INDIA – CHINA RELATIONS

Chinese President Xi Jinping's India visit (2014)

- This was his first visit to India as the President of the PRC and first bilateral visit by a Chinese President after a gap of eight years. The biggest change in the intervening period perhaps has been that **India-China relations have been elevated from bilateral relations to become an important part of global power relations**.
- The two sides signed several agreements, including the ones to set up a **Chinese-backed industrial park** in Gujarat and Maharashtra.
- The agreement also mentions Indian concerns of market access for areas such as Information Technology (IT). They also agreed to expand the scope of the Strategic Economic Dialogue (SED) to include issues like clean energy, energy conservation and environmental protection, high-tech industry and sustainable urbanisation.
- China would also invest $20 billion in India over the course of the next five years in industrial and infrastructural development projects. This was a disappointment from the figure of $100 billion that was expected and was not reached probably since India did not explicitly agree to join the MSR or the AIIB initiatives during this visit.
- One of the most significant outcomes of the visit has been the **agreement on initiation of a civil nuclear energy dialogue** between India and China.
- China also agreed to **open a new route through Nathu La Pass** for the Kailash Mansarovar Yatra.
- In addition, both sides agreed to expand cooperation on trans-border rivers.
- Significantly, the two leaders also agreed to hold the first round of the maritime cooperation dialogue within one year to discuss views on maritime affairs and security.
- However, the issue of *"border incursions"* cast a dark and expansive cloud over the event.

PM Modi's visit to China (2015)

- The visit was rich in symbolism and substance and it opened up a new chapter in India-China relations. For the first time, Chinese President Xi Jinping travelled outside Beijing to receive a foreign leader
- There were various agreements signed on the government-to-government side, 26 MoUs on the business-to business side and two joint statements, including one on climate change.
- Prime Minister also interacted with many business leaders.
- There was, moreover, an action-oriented accord on broad-basing the bilateral partnership, as could be seen from the range of agreements signed and in the establishment of new dialogue mechanisms, such as the one between the DRC and the NITI Aayog and the Think Tanks' Forum, besides a bilateral consultative mechanism on WTO negotiations.
- Three new institutions were launched in partnership, the Centre for Gandhian and Indian Studies in Shanghai, Yoga College in Kunming, and National Institute for Skill Development and Entrepreneurship in Ahmedabad.
- Both sides decided to establish new Consulates in each other's country, in Chengdu and Chennai and to expand our interactions at the sub-national level.

- A number of sister-city and sister-state relations agreements between: Karnataka and Sichuan, Chennai and Chongqing, Hyderabad and Qingdao, Aurangabad and Dunhuang were also signed.
- Prime Minister also announced the extension of the e-visa facility to Chinese nationals wishing to travel to India.

Doklam Standoff

What was it?

It erupted when India opposed **China's attempt to extend a border road** through a plateau known as Doklam in India and Donglang in China. The plateau, which lies at a junction between China, the north-eastern state of Sikkim and Bhutan, is currently disputed between Beijing and Thimphu. India supports Bhutan's claim over it. It is the first time there is a boundary standoff between India and China involving a third party.

China claimed that they were constructing the road within their territory and demanded immediate pull-out of the Indian troops from the disputed Doklam plateau.

However, India was afraid the completion of the Chinese road would change its military advantage in the Sikkim Himalayas sector of the border and would **give China greater access to India's strategically vulnerable "chicken's neck"**, a 20km (12-mile) wide corridor that links the seven north-eastern states to the Indian mainland.

It is also relevant as China is committed through the bilateral agreements of 1988 and 1998 with Bhutan to respect the status quo and not to change the status quo unilaterally. Its actions were in direct violation of agreements with Bhutan and India. But **China is changing the tri-junction unilaterally in violation of such agreements**.

How did it end?

Although China had given repeated warnings to India to back down or face dire consequences, it fell on deaf ears. India allowed the war of words to become one-sided by refusing to react to the almost daily Chinese verbal attacks.

Eventually, China was forced to end the face-off through **mutual disengagement of troops**. Two factors forced Beijing's hand:

- It wished to **save the BRICS summit** which was to be followed in Xianmen. More importantly, it wanted to safeguard Chinese President Xi Jinping's reputation in the run-up to the critical party congress this autumn.
- U.S. President Donald **Trump's administration also helped put pressure on Beijing by implicitly supporting the Indian and Bhutanese positions**, including backing a "return to the status quo" that prevailed on Doklam before the road building began.

Despite China's overall military superiority, India, with its terrain and tactical advantages, was in a stronger position in the triple border area. It could have prolonged the face-off until the onset of the harsh Himalayan winter, thus casting a cloud over the Chinese party congress. A protracted standoff

would also have exacted increasing diplomatic costs for Beijing, given that India had dared to stand up to it, thus **denting China's reputed pre-eminence in Asia**.

Positions of both the countries

India: Indian involvement is aimed to prevent China from changing the status quo by building a road on territory claimed by Bhutan, India's closest ally in the subcontinent. By upholding the rights of its ally, Indian actions are intended to convey the importance Delhi attaches to its special relationship with Thimphu as well as to signal that it intends to preserve its traditional military advantages in the overall Sikkim sector.

China: Whereas, Beijing's motivations have been speculated to range from big power bullying as part of a general pattern of China's approach to its periphery, and driving a political wedge between India and Bhutan, to more mundane operational anxieties in a sector where India has traditionally held the higher ground. What makes the crisis particularly dangerous compared to previous episodes on the border is the absence of an agreed definition of what is at stake. For China, it is about "territorial sovereignty"; for India, it is about "security implications" emanating from a potentially deeper Chinese foothold in the lower Chumbi valley.

Impact on Future Relations

-Views of C Raja Mohan

One of the **unintended consequences for China would be an India that is forced to think far more strategically about coping with China's power**. For nearly a century, sentimentalism in Delhi about Asian solidarity and anti-imperialism masked the more structural contradictions with China. Beijing's approach to the Doklam crisis could well help bury those illusions.

China appears to have been carried away by the success of its recent coercive diplomacy in East Asia and the South China Sea. Unlike China's East Asian neighbours, India has the capacity to absorb pressures from Beijing. With limited economic interdependence with China, Delhi can bear the costs of a severed commercial relationship. If India could turn its back on the dominant powers of the West for many decades during the Cold War, it could do that with China again.

China is also wrong to believe that asymmetry in power potential will automatically lead to surrender. China could learn from Pakistan's refusal to submit to the widening strategic gap with India.

-Views of Ashok Kantha

- China's behaviour in Doklam is part of a larger pattern wherein China is pursuing contested territorial claims, most importantly in the South China Sea. In the case of Doklam, just like in the case of the South China Sea, China says that its claim in Doklam is indisputable and that is why it has gone ahead with building activities in the region.

- What China was doing earlier can be described as ‘creeping intrusion’. But with construction of a motorable road, a new set of facts were being built in Doklam. This would have had a negative impact on India’s security atmosphere.
- China is changing the status quo unilaterally with a relatively small neighbour, Bhutan. It is a clear case of **browbeating both Bhutan and India**. Through this action, China was trying to drive a wedge between Bhutan and India. But China perhaps thought that Bhutan would not protest. But Bhutan came out with a public protest like India. China has also landed in a situation that it did not anticipate.
- **The rise of China is also taking place simultaneously with the rise of India. China wants to be the pre-eminent power. But India would like to see a multipolar world. That is the contradiction**. Our preference is for a bipolar Asia. India-China ties also have positive aspect and there will be an uncertain mix of cooperation and competition and how we manage the relationship will be a big challenge. It is possible but will be a challenging position.

-Views of Brahma Chellaney

- The Chinese Communist Party and its People's Liberation Army may find it difficult to live with a retreat that China was compelled to make after failing to intimidate India into submission through torrents of bitterness and warmongering.
- More fundamentally, India, like Japan before it, has shown that if a neighbour is willing to stand up to China, it can be made to back away. **Doklam is a defining event: For the first time since China's success in expanding its control in the South China Sea** by artificially creating seven islands and militarizing them, **a rival power has stalled Chinese construction activity to change the status quo on a disputed territory**.
- Beijing was, thus, left with little choice but to negotiate a deal after India showed that it would not be cowed.
- Whatever happens next, **Doklam illustrates China's proclivity to miscalculate and overreach. India's refusal to bend while talking peace offers other Asia-Pacific nations an example of how to manage Chinese coercion**.

OBOR and CPEC

Many in the Indian establishment view the OBOR as a unilateral national initiative by China — its *raison d’être* being geo-political hegemony rather than Asian economic development. The China Pakistan Economic Corridor, a part of the OBOR, runs from Xinjiang in western China to the Gwadar port in Balochistan via Gilgit-Baltistan and other parts of Pakistan-occupied Kashmir. It also gives China a hold in the north Indian Ocean near India's boundaries.

India’s argument can perhaps be best represented **PM Modi** himself implicitly criticising the Chinese actions saying, **connectivity in itself cannot override or undermine the sovereignty of other nations.**

The CPEC comprises multiple projects which are financed partly by the China-led multilateral financial institution, the Asian Infrastructure Investment Bank (AIIB) and partly by other entities. In the affairs of the bank, India holds a voting share of 8 per cent, second only to China’s 27.8 per cent.

India also holds a seat among the vice presidents of the AIIB. Its involvement in AIIB holds a kind of contradiction in itself as neither can India utilise it to block any funding to OBOR.

India's recent decision to not participate in the Belt and Road Initiative Summit, hosted in Beijing, has also been read as a sign of its disapproval with the OBOR.

The rigour of borders and sovereignties has triumphed over any consensus-building on connectivity and cooperation beyond borders. India's reaction to China's OBOR has been hedging and tentative, mainly because of the CPEC through Pakistan-occupied Kashmir.

-Views of Raja Mohan

One of Delhi's problems is that the China-Pakistan Economic Corridor (CPEC), an important part of the BRI, runs through a part of Jammu and Kashmir that is occupied by Islamabad.

India's difficulty lies deeper. It is about the prospect that the BRI will massively strengthen China's commercial, economic, political and security influence on India's neighbourhood and marginalise Delhi's regional primacy. **China is set to become the first non-Western power in the modern era to shape the geopolitics of Eurasia and the Indo-Pacific**.

While most nations are ready to accept this, grudgingly or otherwise, two of China's neighbours — Japan and India — are reluctant. Japan has, until recently, been the number one power in Asia. It is not yet ready to roll over and play dead. It has already outlined a Belt and Road initiative of its own, called the Partnership for Quality Infrastructure. Delhi, that has long seen itself as equal to Beijing, finds it hard to play second fiddle. Coping with China's transformation of India's neighbourhood is likely to be Delhi's single most important strategic challenge in the decades to come.

India's long-term response to the BRI must instead focus on three areas:

1. The first is to **ramp up its own internal connectivity**. India's discourse on the BRI has no real meaning until Delhi improves internal connectivity to its frontier regions and upgrades rusting border infrastructure.
2. Second, Delhi should modernise connectivity across its land and maritime frontiers with its neighbouring countries.
3. Third, India can work with nations like Japan and multilateral institutions in developing regional connectivity in the Subcontinent and beyond.

To be sure, Delhi has a common long-term interest with Beijing, in promoting regional connectivity. For now, Delhi's urgent imperative is to ***recognise that China's BRI is not a diplomatic problem for the foreign office to resolve. It is about mobilising the full resources of the Indian state and creating effective mechanisms — public and private — to purposefully address the long-term opportunities and challenges that China's BRI presents***.

Trade Imbalance

China is India's largest trading partner, with a bilateral trade of $71.5 billion. The total imports from China during the last fiscal year stood at $61.3 billion against Indiau's export to China worth $10.2

billion. The trade deficit, which stood at $37.2 billion a few years ago, now stands at a whopping $51.1 billion.

- One of the main reasons for this unfavourable trade balance is that **India exports only raw materials** like iron ore and copper to China. The deficit can be reduced only when India starts exporting value-added products. Unfortunately, the Indian manufacturing industries have to go a long way before they are geared up to export value-added products to China.
- Another major reason is also China's economic warfare to undermine India's strength in various ways, including stifling its manufacturing capability **through large-scale dumping of goods**. Artificially low prices of Chinese products also translate into India losing billions of dollars yearly in customs duties and tax revenue.
- Market access is also a huge problem for Indian companies. Strict government regulations in China hinder Indian companies from penetrating the Chinese market. India is one of the largest manufacturers of generic drugs. But it has not been able to export to China because of **Beijing's protectionist policies**

However, this has not been a one-way street. India too imposes trade restrictions such as on steel imports, which seem to be quite counter-productive, and have been hurting engineering and manufacturing firms.

Healthy trade between two countries has the potential to reduce tensions. The leaders of both the countries have so far shown flexibility in improving relations. India should reconsider imposing restrictions on Chinese goods, as it has the potential to aggravate an already fragile status quo. China, on its part, should help India reduce the trade deficit by importing generic drugs and IT enabled services.

What can be done?

- During the visit of Chinese President to India in September 2014, he promised a further **Chinese investment** of about $20 billion. The Chinese also proposed **to set up industrial parks in India** and every effort should be made to speedily execute these projects. China only value adds a small proportion to the full product, but the important point is that it is a part of the Asian value chain. India needs to join this chain.
- **Five-year Program for economic and trade cooperation**: 2017 would mark the 3rd anniversary of India signing an agreement achieving bilateral trade balance with the nation by 2019. This is a joint medium term roadmap for promoting trade and investments, signed between the nations back in September 2014. While it is broad based, it acknowledges the pitfalls of one-way trade. the agreement also asks for easing of restrictions by the Chinese government. However, since the agreement is 'non-binding', the scope of deliberations with regard to reducing trade deficit depends significantly on the presence of a free environment for discussion. Growing allegations of military incursions from both sides have restricted that space further. Thus, it has remained a non-starter.
- **FTA with China**: According to ***Nirupama Rao***, an FTA that is goods-centred will obviously not benefit India given the huge trade in goods imbalance that favours China. An FTA that is comprehensive, covering goods and services, cross-border investment, R&D, standards and dispute resolution would be worth exploring. As some Indian scholars have observed, "An FTA with China may have benefits that escape quantification and transcend economics."

Water Issue

Brahmaputra river water sharing is the major flashpoint between India and China. China has been building dams after dams in the upper reaches of the Brahmaputra which is called Tsangpo in Tibet. India has objected to it but there has been no formal treaty over sharing of the Brahmaputra water.

Further, China has not been forthcoming in sharing the details about water level in the Brahmaputra, which puts a large tract in the states of Arunachal Pradesh and Assam to the risk of sudden and huge flood. It is in **breach of legally binding obligations to supply India with hydrological data on upstream river flows** in Tibet in order to facilitate flood forecasting and warnings. A third of India's freshwater supply comes from river flows from Tibet. The current monsoon season has brought record flooding in parts of northern India. Timely transmission of data would have helped generate flood warnings, thus saving lives and reducing material losses in India's northeast.

Beijing offered no explanation for its **failure this year to honour bilateral accords that require it to transfer data on specific rivers to India annually** from May 15 to Oct. 15. The data is mainly of the **water level of the river to alert** downstream countries in case of floods. Beijing has said its hydrological stations are being upgraded which means it cannot share data. It continues to share data for the same river with Bangladesh. But for India, China has hinted at an uncertainty over resumption of sharing of data.

Delhi has also asked for data for non-monsoonal flows of the river, because there are suspicions in India that China could divert the waters of the Brahmaputra to its parched regions during dry seasons or suddenly release a huge amount of water.

Moreover, Chinese officials have frequently reiterated that China is building only “run-of-the-river” dams on the Yarlung, with no ability to impound or divert water.

Nuclear Suppliers Group

India has been pushing for entry into the exclusive club of nuclear fuel suppliers - Nuclear Suppliers Group (NSG). It is a body of 48 nations which have an understanding to supply nuclear fuels to nuclear power nations.

All these nations have ratified the Non-proliferation Treaty, which India has not signed. India calls it discriminatory.

China has been blocking India's attempt to entry to this exclusive club on one or the other pretext. Observers say that China is building a case for Pakistan by blocking India's entry. Pakistan has also applied for entry into the NSG.

Growing influence with India’s neighbours

What we see today is the geographic expansion of the Chinese defence profile way beyond Pakistan to cover India’s other neighbours in South Asia and the Indian Ocean. The scope of Chinese defence cooperation now includes potential military basing arrangements in the region.

That China’s port construction activity in Colombo and Hambantota might have a strategic dimension was highlighted when a PLA submarine showed up in Sri Lanka’s waters in 2014.

Meanwhile, China's first foreign military base is coming up in Djibouti. The Chinese navy has an impressive presence in Pakistan's Karachi port and Gwadar could turn into a formal military facility in the not too distant future.

Delhi is now waking up to the proposition that the expansion of Chinese commercial and infrastructure cooperation with India's neighbours will have strategic consequences, including stronger defence and security partnerships.

Despite its negative assessment of China's long-standing strategic military cooperation with Pakistan, and the growing volume of Chinese arms sales to South Asian countries, Delhi has been utterly unprepared for Beijing's widening strategic influence in its neighbourhood. Delhi has long been complacent in its assumptions about India's natural strengths in the Subcontinent.

But India gains little by whining about Beijing's "encirclement of India". China is doing what comes naturally to great powers. Beijing is projecting military power and limiting the strategic influence of other nations in its neighbourhood. India, instead, must raise its own regional game by overcoming multiple limitations on its
defence cooperation.

This has the potential of stripping away at the region's strategic unity.

China's Maritime Outreach

-Views of C Raja Mohan

- Recently**, Sri Lanka**, after much internal wrangling, handed over the **Hambantota port**, sitting astride the sea lines of communication of the Indian Ocean, to a Chinese consortium.
- Similarly in **Myanmar**, despite many political anxieties about economic over-dependence on Beijing, the government is reportedly close to a deal with a Chinese company for the commercial development of the **Kyaukpyu island** on its Bay of Bengal coast. The Bay of Bengal is unlikely to be the same after that.
  The port contracts lay the foundation for China's long-term economic influence in India's immediate neighbourhood. India no longer has the luxury of contesting Chinese strategic incursions into the Subcontinent one piece at a time.
- It also recently opened **naval base in Djibouti**, at the Indian Ocean's north-western edge, constitutes just a first step in its game plan to dominate the region.

China's multiple advances tend to reinforce the popular proposition in Delhi that China is embarked upon the **"strategic encirclement" of India**. But the idea is misleading. The constriction of India's strategic space is a second-order consequence resulting from China's rise. Beijing does not have to deliberately contain India. Beijing's exercise of its growing comprehensive national power — economic and military — will inevitably have that effect. Put simply, the question is not about Chinese intentions, but the massive surge in its capabilities.

Four other factors add to India's problem.

1. China, under Xi Jinping, has brought **abundant political will** to match the expanded national power resources. According to Xi, it is now **others' turn to adapt to Beijing's rise as the foremost power in Asia.**

2. Second is the **widening strategic gap between China and India**. China's current GDP is five times larger than that of India and its defence spending is four times as big. Even if India grows faster than China in the coming years, the huge gap with China will remain unbridged.
3. India also lulled itself into the belief that it had created sufficiently strong mechanisms to limit conflict on the border. Peace and tranquillity on the Sino-Indian border were the consequence of a different set of circumstances — when China was integrating itself with the world. They may not survive the assertive phase in China's foreign policy.
4. Fourth**, India** had taken its **regional primacy for granted** all these decades.

Expert Views on Overall Relations

-Views of ***Brahma Chellaney***

India has yet to fully shed its policy blinkers. As India repeats the same old platitudes about conciliation and cooperation, China is making clear that there cannot be "two Suns in the sky" — or, as a Chinese idiom goes, "one mountain cannot accommodate two tigers". With its rekindled, atavistic nationalism, China plainly wants to be Asia's sole tiger.

-Views of ***G Parthasarathy***

Dealing with China on security and economic issues is crucial for India but even if India is no pushover, it cannot get provocative.