

Associate Paper

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Embrace and Encircle? China's approaches to India and their effect

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Key Points

- China's trade routes, sea- and land-based encircle India with hard-power undertones and soft power attraction.
- Soft power diplomacy, brought out at Xi's and Modi's meetings, cloaks a long-term mistrust in India towards China and exposes vulnerabilities in India's relations with its South Asian neighbours.
- Most discussion about the China-India bilateral relationship emanates from India and recognises China's economic and "smart" power play alongside its hard power approaches.
- China's relations with Pakistan, Afghanistan, Sri Lanka and Burma/Myanmar, together with tense border issues, are on-going barriers to a changing relationship over which India has limited influence.
- China's foreign policy advance across South Asia denies what India perceives as its rightful regional primacy.

Summary

Some major regional trends that have recently been observed are the interdependence of Asian economies and, in lock-step, cultural rivalries and mistrust. These dynamics are appropriate to China and India, both being emerging powers and arguably afflicted by

“strategic claustrophobia”, a fear of finding themselves contained and denied access to markets and resources (Michael Wesley, Canberra Times, 2 September 2015). China’s obsession with western-led moves to “contain” it in recent years could arguably be seen in its own physical encirclement of India. China’s approach to India also includes embracing it, surrounding it in a soft power relationship, while keeping it off-balance with disputed borders, claims to Indian territory and increasing influence in South Asian port cities. China’s foreign policy towards India lies in its use of “smart power” (usually applied to the United States) - the combination of the threat of hard power, payment and soft power attraction – is also utilised in a larger context, its intention to achieve South Asian pre-eminence. The Shanghai Co-operation Organisation, for example, with its spread of member states that now includes India and Pakistan, observer states and dialogue partners, emphasises its multilateral method and, arguably, outpaces the South Asian Association for Regional Cooperation (SAARC). This paper will assess China’s foreign policy as it affects India and often do so from an Indian perspective.

Analysis

Geopolitics

A liberal perspective might envisage China and India “embracing” as mutually dependent markets and advocates of soft diplomacy. President Xi, Prime Minister Modi and China’s Ambassador to India, Li Yuanchao, endorse this view and supported it with the “Year of Friendship” that they launched in 2014. The Chindia Chamber of Commerce and Industry promotes the outcomes of that initiative: media and IT services, market research, visa assistance, seminars and workshops. These activities, which are posted on the Economic and Commercial Counsellor’s Office of the Embassy of the People’s Republic of China in New Delhi, are not frequently updated but in terms of economic diplomacy, telecom companies such as Lenovo, Huawei and Xiaomi are household names in India while energy engineering and urban construction companies have clearance to proceed, although China appears unwilling to commit to substantial investments until reassured about possibly restrictive regulation in India. Modi’s and Xi’s Joint Statement in May 2015 may go a long way towards providing this reassurance through its expressed intention to ‘remove impediments to bilateral trade ...’.

The *fait accompli* in soft power terms, nonetheless, was China’s reminder of the rapport between Prime Minister Nehru and Premier Zhou Enlai some 60 years ago when attending the Indian-led, Indonesian-hosted Bandung Conference in 1954. They, along with other non-aligned delegates, agreed to the original five principles of Panchsheel, (five virtues): respect for sovereignty, non-aggression, non-interference in other states’ internal affairs, equality and mutual benefit. In President Xi’s celebratory address a year ago, he re-endorsed those principles and forecast a ‘win-win’ situation in respecting each other’s core interests and key concerns, citing the Silk Road Economic Belt and the Twenty-First Century Maritime Silk Road as contributors to peace, prosperity and rejuvenation. There remain, however, difficulties that muddy India’s perceptions of such ‘peaceful co-existence’.

From a strategic perspective, China does seem to have encircled India. In addition to China's maritime so-called "string of pearls", the Karakoram Highway that links Beijing with Pakistan across India's northern boundaries and forms part of China's "One Belt, One Road" project, continues along the Pakistan-Afghanistan border and is forging south to the Chinese-developed port of Gwadar on Pakistan's Arabian Sea coast. India has grounds for concern.

China's and India's nuclear arsenals remain mutual deterrents to a conflict greater than conventional border disputes. No progress, however, on line-of-control or ongoing border issues has appeared in the panchsheel-wrapped rapport theoretically underlying discussions at leader level.

The bigger picture shows an arms race among Asian states that view China's maritime expansion as well as its land routes with suspicion leaving little chance of easing. China has well-established maritime assets across the Indian Ocean and dominant land routes. India's aim, since the superpower rivalry of the Cold War, has been to control "its" ocean, (India's lake), which is now heavily contested, and become the dominant influence in South Asia.

The Status Quo

Are there alternatives for India to a China-imposed maintenance of the status quo? There certainly are disadvantages for India's China relationship in linking more closely with regional democracies, as was demonstrated with the collapse of the proposed Quadrilateral Security Dialogue in 2008. The mid-2015 "not-quite quadrilateral" discussions between Australia, Japan and India, with the American re-balance as a backdrop, (https://www.aspi.org.au/publications/the-not-quite-quadrilateral-australia,-japan-and-india/SI92_Australia_Japan_India.pdf) if adopted, would demonstrate democratic solidarity and support for regional order, but may again be viewed by China as an attempt in another guise to contain it. Among the trio, Japan sees China's attitude as "aggressive", re-fuelling the containment view while Australia perceives no threat of an "anti-China front". India's "Act East" policy, in concert with Modi's tilt towards Obama, accommodates the trilateral purpose but seems irreconcilable with its hopes to benefit greatly from China's economic embrace while at the same time facing threats from Beijing to its sovereignty.

China's relations with the states that border India – Burma, Pakistan, Sri Lanka, the Indian Ocean islands to its south and west and, a step away, Afghanistan – leave India's uneasy bilateral relations with them further constrained by China's initiatives.

In Afghanistan, which borders South and Central Asia, India's influence waned following the replacement of President Hamid Karzai with Ashraf Ghani, who approached the Chinese and Pakistani leaders before he did Modi, seeking Xi's co-operation on peace and reconstruction talks that included the Taliban. In a shift from the previous Indian government, Modi has provided Afghanistan with military equipment, a precursor to a security agreement, and committed to the long-discussed development of Chabahar port in Iran. This will facilitate a future trade route that bypasses Pakistan, emphasising New Delhi's intention to remain actively engaged with Kabul.

China, along its shared 90 kilometre-long border with Afghanistan, has significant investments in Afghan copper and oil fields in the Bazarkhami, Kashkari and Zamarudsay basins, located in the northern provinces of Sar-e Pul and Faryab. Beijing is interested in playing a more substantial role in Afghanistan, recognising its potential to assist it in extending its influence westwards towards the oil fields of the Middle East and the security vacuum that will exist in Afghanistan when the United States eventually withdraws.

On this site of historical “great games”, India should demonstrate its new strength of purpose to mitigate China’s increasingly prominent role.

South Asia

Burma, however, may be an exception to China’s surge, and a partial shift towards India may also be underway in Sri Lanka.

In a summary review, Burma’s links with China, established when it was isolated from the outside world, threatened India but appeared to shift towards New Delhi as Burma’s military relationship with China deteriorated and the country opened up economically and politically. During its period of international isolation, India was Burma’s other interlocutor, albeit driven by the necessity to work with the junta in controlling insurgent groups along the shared border. India is now one of several states, including Japan, vying for economic opportunities there. It has some advantage through pursuing relations with ethnic Indians living in Burma, and its favourable reception by the political élite. Nonetheless, India’s failure to meet its contracts – strikingly, the completion of the Sittwe deep-water port under construction since 2010 and part of the Kaladan Multi-modal Transit Transport Project – is frustrating and symptomatic of India’s broader failure to grasp opportunities and extend its Indian Ocean rim relationships as China established its “string of pearls”. China’s presence will remain and to re-enter the game, India looks to strengthening its broad strategic influence.

Sri Lanka and Pakistan both have major port projects constructed by Chinese state-owned companies under way, the magnitude of which easily surpass India’s initiatives. Proposed additional facilities at Hambantota Port, south of Colombo, the third phase of building, has reportedly received government approval to progress its feasibility study despite the project manager, China Harbour Engineering Company, being under investigation for corruption and its plans for a new port city put on hold. Even if the corruption charges, laid after the former Sri Lankan President, Mahinda Rajapaksa, lost government succeed and the final stage of Hambantota construction is not completed, it will remain a key “pearl” in China’s maritime encirclement of India.

While India failed to move decisively on infrastructure projects in Sri Lanka, their existing relations were damaged by Colombo’s war against the Tamil minority and ongoing tensions with New Delhi. It had antecedents in Indian Prime Minister Rajiv Gandhi’s Peace-keeping Force that, despite deflating tension briefly, drew much criticism, critically damaging the relationship at that time. Prime Minister Modi’s visit to Sri Lanka in March 2015, the first since Gandhi’s visit in 1987, took a new direction, emphasising cultural and religious connections as opposed to commercial links. Prime Minister and President agreed to a currency exchange to steady the Sri Lankan rupee, which was widely seen as a move to repair the relationship. Modi,

despite his new cultural approach, flagged his government's intentions to fund infrastructure projects but China retains its position - its projects in Sri Lanka and Burma being close to the Indian mainland – an impediment towards the consolidation of India's regional aims. As *Bloomberg Businessweek* noted (8 May 2015), and this remains the case, China has more money than India.

In contrast to India which has a longstanding relationship with the Maldives, China is a relative newcomer but already has a strong footprint there with substantial investments. Not to be out-manoeuvred or out-bid in Mauritius and the Seychelles, Modi, on a visit to both in March 2015, promised "Island Development" that included an infrastructure package for each, and initiated security co-operation in moves towards building strategic assets to counter-balance further Chinese influence in the western quadrant of the Indian Ocean.

India views its security perimeter as stretching from the Straits of Malacca to Indian Ocean coastlines of Australia and Africa, to the Strait of Hormuz and Iran. It regards itself as the predominant Indian Ocean influence, protecting its EEZ, securing its energy import routes and meeting international commitments. The Indian Navy is tasked with ensuring a stable ocean environment. China's investment in the Pakistani port at Gwadar, however, and the network of roads, planned pipelines and rail links to intersect with the Karakoram superhighway at Kashgar, further undermine India's perceptions of its maritime responsibilities – China has acquired a land-linked entry point to the Indian Ocean.

India's knife-edge bilateral relations with Pakistan now contend with China's physical proximity, its long-held relationship and its more recently converging interests with Pakistan, and its overarching strategic aims in South Asia. China also promotes its relations with all states bounded by its land route to Beijing. In relation to India, its New Delhi Embassy recorded that recent years have seen:

A sound and stable development of the strategic co-operative partnership for peace and prosperity between China and India. The two sides have deeper exchanges and co-operation across the board, and maintain sound co-ordination and co-operation on international and regional affairs., (Chinese Embassy press release in Delhi on 30 October 2015; <http://in.china-embassy.org/eng/fyrth/t1310709.htm>).

This does not obscure the reality that little progress has been made, and that the positive outcomes of Xi's and Modi's Joint Statements in September 2014 and May 2015 relate in the main to trade.

Their Joint Statement at the end of Modi's visit to China in May 2015 concerned manageable economic issues and was reflected in uplifting rhetoric: that there are 'Historic imperative for India and China to enrich their bilateral relations', and that India's and China's relations 'are poised to play a defining role in the 21st century in Asia and globally'. No-go areas - the Line of Actual Control and other border issues - remained just that and no progress was made.

Overall, the visit reflected a level of diplomatic friendship and agreement that keeps the relationship on an even keel and, it has been argued, firstly that Modi's political capital at home may allow compromises to "de-escalate" border disputes and, secondly, that China's disputes in the South and East China Seas that have drawn in the US may suggest that reducing tensions with India could avoid the encirclement of China itself. (<http://www.aljazeera.com/indepth/opinion/2015/05/modi-tricky-trip-china-150522061912194.html>).

The apparent physical encircling of India by China that surrounds its "peace and prosperity" embrace is a *fait accompli* that is mirrored in India's own aspirations: 'India has a vision of South Asia, unshackled from historical divisions and bound together in collective pursuit of peace and prosperity' (<http://www.futuredirections.org.au/publications/associate-papers/2415-india-s-strategic-vision-and-sri-lanka-s-national-security-the-next-ten-years.html>) that find reflections in the May 2015 Beijing Joint Statement.

China's South Asia policy affects India in many ways - through its relations with India's South Asian neighbours as well as its soft-hard bilateral relationship with New Delhi. As unlikely responses, India could manoeuvre within China's status quo or form an alliance somewhat similar to "the not-quite quadrilateral" discussed between Australia, Japan and India, with the re-balanced United States present. The latter offers some foreign policy independence and a seat at a democratic table. The former allows a version of non-alignment. To mitigate China's effect proactively, however, re-building SAARC and invigorating Modi's Act East policy are viable alternatives.

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