Foreseeing India-China Relations: The ‘Compromised Context’ of Rapprochement

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SUMMARY India-China relations witnessed a new wave of optimism for a progressive and engaging partnership following the Wuhan Summit, the informal 2018 meeting between Narendra Modi and Xi Jinping. Key to this has been continuous exchange of political and official visits from both sides. However, these exchanges might not be sufficient to remove uncertainty and suspicion from their relations. As long as China’s relationship with the United States remains adversarial, China will embrace India—without guaranteeing that it will not adopt a confrontational posture in the future. Their shifting relations, though suggesting an official longing for an upward trajectory, are based on a compromised context. External circumstances have pushed them to rapprochement, but could also drive them apart. Whether India and China will sustain this rapprochement is difficult to foresee.
With the rapid emergence of the Indo-Pacific as a geopolitical paradigm, the trajectory of politics in Asia is changing. North Korea is taking incremental steps to reconcile with South Korea, the United States and China and to achieve peace in the Korean peninsula, albeit perhaps conditionally. Relations between two paramount economies—the U.S. and China—are becoming thornier, embroiled as they are in a sour trade conflict that is heavily influencing global trade politics. The dynamic between India and China seems to have changed as well, since late 2017. As both are strengthening their economic and diplomatic ties following the military border standoff at Doklam in 2017—when India placed troops to prevent China from building a road into territory claimed by its ally, Bhutan—New Delhi and Beijing are trying out different forms of diplomacy to determine their spheres of influence while taking their relationship forward. Whether they are in cooperation, conflict, or bare coexistence now hinges on certain external conditions. This has, invariably, made India-China relations quite contextual—foreign policy behavior is determined more by the regional and international context than by domestic factors.

No matter how stable and secure India-China relations appear to be post-Doklam, the contextual nature of this stability is more or less “glocal”—their bilateral dynamics with the United States, Japan, and Pakistan, and with other smaller neighboring countries, will continue to be important. The 2017–2018 revival of the Quadrilateral Security Dialogue, often known as the Quad 2.0, by the new liberal world nexus of Australia, India, Japan, and United States, has raised questions about the seeming stability of India-China relations. The Quad as an “Indo-Pacific” proposition is essentially a consequence of the growing power asymmetry in Asia, and is directed toward achieving equilibrium. By attempting to overcome the trust deficit between countries and by endorsing a multipolar world order, the Quad calls for a renewed commitment to an orderly rule-based global structure.

China’s Belt and Road Initiative (BRI) has received both jeers and cheers. India’s refusal to support the initiative has not drastically worsened their relationship, but has certainly caused qualms. So has China’s ever-increasing adventurism in maritime Asia, with the increase in the construction of ports and other maritime infrastructure in the Indian Ocean Region (IOR).

These intense “glocal” conditions appear to be enduring, and continue to raise the question of whether the bonhomie and stability of India-China relations, noticed in 2018 and now to 2019, following the Narendra Modi-Xi Jinping informal and personal meeting in Wuhan, is a long standing one. How far this amount to a ‘compromised context’ in India-China relations? In other words, will the 2018-19 stability of India-China relations endure, especially with Narendra Modi’s return to power in India?

The Political Overture to Reframe Ties

India-China relations are primarily a reflection of their foreign policy trajectories and domestic developments. Chinese foreign policy is geared toward reestablishing China at the center of the global economic and political system, and India, like other major powers, faces the dilemma of accepting or resisting it. It is important to tackle the zones of contestation, given that energy and maritime security are at risk owing to the growing turmoil in West Asia. Given the current geopolitical landscape, which might be heading toward greater polarization, India is most likely to benefit by not explicitly aligning with either China or the United States. India needs the Quadrilateral consultative forum as much as it needs a peaceful border with China. For China, too, a stable neighborhood is crucial as it navigates its relationship with an openly adversarial United States under President Donald Trump. Both countries therefore have a tactical opening for improving their relations, but within limitations. The Wuhan spirit provided temporary solace but was perhaps not entirely successful in overcoming the points of
contention in their asymmetrical relationship.

The Doklam border stand-off was no ordinary episode in India-China relations—with its potential to escalate into a small-scale war, it tested their diplomatic nerve and skills. Diplomacy was at its core and both sides successfully averted further escalation. India stood proud that the Indian Army successfully faced the People’s Liberation Army (PLA) for 73 days, something that few Asian militaries perhaps could do. For New Delhi, it was crucial to stop the PLA from constructing roads in the Doklam tri-junction area, in what it terms a disputed region, without triggering a war. For Beijing, its attempt to inject an element of strategic complexity into a politically stable India-Bhutan relationship was successful, as evidenced by China’s ongoing attempts to create divisions between India and its neighbors. Moreover, Beijing sought to test India’s diplomatic character and military preparedness in the face of a territorial threat. The resolution of this incident thus illuminated the complexity of India-China relations and how small-scale incidents can spiral without political will.

However, the inference that the possibility of an India-China confrontation is remote is not guaranteed. China’s foreign policy under Xi Jinping exhibits long-term territorial ambitions, both land and maritime. With Donald Trump acting on impulse with regard to China and being generally erratic, the other leaderships were compelled to readjust their treatises. Hence, the renewed attempt to reframe India-China relations, by means of several official exchanges in 2018 and 2019, have certainly brought temporary stability to the relationship.

To maintain “closer strategic communication” was the overarching outcome of the Modi-Xi informal meeting in Wuhan. The Modi-Xi meet on the sidelines of the Shanghai Cooperation Organization (SCO) in Qingdao in June 2018 [and now in Bishkek in June 2019] was followed by a meeting against the backdrop of the Johannesburg Brazil-Russia-India-China-South Africa (BRICS) summit in July 2018. This strengthened the notion that India-China relations were fast following a personality-centric engagement process. The Chinese Defense Minister Wei Fenghe’s visit to India in August 2018 was more for rebuilding the lost confidence between the two militaries. Establishment of a hotline between their militaries and resumption of annual military exercises and dialogues set the course for reframing the faltering relationship, generating an amount of confidence that was most required.

Added to this was the positive change evidenced in their bilateral trade exchanges—the most stabilizing factor in their relations – witnessing an upward trend of 25 percent, to almost $90 billion in 2017–2018. To India’s concern, the trade ties with China are lopsided, with Beijing enjoying a growing trade surplus. Not to overlook, after the United States, India has the second-largest trade imbalance with China. All initiatives to improve this situation have only increased Chinese dumping in Indian markets.

Contrary to India’s advocacy for a ‘multipolar Asia,’ a unipolar Asia led by China seems to be the Chinese leadership’s overarching ambition. However, in Chinese estimation, under the ambit of a multipolar Asia, cooperation with India will remain a priority. Beijing is continuously pitching at such a scenario. For instance, the recently concluded second Belt and Road Forum summit in April 2019 points to a scenario in which China would like to exhibit a more flexible and accommodating posture to the outside world, including its important Asian neighbors. As India is amassing power, capitalizing on its strategic interests to better position itself globally as an emerging power, it forms an indispensable portion of the Chinese stratagem of global engagement. Furthermore, India’s participation is crucial for the successful establishment of an Asia-centric model of global governance, be it through the Asian Infrastructure Investment Bank (AIIB), or an expanded SCO and the BRICS. Such externalities have prepared the ground for India-China cooperation, but it is contextualized by the geopolitical situations in which both are intertwined. On India’s part, a spirit of competitiveness is readily discernible, to check the increasing Chinese adventurism in South
Asia and the Indian Ocean Region (IOR) without appearing too provocative to China. Beijing, too, anticipates a strong Indian role in the U.S.-led liberal world order, and therefore, maintain caution, and does not want the relationship to turn adversarial.

**An Offshoot Of U.S.-China Friction**

Both India and China have always, independently, tried to have a stable and mutually beneficial relationship with the United States. China’s primary quest currently lies in stabilizing the trade and economic relationship; India’s interest is to quickly convince Washington of its emergence as a leading power, secure high-end technologies, and strengthen the defense partnership. With the United States considering India as an important strategic partner in the U.S. Indo-Pacific Command, the Indian navy is increasingly exhibiting tendencies to cooperate with the U.S. Naval Central Command (USNAVCENT) in terms of force-projection capabilities. Both countries are negotiating to enable India to play a more active role in counter-piracy operations, anti-submarine warfare, and carrier-based and other combined naval operations in the Combined Maritime Forces. Such operations, along with the Malabar exercises, military maneuvers undertaken by the Quad countries in parallel with their strategic dialogue, are part of a two-pronged strategy—first, they help expand India’s naval capabilities to give it a stronger regional presence and, second, they make China wary of this India-U.S. collaboration and encourage it to be more cautious in the maritime domain.

On the other hand, the trade war between China and the United States, which began with Washington reprimanding China for unfair trade practices, escalated when China adopted a retaliatory approach. Since July 2018, the United States has imposed duties on $250 billion worth of Chinese goods and China has retaliated by imposing tariffs on U.S. products worth $110 billion. Although a temporary truce was achieved after the Group of Twenty (G-20) Summit in Buenos Aires on December 1, 2018, it turned out to be ineffective. The United States and China have been unable to arrive at a solution, inflicting damage on both economies. In this scenario, China is looking for other potential markets and India, owing to its proximity and huge market, is an ideal partner.

This trade war has given other countries an opportunity to reevaluate their trade networks and enforce pending free trade agreements (FTAs). China and India too, by participating in tariff relaxations, are in favor of making their economic relations more robust and diversified. However, three questions emerge in the overall context of their bilateral relations—first, how can Indian imports from China be diversified without increasing the trade imbalance; second, which sectors should be targeted if exports to China are to be increased while avoiding Chinese retaliatory trade measures; and third, what are the platforms for diversifying production in India to shrink the “Made in China” label.

While India’s challenges are to transform its market for foreign investors, liberalize its tariffs, and boost its FTAs, the challenge for China lies in shifting its global trade away from the United States. Although the growth rate of India-China trade experiences momentary surges, various stresses remain, such as the huge trade deficit India is incurring. While U.S.-China trade tension does not have any direct repercussions on the Indian market, it increases the risk of China diverting excessive goods. Undoubtedly, China will suffer a huge loss if it loses its grip on the Indian market. Reducing trade tariffs on products like rice and amending the Double Taxation Avoidance Agreement (DTAA) are crucial. To address the increasingly uneven trade relationship, China has reportedly agreed to import two million tons of sugar. However, the problem is that the Chinese sugar industry is also facing oversupply. So, India’s trade volume may not end up making much difference to their trade statistics. Addressing this trade deficit will, for the time being, keep India-China relations bristling.
As can be observed, China is rising but is also encountering bumps—it may perhaps even be forced onto a collision course with the United States. In this context, taking a step back and rethinking some of its strategic and diplomatic engagements might be beneficial. This requires China to find like-minded partners to contribute to establishing an alternate global governance structure. Time and again, China has declared its intention to get India on its side in an attempt to revise the world order. In 2018, the Chinese ambassador to India Luo Zhaohui said “From the global perspective, in recent years, the developing countries represented by China and India have emerged as a group, contributing to the ongoing ‘rise of the East’ in the transforming world.” He further noted that “As neighboring major emerging countries, we should coordinate our positions and also explore ways to be with each other.”

What perhaps gives more meaning to such statements are accompanying actions, and China’s recent decision to lift its technical hold on declaring Masood Azhar, chief of the Pakistan-based militant group Jaish-e-Mohammed, a terrorist at the United Nations is a clear diplomatic triumph for India. Notwithstanding the pressure that was building on China for protecting an internationally ill-famed terrorist and the continuous effort put in by India at major international discussions, the call has finally resolved a serious contention.

A Compromised Deal Across the Indian Ocean

An understanding of how developments in the Indian Ocean are putting India and China at loggerheads is important not just to ensure national and maritime security, but also to sustain their geopolitical interests. The growing power asymmetry, military projection and perception in the maritime domain have driven their relationship into an intensely competitive zone. The perception of threat has left both powers scrambling for legitimacy. For India, China seeks to reinforce its offshore defense capabilities by entering into military and semi-military alliances with partner countries, building ports, posting noncombat troops, and supplying arms to selected partners. Indeed, the Chinese presence is most strongly felt in the Djibouti naval base in the Horn of Africa, on Sri Lanka’s Hambantota port, and in the Gwadar Port of Pakistan. China is upgrading another deep sea port in Myanmar’s port of Kyaukpyu. There is speculation that this is leading to another Hambantota-like situation, strengthening China’s foothold in the IOR.

In the case of Pakistan, as well, China is actively engaged in massive sales of military equipment. This strategy of providing military assistance to the littoral countries is not well-received by India, which has a rather proprietary stance toward the IOR. New Delhi is enhancing its maritime connectivity networks based on “Security and Growth for All in the Region” (SAGAR). While the stress is on a safe, secure, stable, and shared maritime space, challenging Chinese growth and building durable capacity is the principal concern. One advantage that India has in the IOR is that China has not yet declared a coherent Indian Ocean security strategy, although it is highly interested in acquiring ports, for instance the Hambantota in Sri Lanka, Gwadar in Pakistan, Kyaukpyu in Myanmar, Payra and Chittagong in Bangladesh, Dolareh in Djibouti, and a few others on the African continent. Moreover, the BRI can now be considered as the de-facto Chinese grand strategy to inscribe its footprint across oceans and continents. Such beguiling multimodal connectivity spans the IOR as well.

Consequently, overseeing the presence of other countries’ maritime forces in the IOR is of utmost importance to India. China’s growing maritime understanding with Pakistan and India’s other neighbors most strongly triggers much suspicion. This stems from three factors—China’s support to Pakistan, the Maritime Silk Road coupled with the Silk Road Economic Belt strategy, and the fact that the China-Pakistan Economic Corridor, i.e. land-based Chinese military presence, will have consequences for China-Pakistan military strategy.
In an attempt to match China's increasing footprint, India is also seeking to extend its outreach over the Pacific. Naval cooperation with like-minded countries like Japan, France, and the United States is at the forefront of India's maritime strategy.14 Earlier in 2018, India also succeeded in convincing Indonesia to collaborate in setting up a naval port in Sabang, strategically located at the entrance of the Malacca Strait. 2019 has also brought India a flurry of bilateral naval exercises with the United States, the Philippines, Japan, and Australia in the South China Sea and the Indian Ocean.15 This spirit of conducting vigorous maritime activities with like-minded countries has reinstated a sense of solidarity against rapid Chinese developments.

India has realized that, on its own, it has limited resource capacity to match China’s assertiveness, making its outreach beyond the Pacific extremely important. With an increasing focus on developing a strong strategic deterrence against China, the Indian leadership is seeking to have an extended maritime neighborhood power-projection, with an emphasis on Act East Policy. Currently, India cannot rival the extravagant Chinese investment packages, but it does redeem itself by offering something China does not—mutually favorable deals that are based more on partnership than on exploitative lending, such as the India-Myanmar-Thailand Trilateral Highway and the Kaladan Multimodal Project. However, the problem for India in effectively challenging China lies in its decision-making process—India might not lack ambition but it certainly lacks the cohesiveness and the resolve to outcompete a country like China.

### Domestic Compulsions and the Growing Bond with Japan

Both Narendra Modi and Xi Jinping have long-standing geopolitical ambitions to maintain stable relations, despite their various blind spots. For Modi, the 2019 national election is momentous for all the initiatives undertaken during his tenure, although India’s foreign policy—under the United Progressive Alliance (UPA) or the National Democratic Alliance (NDA)—has followed the same principle of maintaining good ties with major powers. For Xi Jinping, too, another standoff like the Doklam would give a strongly negative impression of China to the international community. The current geopolitical situation, wherein the United States is inching militarily closer to India and moving out of China’s radius, is perturbing for the Chinese leadership. It has also become imperative that China not put the BRI under any stress. It is already facing a backlash from the Maldives, Malaysia, and Sri Lanka, as well as its “all-weather” friend, Pakistan.

This puts Japan at the external core of India-China relations. In 2018, India and Japan elevated their partnership, both economically and strategically, and had China fearing that they might become an existential counterweight. While Beijing and Tokyo did not make any effort to reinvigorate relations until very recently, New Delhi has always found a reliable strategic partner in Tokyo. However, India-Japan ties are unduly economically oriented. India's need for Japanese investment for fast-track infrastructure development makes this relationship lopsided. Moreover, Japan's intent to forge a stronger strategic bond with India is heavily influenced by two conjoined goals: (a) to protect its own security and commercial interests for which India is a prospective partner; and (b) to facilitate the influence operations of the United States to balance out Chinese strategic outreach. Indeed, if anything, it is rapid Chinese commercial and military adventurism that has affected Japanese interests lately. So, a partnership with India is a natural progression, as both perceive China as assertive and expansionist.

The dilemma facing both countries in this regard lies in reassuring China, which is deeply skeptical of any alliance in Asia, that their partnership is not a threat or a design to “contain” China. A direct diplomatic engagement for countering China could therefore prove tricky. Tokyo is now also a ‘conditional’ partner in the BRI. Japanese Prime Minister Shinzo Abe’s balancing act between India and China may have its pitfalls, but it is crucial for Japan to persist
in partnering with India, as much as with China. Stronger economic ties with China are of strategic significance to Japanese economic growth.

Nevertheless, India-Japan ties have succeeded in generating a climate of strategic confidence across the Indo-Pacific vis-à-vis China. Yet, neither is a grand alliance against China inevitable nor could the Indo-Pacific liberal world nexus—primarily orchestrated by the U.S.-Japan security alliance—afford to exclude Chinese presence. If anything, the point of the India-Japan understanding is to encourage Beijing to rethink its approach to Asian neighbors by creating a subtle pressure. To some extent, India-Japan relations have succeeded in generating this positive climate against China, by also incorporating the voices of other prominent actors, including Australia, South Korea, Taiwan, Vietnam and other Southeast Asian countries. Together, these countries are balancing, if not completely preventing, the emergence of a highly Sino-centric vision of a world order.\[^16\]

This is an opportune moment for India to move beyond the perceived asymmetries and focus on overcoming a hegemonic China by strengthening relations with like-minded states. Despite Trump’s cold approach towards India, New Delhi should not delay expanding its sphere of influence when Modi takes charge as the Prime Minister of India for a second consecutive term, especially when the United States is by and large on its side. India’s foreign policy under Modi 2.0 could become much more decisive and forceful. What makes China uneasy is precisely the increased attention India has recently garnered under the leadership of Modi. While it has never considered India as a major threat or competitor, it is still obliged to advocate better trade and investment cooperation and to see India as a multilateral economic partner. Geopolitical compulsions in India-China relations are likely to persist in the remainder of 2019 and beyond.

### Looking Ahead: Constraints to Cooperation

Three factors might constrain India-China relations despite bilateral efforts. First, the Indian and Chinese foreign policy ambitions have contradictory outreach programs. Either in the IOR or with ASEAN, security ambitions for securing resource opportunities are bound to clash. For India, China is seeing it as a “limited Asian power,”\[^17\] and for China, India is acting as a proprietor of the Indian Ocean. Second, creating sustainable economic opportunities to uphold a true “development partnership” is another area of tension. India’s strong reservations about the BRI proposition could bring their future engagement to a standstill. It is also possible that they might make a fresh start on engaging and carrying forward their “development partnership,” including most of the BRI components, without India changing its principal position on BRI. Third, Beijing’s growing assertiveness in the maritime domain will not be well-received by India. In other words, despite the lack of maritime disputes between the two countries, the contest between them for maritime domain may gradually increase.

Above all, differences in perception and mutual mistrust may persist between the two, as exemplified by India’s staunch refusal to endorse the BRI. Besides, there is no likelihood of continuation of the same externalities—a change in President Trump’s policies could have a dramatic impact on Asia’s regional dynamics. In such a scenario, India-China ties are not likely to improve drastically, and the cooperative trend seen in 2018 may be overridden. With Modi and Xi at the helm, as India and China prepare to have a second Wuhan-type summit later in 2019, the onus lies on finding a mutually satisfactory balance. In the face of China continuing to cajole Indian policymakers to alter their resistance to BRI yet failing to understand India’s standpoint, the options are limited. Hedging and engaging in external balancing with the Quad countries, as well as promoting regional connectivity with ASEAN countries, therefore must be prioritized in India’s Indo-Pacific outreach.
Notes


11 Keynote Speech by Ambassador H.E. Mr. Luo Zhaohui at the Opening Ceremony of China-India Relations Seminar, June 19, 2018, http://in.chineseembassy.org/eng/gdxx/t1569657.htm


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