

Future Trajectory of India-China Relations

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While it is difficult to predict the trajectory of bilateral relations between India and China, let alone global events, as these are dependent on the subjective responses of the respective strategic leaderships and to the ever-changing ground realities in the international relations, yet a few observations can be made based on the past interactions and bilateral relations projected to the future. In recent times both India and China have embarked on several comprehensive policies and programmes to reshape their domestic and external situation. Both countries are “simultaneously rising” as the joint statements between the two countries note. The “informal summit” meetings between the two leaders were institutionalised and made regular. Border stability is emphasised even as certain transgressions have created tensions. Bilateral relations are getting diversified into the multilateral fields even as new contentious issues are cropping up such as on China’s intervention in the Kashmir issue. Trade is increasing by leaps and bounds diversifying into new fields, although concerns on growing trade deficits are also rising. Yet, both exhibit newfound confidence and maturity in addressing the outstanding issues and have a forward-looking “developmental partnership”. This is expected to nudge the bilateral relations between India and China into a new format in the coming years.

Background

India and China are celebrating the 70th

anniversary of establishing relations in 2020 with a series of 70 activities to be celebrated, despite the raging COVID-19 contagion that has brought down any movement of people from either side. While this disruption is hoped to be a temporary setback, several developments influence the growth of the relations between India and China. These can be broadly analysed at the global, regional and bilateral levels at which China’s progression in the last three decades had created conditions partly for increase in disruptions at the economic, technological and security fields with consequences for India’s policy choices. The article traces the continuing disruptions due to China’s rise in the global and regional orders at the economic, technological and security fields, reflects on the bilateral relations and identifies their impact on India in the coming years with policy choices.

Global levels

India and China have joined the globalisation process, with the latter entering the World Trade Organisation only about two decades ago. However, China has utilised effectively the spaces and opportunities offered by the globalisation by internal and external balancing. As a result, it emerged as the second-largest economy in the world, with India rising to the 5th position in the global economic matrix. China’s rise in the economic field came with an export model of consumer durables that led to unprecedented trade surpluses with its major trading partners such as

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the United States, European Union, Japan, South Korea, Taiwan, Australia and the Southeast Asian Nations grouping. Trade surpluses in favour of Beijing running into trillions of dollars with these advanced countries expanded the further modernisation of all sectors in China. However, a reciprocal demand of these countries on opening up of the market, currency and stock exchanges was met with resistance by China which led to the trade conflict with the United States. China's desire to overcome the opposition from the US by launching Made in China 2025 with discriminatory import substitution policies in 2015 further triggered tensions with the US and to the current global disruption in global trade. Even though China attempted in its current 13th Five Year Plan to wean away the country from export orientation towards domestic consumption, from the demand side to supply-side economics and from manufacturing to a service-oriented economy, this restructuring is for the medium to longer term. While the US and China reached a preliminary trade deal in January 2020 after 17 months of intense tariff wars, the effects of such disruptions resonated across the globe with drastic consequences for the economic growth rates. With the spread of the COVID-19 across the world and the general disruption in the economies globally, China is attempting a policy of taking over companies in distress. It was reported that following the outbreak of the virus in Wuhan, and given the disruptions in supply chains and fall in their market shares, China had bought shares in several European and other companies, resulting in the German law recently to prohibit any such hostile takeovers. In India as well, the People's Bank of China, a state-owned bank, took over 1

per cent shares in Housing Development Finance Corporation, provoking the Government of India's Commerce and Industry ministry issuing a circular on April 17, 2020, curbing any "opportunistic takeovers" of Indian companies. These disruptions in the economic and commercial field are expected to further intensify in the coming years. As China's communist party congress in October 2017 decided to make its state-owned enterprises global brands and that "China model" is to be internationalised, disruptions in the existing global and regional markets are expected in the short to medium term.

Secondly, as China undertook science and technology modernisation since the famous 1978 reform and opening-up policies with Four Modernisations (in agriculture, industry, S&T and defence), it embarked on an ambitious policy of catch up with the advanced technological countries. Favourable policies for research and development, material incentives for returned students from these countries, increase in patents, the launch of some iconic projects like "863 Program" (of focus on key technologies such as nano, bio, space, automation, energy, laser, telecom, and others), the 1996 plan focus on marine technology and others have all created a dual-use base in China. Substantial inputs from the US and other countries helped China as well to master these technologies in a shorter period, although certain unfair means of theft and IPR violations have haunted such progress. These also led not only to China's achievements in space, 5G and others but to intense competition with the advanced technological countries leading to the later day disruptions in technologies, specifically in the "global commons" such as maritime, space and cyber domains with

consequences for the rest of the world. China has been pushing Huawei's 5G telecommunications networks to be adopted by most countries. India had earlier complained about its cyber nodes coming under attack from the URLs traced to China. However, New Delhi allowed Huawei 5G to participate in trials. China's pressure likewise on the United Kingdom, France and Germany are well known, while the US has penalised China's companies like Huawei and ZTE for their links to North Korea or cyber warfare. The US also arrested Huawei's senior employee Meng Wanzhou, also the daughter of Huawei's chief. Such technological disruptions are expected to increase in the coming years as acute competition pervades this area.

Thirdly, four decades of economic modernisation created conditions for the transfer of a portion of that prosperity into military modernisation in what has been termed as "coordinated development" of both sectors. A concrete reflection of this is the real increase of nearly 10 per cent in the defence budget of China since the early 1990s, in direct proportion to the growth in the civilian economy. As a result, the People's Liberation Army (PLA)'s allocations have become the 2nd largest in the world and exceed the defence allocation of all major Asian countries put together. As a consequence, and in conjunction with the expanded territorial claims of China, the PLA has exhibited assertiveness on Taiwan, South China Sea, Senkaku Islands, and across the India-China border areas. It had also initiated a "two ocean strategy" of entering the Pacific and Indian Oceans. The PLA Navy sent 36 contingents since 2008 to the Gulf of Aden, ostensibly to fight piracy,

but these contingents also indulged in amphibious, air defence and submarine activity in addition to acquiring medium air and sealift capabilities. China had set up a naval base at Djibouti in November 2015 and intends to expand such facilities possibly in Yemen, Oman and Somalia. At the strategic level, China refuses to be part of the new US initiative for a fresh strategic arms reduction talks with Russia and China considering the latter's advances in the nuclear stockpile, varied ballistic missile inventory including the multiple re-entry vehicles and maneuverable re-entry vehicles in addition to supersonic glide vehicles. China also has one of the worst proliferation records in the world. These have been disputing the security arrangements in recent times. Security disruptions emanating from China that could have an adverse impact on India in the coming years include both in the traditional and non-traditional domains such as scaling up of the Tibetan military arena, Indian Ocean region, transfer of weapons of mass destruction to Pakistan, conventional arms transfers to also the rest of South Asian countries in order to off-balance India, river water diversion, migration, the spread of pandemics such as bird flu, SARS and the recent COVID-19 and the like. Given the prevailing anarchy in the regional and global orders, China has been asserting on Taiwan, South China Sea, Senkaku Islands and in the India-China border areas resulting in security disruptions in the short to medium term at the regional level.

Regional levels

At the Asian regional level, China began a process of occupying the "centre of gravity"- an aspect invoked much earlier by Mao Zedong in

1949 who lacked the economic heft at that time. As China became the largest trading partner for most Asian countries and its outreach and military modernisation efforts surpassed all other Asian countries, it also began to lay down the red lines for others. For instance, when the US-South Korea naval exercises were being conducted in the Yellow Sea in 2010 as a counter to the blasting of the Cheonan corvette, the PLA imposed its version of “Monroe Doctrine” to stall such exercises in China’s vicinity. A similar move was made in the South China Sea since the 2009 USNS Impeccable incident. Again, at the Conference on Interactions in Confidence Building Measures in Asia (CICA) summit meeting held in May 2014 at Shanghai, President Xi Jinping called for Asian countries to fend for themselves without any “outside” security cover – leaving these countries at the mercy of China. Also, the launch of the Belt and Road Initiative by China in 2013 with continental and maritime dimensions has been polarising Europe, Africa and Asia. It has also been criticised for violating the sovereignty of other countries, striving for “debt diplomacy”, lack of transparency in contracts and for the environmental degradation as the Indian foreign ministry spokesman mentioned. Others such as Maldivian leader Nasheed accused of China for indulging in “island grab” in his country. Other countries such as Sri Lanka witnessed the parting of Hambantota port to China on a 99-year lease due to debt payment default. As the Trump administration has been following “isolationist” policies and “America First”, the resulting withdrawal of the US from regional orders is providing an opportunity for China to fill the spaces. These are likely to reduce the

space available for other Asian powers like Japan, Indonesia, India, Kazakhstan and others.

Bilateral Levels

Barring the brief border clashes between the two countries in 1962, both have maintained overall cordial relations in the past seven decades. Himalayan barriers in a way contributed to the relative isolation and contact. However, globalisation and China’s Belt and Road Initiative (BRI) since 2013 are changing this format with increasing pressures on the bilateral relations that could reshape the future trajectory.

China’s BRI has “five connectivities”, viz., policy coordination, infrastructure connectivity, trade promotion, currency internationalisation and expanding people-to-people contacts. It includes six roads, with those of relevance to India being the China-Pakistan Economic Corridor (CPEC) and Bangladesh-China-India-Myanmar Economic Corridor (BCIM). India has taken umbrage at the CPEC projects as these violate India’s sovereignty on Kashmir, while on the BCIM, India’s position has become passive given China’s arms transfers to northeast rebels. However, China is bent on carrying forward these projects with consequences for India-China relations in the future. India’s policy has been dissuasive in nature, yet firm in stating its position on the sovereignty over Kashmir territory.

Secondly, since the late 2000s, China had escalated its position, first by issuing stapled visas to Jammu & Kashmir residents, involving in construction of hydro-electric projects in Pakistan occupied Kashmir across Neelam-Jhelum river, or other infrastructure projects in Gilgit and Baltistan.

These further increased with the formal announcement of the CPEC projects since 2014, with a massive outlay of USD 62 billion. As the protection of these dual-use infrastructure facilities became an issue, in addition to over a division of Pakistan Army's troops, China also began deploying over 36,000 "security guards" – thus becoming a physical Chinese element for the first time in the ongoing India-Pakistan conflict.

These laid the ground for China's intervention at the United Nations Security Council deliberations on Kashmir once the Indian Parliament had passed the Jammu and Kashmir Reorganisation Act, 2019, which reconstituted the erstwhile state of J&K into two Union Territories, The Union Territory of Jammu and Kashmir, and the Union Territory of Ladakh, on 31 October 2019– thus touching the nadir in the core aspects of the bilateral relations. While India had agreed to "one China" policy in 1950 and 1954 announcements, China has so far not been able to reciprocate to the Indian gesture. Since 2010, after the stapled visas were issued by China to the Jammu & Kashmir residents, the joint statements between the two countries have not mentioned the "one China" policy explicitly, although there has not been any perceptible change in India's position in this regard. The then External Affairs Minister Sushma Swaraj did raise the issue of reciprocity on the "one China" with "one India" policies in her meeting with her counterpart Wang Yi in May 2014 soon after the new government was formed, yet there has not been any progress in this regard. On the other hand, China's UNSC debates on the issue have further led to the deterioration in the relations. This aspect is a poignant reminder to the future trajectory of the

bilateral relations in the coming years.

Thirdly, coinciding with the change in China's position on the Kashmir issue, the territorial dispute between the two countries have also taken a more complicated turn. In the last decade, the number of transgressions on the unresolved territorial dispute has increased substantially. In the aftermath of the Indian nuclear tests in 1998, China's border transgressions increased for the first time after the 1962 clashes, but in the 2000s these have increased substantially. Reflected in major incidents like the Depsang Plains in 2013 (in the backdrop of the visit of Premier Li Keqiang to Delhi), Chumar incident in 2014 (in the backdrop of President Xi Jinping's visit to Delhi) and Doklam incident (in the backdrop of the visit of Prime Minister Modi to Xiamen to attend the BRICS meeting) have all vitiated the bilateral relations. While the two informal summit meetings at Wuhan and Chennai addressed this issue by suggesting guidelines to their respective armed forces, and in fact, such incidents decreased, there is no guarantee that transgressions—specifically the intentional ones—will not occur in the future. It is recognised the world over that arriving at territorial dispute resolution—rather than postponing the issue for the "next generation" to resolve as some Chinese leaders preferred—could only aggravate the border situation with negative spillover effects on the bilateral relations. The Special Representative mechanism which met 22 times till December 2019 is tasked to look into this matter. However, it is to decide about arriving at a definition to the Line of Actual Control, suggesting that the other related processes such as delimitation and demarcation of the actual boundary would take

time to implement. Thus, the future trajectory of the bilateral relations in this sphere of border stability is important, if insecure, a dimension that needs closer attention of the leaderships. Territorial disputes tend to strike at the emotions of the people and thus rise in nationalism as an issue need to be addressed as a by-product of this border dispute. Besides, in 1979, repeated transgressions on the borders between China and Vietnam have led to a disastrous war. Currently, the number of transgressions by China's forces on the Senkaku Islands administered by Japan are on the rise indicating the trouble ahead. India and China could avoid such clashes in the future by following several policies such as a new set of confidence-building measures, in addition to active resolve to conclude the border dispute.

Fourthly, as both nations have identified terrorism as one of the most significant challenges to their respective national security, there is a scope for convergence of interests in this regard in the past, present and future. Indeed, in November 2006 during President Hu Jintao's visit to New Delhi, the joint statement mentioned about India and China opposing all forms of terrorism but specifically mentioning "three evils" – a Chinese definition on terrorism which includes "separatism, extremism and splittism". Subsequently, both have launched counter-terrorism intelligence sharing and conducted eight "hand-in-hand" army to army joint counter-terror operations so far. However, the difference came to the fore on the "cross border terrorism" aspects, i.e., terrorism emanating from Pakistan. While China made a deal with Pakistan to curb Uighur activists participating in the terror camps in Pakistan, there is no pressure exercised

by Beijing over Islamabad's terror links in India. It appeared that Beijing was merely interested in balancing relations between its "all-weather friend" Pakistan and "developmental partner" India as reflected in its mediation efforts after the Mumbai terror attacks in 2008 or recently after the Pulwama attacks. For New Delhi, while counter-terror cooperation is of paramount importance, Beijing's attitude appears to be intended to shield Pakistan rather than exerting pressure for curbing cross border terrorism. The proof of the pudding came when over ten times China used its UN Security Council position to stall and put on hold counter-terror action against Pakistan-based terrorists at the 1267 counter-terror committee. Beijing relented finally in 2019 when it felt impending international isolation on this issue after the US threatened to initiate new resolutions on terrorism.

Fifthly, as the largest developing countries with higher economic growth rates, the economic dimensions of the bilateral relations have a huge scope for development. Since the 2000s the economic footprint of both countries began increasing with China joining the World Trade Organisation and India entering the liberalisation period a decade ago. Bilaterally, China became the largest trading partner for India, although trade imbalances were to haunt the bilateral relations. From a mere USD 200 million in the 1990s, bilateral trade has grown to over USD 92 billion. The nature of the bilateral relations shifted from "constructive cooperative strategy" of 1988 to "strategic and cooperative partnership" in 2005 to the recent "developmental partnership" in 2014, underlying the current and future trajectory of the bilateral relations. As a result, both countries coordinate

their positions at the WTO, on enhancing voting shares at the Bretton Woods institutions, G20, at the New Development Bank of the BRICS and Asian Infrastructure Investment Bank or the climate change proposals. However, the *bilateral* context of these economic relations is small, the *multilateral* angle is getting enhanced. For instance, bilateral investments are low, economic integration levels between the two countries as well is not very intensive.

Sixthly, India and China have exhibited progress in the multilateral institutions, barring the recent Regional Comprehensive Economic Partnership agreement. This has been the trend in the India-China relations in the 1950s and the last two decades and is reflected in their coordination in the UN, East Asian Summit, Shanghai Cooperation Organisation, or others. Many of these cater to their minimalist foreign policy goals of protecting their territorial integrity and sovereignty issues or developmental interests. Secondly, participating in such multilateral processes strengthens their multipolar instincts. However, like in the 1960s, over-emphasis on the importance of the multilateral interactions come at the cost of not settling outstanding bilateral issues such as the territorial dispute or on Kashmir.

India's policy choices

The above broad view of the development of the relations between India and China suggest that

in seven decades of the establishment of diplomatic relations, India and China relations have been diversified and became complex in nature. Today they have become significant players in the global and regional orders creating a niche of their own. India had graduated from Look East Policy of the 1990s to that of Act East Policy in 2015. India has joined the Indo-Pacific and the renewed Quadrilateral Security Dialogue with the US, Japan and Australia. It aspires to play a “leading role” even as it merges with the mainstream ideas of strategic stability, transparency and prosperity as reflected in the Asia-Africa Growth Corridor, Indian Ocean Diplomacy and others. China had unveiled a programme of “rejuvenation” and “occupying the centre stage” in regional and international orders. It had propped up China-led institutions and initiatives and possibly is willing to plough a lonely furrow due to the domination of the communist party’s aspirations. Even though India and China appeared to balance their aspirations and projections as rising countries, the future trajectory appears to be of a mixed nature with the bottom line that any conflict on the territorial dispute is avoided. The Doklam standoff in 2017 appeared to have ushered in that equilibrium in the bilateral relations. While both have been strengthening their respective conventional and strategic deterrence levels, the leaders are acutely aware of the developmental imperatives of their respective countries.

