first time in over two decades (*Global Times*, February 23). The peculiarities of the Saudi oil industry are also critical to understanding the Kingdom's drive to cultivate closer ties to China. With one of the world's most developed energy sectors in terms of infrastructure and operating efficiency, Saudi Arabia is not desperate to attract foreign investment to help expand its capacity to produce and export oil. Instead, Saudi Arabia is keen on identifying a stream of steady, long-term demand, an urgent priority as the United States and other Western countries look to decrease their consumption of oil and incrementally adopt conservation methods and alternative fuels [1]. Saudi Arabia and other regional oil producers are counting on China (and other emerging Asian powers such as India) to offset their losses. In this regard, the Chinese are a perfect match for the Saudis, as China's demand for oil will only grow in the foreseeable future.

In June 2009, Saudi Aramco inked an agreement with state-owned China Petroleum and Chemical Corp (SINOPEC) to increase exports of Saudi crude to 1.5 million bpd (*Middle East North Africa Financial Network* [Amman], February 10, 2009). Both countries also engaged in talks to allow Saudi Aramco to expand the capacity of Sinopec's existing oil refining facilities and other petrochemical complexes in China to handle Saudi oil (*China Daily*, March 9). In addition to its highly sought after premium grade light sweet crude reserves, Saudi Arabia is keen on securing a market for its medium grade crude oil—a product that is plentiful in the Kingdom—in China, as well as other parts of Asia. Medium grade crude oil, while cheaper than its premium grade counterparts, is far denser and contains a higher amount of impurities and sulfur content compared to light sweet crude, meaning that it will yield less gasoline, diesel, and other finished products after what entails a more complex refining process. Maximizing the potential of medium crude requires specialized refineries. While the United States and other countries have demonstrated no serious interest in expanding their respective refining capacity to tap medium crude (or heavy crude) sources in Saudi Arabia and elsewhere, the Kingdom seems to have

found a willing partner in China. Close relations driven by China's demand for oil will continue to shape Sino-Saudi ties in the foreseeable future.

LOOKING TO CHINA

While firmly bound in a strategic relationship with the United States, a relationship that continues to be underlined by energy interests and longstanding diplomatic and security ties, Saudi Arabia is nevertheless keen on diversifying its foreign relations to capitalize on China's growing reach in the region. Saudi Arabia also understands that the global shift in economic and financial gravity away from the West toward Asia will drive up energy demand, particularly for oil, and will profoundly impact energy markets for decades to come. In addition, with the United States entangled in two simultaneous wars, there is a growing perception that American influence is on the decline in the Middle East and beyond, thus prompting Saudi Arabia to look for alternative partners. The rise of Iran as the Gulf's most powerful actor following the overthrow of Saddam Hussein in Iraq is also impacting Saudi Arabia's strategic calculus. While Iran's nuclear program remains a concern for its neighbors in a military sense, in reality it is the brand of revolutionary Islamism couched in a resistance discourse that poses the greatest threat to the stability of Saudi Arabia and other pro-U.S. Arab regimes in the region that enjoy little or no popular legitimacy among their citizens. Indeed, if Saudi Arabia represents the embodiment of the pro-U.S. status quo in the Middle East, Iran signifies its polar opposite.

Indications that the United States may have come to accept—albeit reluctantly—the reality of a nuclear Iran are also likely figuring into the Kingdom's strategic calculus with respect to its efforts to engage China. A leaked report of a secret memorandum drafted in January 2010 by U.S. Secretary of Defense Robert Gates that was publicized in April 2010 suggests that senior officials in the Obama Administration have concluded that the United States has few realistic long-term options to preventing Iran from achieving a nuclear capability (*New York Times*, April 17). As a result, a perception exists at least in some American policymaking circles that the United States will eventually be compelled to shift its focus from actively working to prevent Iran's acquisition of a nuclear capability to containing a nuclear Iran. As Israel continues to threaten to attack Iran in the absence of the imposition of harsh sanctions, there is no evidence to suggest that Israel is capable of reversing, let alone limiting, Iran's nuclear course and potential. Moreover, the fallout of an Israeli attack, especially for U.S. forces in Iraq and Afghanistan—who would surely bear the brunt of Iranian retribution—would be catastrophic for U.S. interests in the region, as Iran is sure to retaliate for any potential Israeli strikes on its soil

against Israel's chief ally in the region.

CONCLUSION

Saudi Arabia will continue to depend on U.S. security guarantees and its longstanding diplomatic ties to Washington, areas that Beijing has steered clear of disrupting in any meaningful sense. At the same time, the Kingdom has also concluded that engaging its regional rival's main ally in Beijing will help ensure that its interests are taken into account with respect to Iran and the shifting sands of Middle East geopolitics.

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NOTES

1. Jon B. Alterman and John W. Garver, *The Vital Triangle: China, The United States, and the Middle East*, Center for Strategic and International Studies, Significant Issues Series (2008), Vol. 30, No. 2, p. 58.

China's "Charm Offensive" Loses Momentum in Southeast Asia [Part II]

By Ian Storey

The change in Southeast Asian attitudes toward China's growing economic profile in the region and its military build-up in the South China Sea is significant (See "China's 'Charm Offensive' Losing Momentum in Southeast Asia [Part I]," *China Brief*, April 29). In mainland Southeast Asia, governments have not only been worried about the rising tide of Chinese imports, but also the environmental impact of Chinese dams in Yunnan province that some groups claim have led to falling water levels in the Mekong River. In addition to having to respond to these accusations, Beijing has also had to contend with the political instability that continues to flare up in two of its closest partners in Southeast Asia—Burma (Myanmar) and Thailand—and the potential negative economic fallout on its southwestern provinces.

CHINA'S PUBLIC RELATIONS DEBACLE ON THE MEKONG RIVER

During his speech to the Jakarta-based Association of Southeast Asian Nations (ASEAN) Secretariat in January

2010, State Councilor Dai Bingguo declared China and Southeast Asia to be inseparably joined by "mountains and rivers" [1]. Yet the most important of these rivers—the 3,000-mile long Mekong, also known as *Lancang* in Chinese, which rises in the Tibetan plateau and flows down through Burma, Thailand, Laos, Cambodia and Vietnam—has become a bone of contention in ASEAN-China relations. The root of the problem is that water levels have fallen to their lowest point in nearly half a century, and this is adversely affecting the livelihoods of more than 65 million people in the Mekong Basin who depend on the river for drinking water, irrigation, fishing and transportation. Environmentalists have blamed record low water levels on dams constructed along the upper reaches of the river in Yunnan province where the Chinese authorities have planned a cascade of eight hydroelectric dams; three are already in operation, two more are nearing completion [2]. The most controversial of these hydroelectric projects is the Xiaowan Dam, which at 958-feet is the largest arch dam in the world and the second biggest dam in China after the Three Gorges. Filling the Xiaowan's 73-square mile reservoir began in 2009, and is expected to be completed in 2012. Critics claim the dam filling is draining water off downstream areas and wreaking environmental havoc. They accuse Beijing of being insensitive to the problems faced by the lower riparian countries.

Although the problem of falling water levels in the Mekong has been apparent for several years, regional governments—some of which have close ties to Beijing—have been reluctant to confront China for fear of losing economic aid. Yet as the situation has worsened, Southeast Asian officials have become less reticent about raising the issue with their Chinese counterparts. The most high-level expression of concern occurred in March when Thai Prime Minister Abhisit Vejjajiva told visiting Chinese Assistant Foreign Minister Hu Zhengyue that Thailand expected China's cooperation in dealing with the problem (*Straits Times*, March 8). Although Abhisit did not criticize China directly, his message was clear: The PRC must take account of regional concerns and act accordingly.

As criticism accumulated, China launched a three-pronged defense of its dams. First, Beijing argued that the hydroelectric power projects in Yunnan have no significant impact on downstream levels and that, to the contrary, the dams provide a regular flow of water that prevents floods and improves river navigation. Chinese officials have repeatedly stated that the *Lancang* only contributes 13.5 percent of the Mekong's total volume, though as noted historian Milton Osborne has argued, this is disingenuous in that during the dry season the *Lancang* sustains flows of up to 40 percent in certain areas [2]. Second, in Hu's words, China would "never do anything to damage mutual

trust with neighboring countries in the Mekong,” and that the country’s southwestern provinces are also suffering acutely from a prolonged drought. Third, claims made by environmentalists are “scientifically groundless” and the real cause of falling water levels is low rainfall (*The Nation*, March 8). The intergovernmental body charged with promoting sustainable use of water resources in the river, the Mekong River Commission (MRC), has partially backed China’s position by pointing out there is no proven link between Chinese dams and low water levels, and that the primary reason appears to be drought in southwest China, northern Laos and Thailand (*Straits Times*, March 8). MRC members include Thailand, Vietnam, Laos and Cambodia, while China and Burma are dialogue partners. China has resolutely refused to join the MRC because it does not wish to be bound by the organization’s decisions.

Stung by critical reporting in the regional press, and reacting to pressure from environmental groups and prodding from the Thai government, the PRC has moved into damage control mode. For the first time ever, China invited officials from downstream countries to inspect some of the dams, explained that it had ceased filling the Xiaowan Dam reservoir (though this probably had more to do with the drought than anything else), and promised to improve information sharing with the MRC. In another gesture designed to show it took the concerns of neighboring countries seriously, China sent a 27-member delegation led by Vice Foreign Minister Song Tao to a summit of MRC leaders in Hua Hin, Thailand on April 4-5. Yet the results of the summit were predictably disappointing. Song simply reiterated that China stood ready to enhance cooperation with the lower riparian states, including flood and drought relief and strengthening environmental protection, and that it would share hydrological information with the MRC—though the nature of this information remained unclear (Xinhua News Agency, April 4). The summit concluded with agreement among the six countries to confer before initiating new hydroelectric power plants; crucially though, no commitment was made to scale back or cancel existing projects (*The Nation*, April 5).

Despite appearing to be proactive and cooperative, the PRC did little to mitigate concerns over the ecological repercussions of its hydroelectric dams in Yunnan, which has reinforced the perception that Beijing takes little account of the environmental impact of its economic development projects on neighboring countries.

RUMORS OF WAR UNSETTLE SINO-BURMESE RELATIONS

While PRC officials were trying to defray criticism at Hua Hin, a far more serious situation was unfolding on the Sino-Burmese frontier, where the threat of conflict between the

central government of Burma—known as the State Peace and Development Council (SPDC)—and ethnic separatist groups in the north and northeast has put relations between Naypyidaw and Beijing under strain.

The cause of the tension is the Burmese regime’s April 2009 demand that, in accordance with the country’s new Constitution and “One Country, One Army” slogan, ethnic groups that had signed ceasefire agreements with the government in 1989-1991 should disarm or transform their militias into smaller, lightly armed Border Guard Forces (BGF) under the command of the armed forces, known as the Tatmadaw. The largest of the ceasefire groups such as the Wa, Kachin and Shan have rejected the SPDC’s demand because it would mean giving up two decades of autonomy, and surrendering lucrative business interests including narcotics production. In a move widely seen as a demonstration of what would happen if these groups continued to defy the government, in August 2009 the Tatmadaw routed the 700-strong Kokang militia, forcing 37,000 refugees to flee across the border into Yunnan (See “Emerging Fault Lines in Sino-Burmese Relations: The Kokang Incident,” *China Brief*, September 10, 2009). Beijing was not given advanced notification of the operation against the Kokang—who are predominantly ethnic Chinese—and reacted angrily by calling on the SPDC to restore peace and stability along the Sino-Burmese border.

Since last August, negotiations between the SPDC and the various ceasefire groups have continued in an effort to stave off armed conflict. As a pressure tactic, the government has issued a series of “final deadlines” after which the ethnic armies would be declared illegal—the most recent being April 22—all of which came and went. As talks have dragged on, all sides have begun gearing up for confrontation; the Tatmadaw has reportedly sent tens of thousands of troops and heavy artillery closer to territory held by the ceasefire groups, while the ethnic armies have been actively recruiting new soldiers (*The Irrawaddy*, February 9). China has also strengthened its military presence along the Sino-Burmese border by as many as 5,000 troops (*The Irrawaddy*, April 30).

The tense situation between the SPDC and ethnic ceasefire groups has put Beijing in an invidious position. Since the early 1990s, China has built up extensive commercial interests in Burma, including in the country’s energy sector. In return, Beijing has furnished the regime with economic and military aid and provided diplomatic cover for the SPDC at the U.N. Security Council (See “Burma’s Relations with China: Neither Puppet nor Pawn,” *China Brief*, May 9, 2007). Yet at the same time, the Chinese government has also maintained close ties to the main ceasefire groups along the border, especially the United

Wa State Army (UWSA). The Wa previously served as foot soldiers for the Burmese Communist Party, which waged war against the Burmese government with arms and money provided by Beijing from the 1960s until 1989. Renewed hostilities between the UWSA and the Tatmadaw would be highly damaging to China's interests. It would disrupt the lucrative border trade and damage the economy of Yunnan; put at risk the lives of tens of thousands of PRC citizens living in Wa-controlled areas; trigger a flood of refugees across the border; and result in increased flows of illegal narcotics into China as the Wa steps up production of methamphetamines to pay for military operations.

The prospect of chaos and bloodshed along the Sino-Burmese border has prompted China to assume an active role in facilitating talks between the SPDC and the UWSA, as well as smaller groups allied to the Wa. Reports indicate that in February, for instance, PLA officers attended an inconclusive meeting between UWSA Chairman Bao Youxiong and SPDC point man on the BGF proposal Lieutenant-General Ye Myint (*The Irrawaddy*, February 26). Senior Chinese and Burmese officials have also discussed border stability at meetings in Beijing and Naypyidaw (*The Irrawaddy*, April 5).

These diplomatic maneuverings suggest that shrouded from view, a complex game is being played out between the Chinese and Burmese governments. As noted, the PRC has strongly vested interests in a peaceful resolution to the problem, and is eager to use its influence with the SPDC and Wa, while at the same time not wishing to appear as overtly interfering in Burma's internal affairs for fear of offending the fiercely nationalistic and erratic military regime. For its part, as the series of "final deadlines" indicates, the SPDC is also keen to avoid conflict and looks to China to cajole the UWSA into accepting the BGF proposal. And Naypyidaw may be using the prospect of improved relations with the United States to pressure China into leaning on the Wa. Should the SPDC run out of patience and decide on military action, it is difficult to predict with any certainty how Beijing would react, though its most likely course of action would be to continue supplying ammunition to all parties while working behind the scenes to end hostilities. As war clouds gather, Beijing is once again confronted with the problems of dealing with the unpredictable behavior of its troublesome ally in Naypyidaw.

CHINA LOOKS ON WITH CONCERN AT EVENTS IN THAILAND

No less worrying for the Chinese government is the deteriorating political situation in Thailand, China's most important economic and political partner in mainland Southeast Asia. Thai politics have been in a constant state of turmoil since Prime Minister Thaksin Shinawatra was

ousted by the military in September 2006. Since then, Sino-Thai relations have moved forward in fits and starts as the country's foreign policy has essentially been on hold. It is of little wonder that following a crack-down on anti-government protesters in Bangkok on April 10, that killed 25 people and injured 800, China expressed "deep concern" about the worst outbreak of political violence in Thailand since 1992 (*Straits Times*, April 12).

The political crisis in the Kingdom has negatively impacted the development of Sino-Thai defense ties which are among the most extensive between the PRC and a Southeast Asian country (See "China and Thailand: Enhancing Military-Security Ties in the 21st Century," *China Brief*, July 3, 2008). Whereas the annual U.S.-Thai Cobra Gold military exercises went ahead as scheduled in February, a proposed Sino-Thai amphibious landing exercise has had to be postponed. China first suggested the exercise in 2009, and even offered to fund Thai participation when Bangkok demurred over the cost (*Bangkok Post*, December 3, 2009). The Thai government eventually agreed in principle to the exercise—though politely declined the offer of financing—but only on the understanding it would involve no more than 50-100 Marines from each side. Reflecting its long-standing policy of balancing relations between the United States and China, the Chief of the Royal Thai Navy (RTN) said he hoped Washington would understand that Bangkok "needs to have a drill with other friendly countries as well" (*Bangkok Post*, January 9). The United States is not opposed to Sino-Thai military cooperation per se, but has reservations about this particular exercise for two reasons: first, as the Thai Marines take their doctrine from their U.S. counterpart, the Chinese would be exposed to U.S. amphibious landing tactics; second, U.S. requests to observe the exercise have not yet been approved by the Thais, though it is unclear whether it is Bangkok or Beijing that is reluctant to see American observers. In fact, it remains in doubt whether the exercise will take place at all this year considering the Thai military is preoccupied with the national political crisis, the ongoing insurgency in the country's far south, and the tense border stand-off with Cambodia.

Events over the past year indicate that as China's economy grows and its military power strengthens, Southeast Asian officials have become more willing to voice their anxieties, both in meetings with Chinese officials and in public, forcing China to respond. In addition, Beijing faces major headaches along its southern periphery as the Burmese regime gears up for military confrontation with ethnic armies, Thailand teeters on the brink of civil war, and Vietnam pushes the South China Sea up ASEAN's agenda. The high-point of China's regional "Charm Offensive" appears to be well and truly over.

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[The author would like to express his thanks to Milton Osborne and David Mathieson for their insights.]

NOTES

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Missile Developments in China, India and Pakistan: A Burgeoning Missile Race

By Vijay Sakhuja

The rapid development and deployment of cruise and ballistic missile capabilities in recent years has raised the security stakes on the South Asian subcontinent. The three major nuclear states—India, China and Pakistan—have been sharpening their respective missile capabilities and stockpiling a growing arsenal, while simultaneously developing/acquiring ballistic missile defense (BMD) capability to defend against potential threats. China has also developed a potent nuclear triad (i.e. strategic bombers, land-based missiles, and ballistic missile submarines) that Pakistan may be able to acquire given the close relations between Beijing and Islamabad, India will soon achieve this capability after the nuclear submarine INS *Arihant* is commissioned. The on-going missile race has the potential to severely undermine regional security and necessitates greater transparency among the three Asian nuclear states.

VERBAL POSTURING

Chinese Rear Admiral Zhang Zhaozhong of the People's Liberation Army National Defense University (NDU) made the observation that India still lags behind China in missile technology by more than a decade and "It's [*sic*] still unknown when the Agni-III will be deployed by the Indian army, though they claim the missile is ready for use. And it might take at least another five years to ready the Agni-V." He has also set aside the notion of an Indian missile threat and stated, "In developing its military technology, China has never taken India as a strategic rival, and none

of its weapons were specifically designed to contain India" (*Global Times* [China], February 12).

RA Zhang's statements were in response to India's Chief Military Scientist V.K. Saraswat's comments that, "After Agni III and Agni V, as far as cities in China and Pakistan are concerned, there will be no target that we [India] want to hit but can't [*sic*] hit" (Zeenews.com, February 10). Further adding fuel to the fire, Saraswat, the chief of DRDO (Defense Research and Development Organization)—one of Asia's largest government owned defense contractors and a leading missile developer—also noted that, "We [India] feel our accuracy is better than China's DF-21" (TibetanReview.net, February 13). The Chinese Foreign Ministry, however, has played down the verbal duel between the two experts and observed, "The China-India relation is friendly and cooperative. China will not be a threat to India, and nor will India pose a threat to China" (Expressbuzz.com, February 14).

On February 7, India conducted its third consecutive successful launch of Agni III, a land-mobile ballistic missile capable of carrying nuclear warheads and hitting targets at a distance of 3,000 to 3,500 km (Deccan Herald, February 11). India announced plans to test Agni V (5,000 km range) by March 2011 thus joining the elite club of militaries possessing an inter-continental ballistic missile (ICBM) capability (Indian Express, February 11; The Pioneer, April 16). The Agni Program Director Avinash Chander reportedly stated that Indian missiles are quite accurate and can strike within 'a few hundred meters' of the target (Indian Express, February 11).

It is a well-known fact that both Agni III and Agni V were designed with China in mind and can reach targets as far as Beijing and Shanghai (*The Times of India*, Jun 20, 2009). The earlier variants Agni I (700 km range) and Agni II (over 2,000 km range) are in different stages of induction in the Indian defense forces and can easily strike targets anywhere in Pakistan.

CHINESE MISSILE DEPLOYMENTS IN TIBET

The growing militarization of the Tibet Autonomous Region (TAR) also have deepened Indian concerns over Chinese military capability after the PLA's Second Artillery Corps began positioning a variety of sophisticated missiles in the Himalayas. In 2001, there were reportedly about eight ICBM, 70-medium range and 20 intermediate-range missile sites in Tibet (News.Indiamart.com, March 19, 2001). Over the years, liquid fuel missiles such as the DF-4 that required longer preparation time for launch have been replaced by more sophisticated solid fuel medium-range ballistic missile DF-21 (single warhead of 200-300

kilo-tons yield), which can hit targets at a distance of 2,150 kilometers (Dnaindia.com, May 16, 2008). These are located at the Delingha site in TAR, which is about 2,000 km from New Delhi [1] and are under the command of 812 Brigade of the SAC [2]. Similarly, there are other missile sites in Tsaidam at Terlingkha, the headquarters of a missile regiment and Amdo bordering Sinchuan [3]. There is also other DF-21 missile site located at Kunmin in the Yunan province (Indian Express, May 17, 2008). Moreover, China now has a potent long-range missile inventory of DF-31 and DF-41 inter-continental ballistic missiles (ICBM) that can strike targets at 6,000-10,000 km. Therefore, several north Indian cities including New Delhi are within the Chinese missiles range.

MISSILE DEVELOPMENTS IN PAKISTAN

Pakistan has acquired an impressive array of missile that includes the 'Hatf', 'Hatf I', 'Abdali', 'Ghazvi' in the short-range category; 'Shaheen I and II' in the medium-range category and the long-range 'Ghauri' [4]. It also has the land attack cruise missile 'Babur' and the air-launched cruise missile 'Raad.' Pakistan and China enjoy an 'all-weather' relationship that also involves the supply of military hardware including missiles. A large proportion of Pakistan's missile inventory is of Chinese origin and Beijing is reported to have facilitated the transfer of North Korean Taepodong and Nodong ballistic missiles to Pakistan (Business Standard [Delhi], December 31, 2006). New Delhi is also concerned about the close degree of military cooperation between Beijing and Islamabad on nuclear cooperation, including the transfer of technology and joint development of military equipment.

BALLISTIC MISSILE DEFENSE

At another level, India has been attentive to Chinese successes in anti-satellite (ASAT) system tests in 2007, and the more recent ground-based mid-range anti ballistic missile tests on January 14. Apparently, India has completed the 'building blocks' for an ASAT weapon system but there are no plans to make these operational (*The Hindu*, February 11).

India is also developing technology to intercept incoming ballistic missiles that may be launched by either China or Pakistan. In 2007, soon after the Chinese ASAT tests, the then-chief of the DRDO M. Natarajan had disclosed that the indigenous program of ballistic missile defense (BMD) shield had made a technological breakthrough and a ballistic missile was intercepted at a height of 50 km (*The Tribune* [Chandigarh], February 20, 2007).

In November 2006 and December 2007, India conducted

successful "exo-atmospheric," "endo-atmospheric" tests and incoming missiles were intercepted at 40-50 Km and 15 Km altitudes respectively (Asiatimes.com, January 15, 2009). Further, the DRDO has claimed that by 2011-12 it would have developed the BMD capability to neutralize incoming missiles with ranges in the order of 2,000 Km and in the near future it will be possible to field systems that can thwart threats from missiles with ranges of up to 5,000 km (Asiatimes.com, January 15, 2009).

More recently, while comparing the Chinese and Indian BMD programs, V.K. Saraswat observed that India's BMD program started in 1999 (*The Hindu*, February 11) and "This is one area where we are senior to China" (Indian Express, February 11). Reacting to Saraswat's rather provocative assertion, Rear Admiral Zhang Zhaozhong retorted "India's technology for its measurement and control system, which is used to trace launched missiles, remains at a very low level, and they are unable to constitute a complete and reliable missile defense system" (*Global Times*, February 14).

India is investing a substantial amount of technological resources to develop a robust missile shield. The Indian Air Force and the Indian Army are planning to deploy the Akash (25 km range supersonic missiles; 88 percent kill probability) air defense systems with the associated network of radars along the India China border and the first system is scheduled to be made operational by 2011 (Arunachalnews.com, February 17; Tibetanreview.net, February 17).

India is also planning to establish centers for nuclear and missile intelligence that will function under the direct control of the National Security Council (Times of India, July 18, 2009). Besides monitoring regional nuclear and missile developments, the centers will also collate information from other national intelligence agencies.

There are significant ballistic missile related developments in the maritime domain also. The Indian Navy is exploring the possibility of equipping its warships with the advanced shipboard Aegis Combat System (ACS) to intercept incoming missiles. (Sspconline.org, May 14, 2009). A few Indian ships of the Sukanya-class are capable of launching Dhanush (250 - 350 km range), the nasalized Prithvi II missile, capable of carrying nuclear and conventional warheads (Thaindian.com, December 13, 2009).

In response to the growing Indian missile inventory, Pakistan is actively exploring the possibility of acquiring high-altitude anti-ballistic missile (ABM) systems from China. According to a Pakistani defense analyst, the Chinese HQ-9/FD2000 developed by the China Academy of Defense

Technology is the favorite “since no other supplier will sell these types of missiles to Pakistan” (Asian Defence, April 3, 2009). HQ-9/FD2000 is a sophisticated and potent anti-missile system capable of hitting aircraft, air-launched cruise missiles and ballistic missiles. Apparently, HQ-9 draws technology from the S-300s acquired by China from Russian and the U.S. Patriot system obtained from Israel (Asian Defence, April 3, 2009).

INDIA’S ‘TWO FRONT WAR’

In December 2009, General Deepak Kapoor, the Indian army chief observed that India should prepare for ‘two-front war,’ purportedly referring to Pakistan and China. Pakistan’s Foreign Office termed his remarks ‘jingoistic,’ ‘irresponsible’ and of ‘hostile intent’ (The Times of India, Dec 31, 2009). Yet, experts have argued that there is nothing alarming in the General’s statement. India had in the past engaged in a ‘two-front war’ during the 1965 and 1971 India-Pakistan wars when China had conducted military maneuvers/redeployments along the India-China border, thus preventing relocation of Indian troops to the western borders and East Pakistan (now Bangladesh).

Nevertheless, the Indian Army Chief’s observations merit attention. Pakistan has engaged in covert warfare involving use of terrorist groups to foster militancy in Kashmir (Bbc.co.uk, March 3). It also mobilized Mujahideen along with regular military and waged war against India as seen during the 1999 Kargil Operations. In 2001-02, the Pakistan based militant group Jaish-e-Mohammad was responsible for an attack on the Indian Parliament (The Tribune, December 16, 2001). India’s border with Pakistan continues to be active with frequent attempts by the Pakistan Army to facilitate infiltration by terrorist elements under cover of fire.

The India-China border has seen increased border intrusions by the PLA and China is investing significant resources to develop military related logistic infrastructure such as all weather roads and rail links. As noted earlier, New Delhi has watched with great concern the Chinese missile arsenal in TAR. Further, the close nexus between China and Pakistan in nuclear and missile related technology has prompted the Indian defense minister to state: “The nexus between China and Pakistan in the military sphere remains an area of great concern. We have to carry out continuous appraisal of Chinese military capabilities and shape our responses accordingly. At the same time, we need to be vigilant at all times” (*Indian Express*, November 27, 2009).

REGIONAL SECURITY

What is perhaps most worrisome in the region is the fact that missile superiority for one protagonist is perceived as disadvantageous to the other, which could result in a zero-sum missile race. There are no regional political or diplomatic initiatives in place to slow down the regional missile race. Besides, there is scant public knowledge or debate in the regional media about how to manage the dense missile environment in the subcontinent. At the same time, there are fears that Pakistan’s nuclear weapons could fall into the hands of Jihadi elements undermining regional security, which has been vehemently denied by Islamabad. There is reason to believe that the regional missile race can be addressed through diplomacy and confidence-building measures (CBM) aimed at transparency. China, India and Pakistan would have to collectively address the regional missile developments sooner rather than later and institute mechanisms to prevent accidental missile launches and alleviate anxiety and fear.

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[The views expressed in the above article are the author’s own and do not reflect the policy or position of the Indian Council of World Affairs.]

NOTES

1. Claude Arpi, “Missiles in Tibet,” *Indian Defence Review*, 23-3, July-September 2008, pp.38-43.
2. Shailendra Arya, “The Train to Lhasa,” *Journal of Defence Studies*, Volume: 2 , Issue: 2.
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4. Author’s discussions with retired Indian Army officers on March 4, 2010 at New Delhi, India.
