

India, China and Pakistan*

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Introduction

General VP Malik, former Chiefs of the Services, Lieutenant General PK Singh, Director USI, Ladies and Gentlemen. Thank you for giving me the honour and opportunity of delivering the 2016 USI National Security Lecture at this prestigious and premier institution to some of the country's best military minds on the Armed Forces Flag Day.

It was suggested that I speak about India, China and Pakistan. These are among India's most challenging relationships, which we have handled with varying degrees of success in the past. I thought that we might consider the prospects for these three neighbours and their inter-relationship. Since the past is prologue to the present and future, let us begin by briefly looking back at how India, China and Pakistan have handled their triangular relationship and how they have developed in the recent past.

The Past

China's Commitment to Pakistan

It almost goes without saying to an Indian audience that India was and remains the strategic glue to Pakistan-China relations, since at least the late fifties and certainly after 1962. This is certainly true for Pakistan, possibly less so for China. The March 1963 China-Pakistan Boundary Agreement was a public manifestation of this as it sought to dispose of Indian territory under Pakistani occupation in the State of Jammu and Kashmir.

What is less often said in India is that China's commitment to Pakistan has had its limits, not always to Pakistan's liking, and has changed over time. While China has been ready since the sixties to build Pakistan's military, nuclear and other capabilities as a check and hedge against India, tying India down in the subcontinent, she has been less willing to actually expend her own blood or treasure in defence of Pakistan. In none of Pakistan's wars with India did China intervene militarily, not even in 1971, when Pakistan was breaking up and Kissinger tried his best to get China to act against India, guaranteeing that the US would neutralise any possible Soviet response against China.

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China also declined Pakistani attempts to sign a defence treaty committing China to the defence of Pakistan when Bhutto suggested it in 1974 to Zhou Enlai, and possibly on subsequent occasions. Nor are there explicit security guarantees or jointly prepared military responses to contingencies. Instead, what China has done consistently since the mid-sixties is to give Pakistan the weapons that she seeks, including nuclear weapons and their delivery systems, in nuclear cooperation that was formalised during Bhutto's June 1976 visit to Beijing, and which, to begin with, was a two-way street. China and Pakistan therefore enjoy an alliance, but a unique one, with Chinese characteristics perhaps.

In December 2001, President Musharraf asked China to raise the issue of Indian buildup on the border as a threat to international peace and security, in the UN Security Council; to declare that China would defend Pakistan's territorial integrity and to move troops in Tibet to make the statement credible. The Chinese leadership's response after two weeks of deliberations was to tell Pakistan that the other members of the Security Council had no appetite to discuss India-Pakistan issues, that the territorial integrity of Pakistan was the responsibility of the Pakistan Government to whom China would make available all that she could, and that conditions did not permit troop reinforcements or movements in Tibet. Three weeks later in January 2002, Premier Zhu Rongji visited India, the first visit by a Chinese Premier after 1991.

The Zhu visit was part of a period of relative Chinese neutrality on the Kashmir question in public, with China reiterating that this was an issue for Pakistan and India to settle, which coincided with our stance that this was a bilateral India-Pakistan issue. In 1993 China, (and Iran), urged Pakistan not to press her resolution on Kashmir at the UNHRC, which ultimately failed. *And in December 1996, President Jiang Zemin told the Pakistan National Assembly that Pakistan should do with India what China was doing, discussing bilateral disputes without allowing them to prevent the development of normal relations and cooperating where they could.* This echoed Indian advice to Pakistan and is something Pakistan has never been ready to do.

That equilibrium in the India-China-Pakistan triangle survived the ripples of India's nuclear weapons tests in 1998. During the Kargil conflict the next year, China, like the US, urged Pakistan, to respect the sanctity of the Line of Control (LC). This state of affairs was made possible by the end of the Afghan war, China's need for internal consolidation after Tiananmen and Deng's accommodationist external policy towards the USA, all of which had reduced Pakistan's immediate utility to China. The signing of the Border Peace and Tranquility Agreement (BPTA) with India in 1993 also made overt hostility unnecessary, even though China's covert support to Pakistan's nuclear weapon programme and her army continued ensuring that their gap with India never grew too large while keeping alive the Pakistan Army's dream of strategic parity with India. For India, China's public neutrality created space which Prime Ministers Narasimha Rao, Vajpayee and Manmohan Singh utilised in their dealings with Pakistan – a space that no longer appears available to the Indian Government.

Today's situation is clearly very different from that period between 1988-2008, even if one discounts recent Pakistani claims that China is now ready to sign a defence treaty committing it to the defence of Pakistan. After the India-US nuclear deal, and more so after China adopted a more assertive policy after the 2008 world economic crisis, *the earlier modus vivendi in India-China relations no longer suffices*. The signs of strain in India-China relations since then are clear, and Pakistan is a big part of them. China's opposition to India's NSG membership (with the implicit goal of bringing Pakistan in as well), her hold on Masood Azhar's listing by the UN as a terrorist etc., are symptoms of a more fundamental shift. Both India and China have expanded their definitions of their core interests: India's response to the China Pakistan Economic Corridor (CPEC) is much stronger than its 1979 reaction to the inauguration of the Karakoram highway; China today objects to Indian activity in the South China Sea despite our legitimate interests there. The expanding definitions of interest are most evident in the South China Sea. When India began economic reforms in 1991 about 14 per cent of gross domestic product (GDP) was from merchandise trade. By 2014, this was up to 49.3 per cent and India had a real interest in freedom of navigation in the seas that trade passed through, including the South China Sea. At the same time China began defining the South China Sea as a core interest and began asserting her rights, as she saw them. Issues like this mean that India and China are rubbing up against each other in the periphery they both share.

China's commitment to Pakistan is today broader and deeper than it has ever been. As China's capabilities have grown, so has the significance of that commitment to India's security calculus. For China a restive Xinjiang, balancing India, access through Gwadar to the Indian Ocean, and Pakistan's role in the Belt Road Initiative (BRI) and Afghanistan are compelling reasons for an increased commitment. For India, this enhanced Chinese commitment to an inveterately hostile neighbour is in itself a game-changer. China's long term presence in Pakistan Occupied Kashmir (POK) as a consequence of the CPEC is a Chinese bet on Pakistan's continued hold on Indian territory, and has created a Chinese interest in Pakistan's stability that did not exist before. As a consequence, Pakistan has less incentive to be responsive to Indian overtures, to accommodate India or even to meet India halfway. Besides, the implications of a Chinese military presence in Gwadar, Djibouti and other ports around the Indian Ocean coincide with a shift in declared Chinese strategy towards power projection and an accretion of Chinese capabilities which changes India's security calculus.

The Present

Diverging Trajectories of Development

The relative development trajectories of the three countries in these same three decades have also contributed to what Indians see today as heightened China-Pakistan collusion.

Consider where India, China and Pakistan were in 1950, 1990 and 2015 in terms of GDP, per capita income, the Human Development Index (HDI), and their rankings in

world trade and manufacturing. Until the eighties, Pakistan was doing better than India and China economically, or, to be precise, was improving her condition faster than India and China. But the end of the Cold War, the end of the Afghan war, Deng's 1992 burst of reforms, and India's 1991 reforms marked a fundamental shift and divergence in their trajectories. Thereafter, Pakistan began a secular decline into political instability, religious extremism and terrorism, and her economy, which remarkably maintained some growth, began to fall further and further behind. India and China, on the other hand, were the two greatest beneficiaries of the two decades of globalisation and open trade and investment before the 2008 global economic crisis. While China became the second largest economy in the world, India went from the world's tenth largest economy in 2000 to the third largest by 2014 in purchasing power parity (PPP) terms. Even after the 2008 global economic crisis, though India and China may have slowed somewhat, and even if China reverts to the mean, their distancing from Pakistan, and each other, continues to accelerate.

The change in China's internal condition and external posture has been the most revolutionary of the three; Pakistan's the least. The result in terms of improved human welfare has been the greatest in China and the least in Pakistan. For an India that is growing and changing at rates unprecedented in her history, the power gap with both China and Pakistan has been widening in the last thirty years, with Pakistan in India's favour and with China against India.

As a result, since 1990, Pakistan's 'constituency' in the international system has declined, India's has grown, and China's has risen phenomenally. This was also the period when the military balance between the three was re-calibrated. The overt nuclear weapon status of India and Pakistan lowered the likelihood of a full-fledged conventional war in the subcontinent but increased the Pakistani incentive to use terrorism and asymmetric means, a temptation she had been ready to give in to since her birth in 1947, in pursuit of her dream of strategic parity with India.

In the last decade China has reached near superpower status in some significant metrics. These are listed below :-

- (a) China has GDP parity with the US in PPP terms, and 2/3 of the US GDP in standard exchange rate terms.
- (b) China is the world's top manufacturer by a considerable margin, and has decisive influence in most world commodity and manufacturing markets.
- (c) China has the second greatest military budget in the world with modernised, streamlined and high technology armed forces.
- (d) China also has what appears to be a stable internal leadership. The nature of the regime and its survival as a one-party state are often questioned by foreigners, but they have so far outlasted all prophecies of doom. (The unchanging nature of the regime in power is one respect in which Pakistan and China are alike.)

China's weaknesses (which, interestingly, are also those that Japan exhibited at the height of her rise in the late eighties), are precisely those areas that China's leaders stress in their plans for the "Double Hundred". These are: -

- (a) *Limited influence in global financial markets;*
- (b) Insufficient innovation and Research and Development;
- (c) A lack of soft power influence and attraction; except perhaps in Pakistan which has the most positive view of China after China itself, according to Pew. Incidentally, about the same proportion of Chinese view Pakistan favourably as view India favourably, a little less than 30 per cent; and,
- (d) *Not much say in political and military outcomes on issues outside the Asia-Pacific.*

Let me elaborate on that last point. Deng Xiaoping's accommodationist external political strategy left him free to concentrate on economic reform at home while slipstreaming the US abroad. President Xi Jinping is now staking out independent positions on global issues while trying to work with the US (as on climate change etc.) in a "new type of great power relations"; while putting in place the pieces (such as bases in Djibouti, the BRI, and so on) for a more independent Chinese policy in the future. China-US strategic contention is a reality in the Asia-Pacific, but is so far largely verbal outside the Asia-Pacific. This is one reason why China finds the UN useful, as Xi Jinping's September 2016 speech made clear, for it affords a declaratory platform even for powers with little real influence on events, and makes few demands for real commitments to making outcomes stick and work.

As China has rapidly risen, Pakistan's internal condition and economic prospects have declined steadily. One consequence of that declining internal capability has been Pakistan's increasing reliance on terrorism and religion as instruments of state policy vis à vis India and Afghanistan, and use of terrorism as a negotiating tool with China, the US and now Russia. While Pakistan uses terrorism as a weapon against India and Afghanistan, she offers to manage, deal with or negotiate with terrorist groups for the US, China and Russia. Another consequence is the increasing intertwining of terrorist and extreme religious groups with Pakistan's establishment and political parties. China's dependence on the Pakistani Army has also increased in her fight against Uighur groups and to protect her assets in Pakistan and Afghanistan.

Besides, as Pakistan has declined economically, China has had to do more to support her. Before Xi Jinping's US \$46 billion CPEC commitment in April 2015, China's economic assistance was negligible and limited to strategic projects like the Karakoram highway and Gwadar port and to strengthening security ties. A RAND study puts total financial assistance pledged by China to Pakistan between 2001 and 2011 at US \$66 billion, but finds that only 6 per cent of it ever came through. China has never kept Pakistan from having to go to the IMF, even when explicitly asked to in 2008.

Pakistani officials put total Chinese investment in Pakistan before the CPEC at US \$25 billion, but official PRC figures speak of pre-2010 DFI of US \$1.83 billion.

The 2015 CPEC, therefore, represents a considerable increase in China's interest in Pakistan. This is still primarily a strategically driven interest rather than an economic one. Within the CPEC (of which US \$34.4 billion are for power projects, most of which are still to begin), it is strategic Gwadar port that has been progressed first— a port that will enable China to secure oil and gas supplies from the Persian Gulf and to project power into the Indian Ocean. The Chinese media itself has been downplaying the commercial significance of an oil pipeline from Gwadar to Xinjiang saying that oil through it would prove 16.6 times more costly than alternative land or sea routes. *It is clearly not the economics of road or rail or pipeline connectivity that is driving the CPEC through some of earth's most hostile terrain, highest mountains and least secure places; but strategy.*

The CPEC is a reflection of China's increasingly assertive role abroad and of her geopolitical pursuits. The CPEC is an integral part of President Xi's Belt and Road Initiative and the location of Gwadar at the top of the Arabian Sea and close to the Straits of Hormuz is critical to that. *As the third leg of the triangle (India) rises, the incentives for China to buttress Pakistan increase, for balance of power reasons as well.*

As for India-China relations, it is evident that the power gap between them is growing. Not just relative or absolute gap matter; but perceptions too. Today peace between India and China is possible because both think that their relative position will be better in the future. In which case why settle or push issues to a decision now? Both wait for a stronger hand. Besides both have better things to do than to indulge in confrontation, concentrating on their internal adjustments and development. But in Pakistan's case the growing power gap with India and internal regression is used to justify cross-border terrorism and a continual state of managed hostility for internal and external reasons, but not an attempt to push matters to a decision, yet. (That could come should Pakistan's decline be accelerated and if the Pakistani establishment believe it could only get worse and not be arrested.)

Larger Factors at Play

It thus seems to me that the growing divergence between the trajectories of the three countries' development has affected Pakistan and China the most as also the bilateral relations between each of the pairs in this triangle. But there are also larger factors at play in the India-China-Pakistan triangle. These are :-

- (a) Between 2012 and 2014, China and India put in power authoritarian centralisers, conservative within their own traditions, who present themselves as strong leaders and who rely on nationalism for legitimacy. (Asia led, Europe and the US have followed) This matters because it makes the dialogue and compromise more difficult in ambiguous and ambivalent bilateral and international situations, thus limiting the scope for successful diplomacy. We are in an age of ultra-nationalism.

(b) Both India and China have no choice but to undertake major internal restructuring of their economies. The CCP and the Indian electorate know that we are at a hinge moment of transformation; but the actual record of ability to change and reform is poor in both the countries. China has implemented very few of the reforms approved by the third plenum three years ago. By one count, India has reportedly partially implemented about nine of the big 30 reforms that this Government promised to undertake when it came to power.

(c) On top of diminished capacity to drive internal change and compromise externally, the external environment is also much less favourable. Uncertainty in the international system has never been so high. We are all wondering how the sole superpower will behave under President elect Donald Trump. Some disengagement from the world and increasing de-globalisation seem likely. The US-China relationship will probably see some turbulence if the President elect's phone call with Taiwanese leader Tsai Ing-wen is anything to go by. But the truth is that no one knows how US policy is likely to evolve under President Trump.

(d) My own sense, however, is that despite the increased uncertainty, the prospect of great power conflict is still low; but that the risks of great power involvement in conflicts with lesser powers or in regional flash-points is today higher than before, particularly in Europe and the Middle East.

(e) The Asia-Pacific is unstable but not critical. Unstable, because of rapid shifts in the balance of power in the region; the world's and history's greatest arms race in the last 30 years in the region; rekindling of territorial and maritime disputes; return of geopolitics or great power contention between China and the US and so on.

The Future

So what should we expect from the foreseeable future in these circumstances? Much will depend upon what China's goals and intentions are, since she is the strongest actor in this triangle.

If history is a guide, one must not expect China to behave as Western hegemon or powers did in the past. She will not be another USA, setting international rules and providing security for an order that she manages (This is today's equivalent of the eighties and nineties Western myth that China's economic development through capitalism would bring democracy in its wake.) To understand China's future behaviour look at her past. There has never been a *pax Sinica* in Asia even in her immediate neighbourhood, and China has never sought to impose one.

China has no historical experience of a multiverse. China has historically been used to her own universe, homogenous not plural, in her own image, hierarchical, obedient, unipolar, not multipolar. She has sought acknowledgement of her status, deference and recognition of her primacy, rather than the responsibility of running an international order or being a provider of security. This is not very good preparation for what China

will face in the future if she succeeds in hitting her Double Hundred targets. Would China realise that in order to attain and maintain primacy she would need to work with others as well besides only Pakistan and North Korea, and be a net provider of global public goods? If she does there is hope.

Besides, China's past can only be a limited guide to the future. Over two centuries, China has also been influenced in her thinking by the impact of the West. But whether this is more than 'Western technique with Chinese spirit', or represents a fundamental modernisation of strategic thinking is not yet clear. All that can be said with certainty is that China does not, and will not, behave as western great powers and hegemonies have in the past.

Where to?

So what should we look for when we peer into the future?

Internal Politics in All the Major Actors. Reproductive decisions and demographic composition will affect the three countries – an aged China, a young and angry Pakistan and India. Inequality, injustice and relative position is a source of anger and has affected their politics, creating authoritarian, conservative, centralised leadership and chauvinist governments. How China evolves will have the most significant effect on Asia in the next few years. In my opinion, where China will be in the next ten years would depend less on economics and more on her politics. Will President Xi be a revolutionary or a reformer; a Mao or a Deng; a hard revolutionary trying to change the international system and China's control of it or accommodationist abroad while concentrating on internal changes? Whatever the prognosis, China will be in the front rank of powers, probably the world's largest economy, with preponderant military power in the Asia-Pacific. But geography ensures that she will be a hemmed in power in a crowded region.

India's Trajectory. India's trajectory in the next ten years, on the other hand, depends on our success in managing our economic issues – providing the 11 million new jobs that are necessary to ensure our demographic dividend does not become a demographic disaster; ensuring the raw materials and energy that are missing from our resource endowment; managing the social and security consequences of urbanisation and inequality, and so on. Irrespective of the nature of the party and leaders in power, there has been remarkable consistency in Indian external and internal policies for last twenty five years. Ten years from now, India will be a great power – a different power from what International Relations theory predicts; not a superpower in the traditional sense. We still have a long way to go in eliminating poverty, despite our accumulation of hard power and standing in the international system. We would, therefore, remain an internally focused power, concentrated on our internal transformation – a navel gazer. We would, therefore, still be accused of free-loading on the international system, such as it is or will be, and would still face calls to step up to our international responsibilities, even though our primary responsibility is to our own people.

China-US Relations are the primary drivers in the Asia-Pacific. For the present, they are characterised by strategic contention with economic interdependence. The balance

between the two is what remains unclear, even in the near term. With the coming of President Trump it seems clear that the Obama pivot to Asia is coming to an end, but it is far from clear what will replace it. Trump, with his isolationist tendencies and his desire to make deals, makes US-China accommodation possible. He has already announced a major concession to China in the form of his decision not to pursue the Trans-Pacific Partnership (TPP), thus shifting the balance of economic power in Asia further to China. He has been less than consistent on US security commitments to allies South Korea and Japan, asking them, on one hand, during the campaign to fend for themselves and even go nuclear, while on the other hand, reaffirming that he would be with them to the end, once elected, in meetings and conversations with President Park and Prime Minister Abe. Will he agree to give China a free hand up to the second island chain in return for concessions on the trade and economic agenda with China enabling him to claim that he has brought manufacturing back to America? No one can be certain, but if his national security picks, and his telephone conversation with Taiwan leader Tsai Ing-wen are any indication, it is not going to be smooth sailing for China or US allies before things settle down. If Trump implements even 20 per cent of what he promised in the campaign, we would see a significant US security disengagement from Asia-Pacific, creating space for China. We already see an Asia-Pacific tending towards China; ASEAN has not found a joint voice on the South China sea for over two years; the Philippines and Malaysia are only the latest to accommodate China's wishes.

Going Forward

To conclude, we are now at a hinge moment, exemplified by the new US administration under Mr Trump, but not solely due to the US. All the major powers are at decision points. China is heading for 19th Party Congress. While President Xi is firmly in control, there are significant leadership choices to be made. Pakistan has significant choices to make of her internal direction; and India has to sustain her progress. The world itself is entering a new global phase of de-globalisation, US disengagement and economic deflation or, at best, a glacial recovery.

In the triangle that we are considering, India and China need to recalibrate their relationship to manage or solve, where possible, the multiple signs of stress in the relationship that have cropped up in the last two years. The *modus vivendi* that kept the border peaceful and allowed each country to develop is today under stress and needs to be recalibrated. The fact that both countries are now more integrated into the world and have built capacities has meant that the definition of their interests has also grown. Both countries rub up against each other in the periphery they share. This needs to be managed and understood and the best way to do so, of finding a new equilibrium in the relationship, would be a true strategic dialogue.

China has already signalled her increased commitment to Pakistan, and projects like the CPEC and Gwadar are long term commitments. Pakistan itself, as the weakest of the three, and given her structural infirmities, is the one with the least capability to change the dynamics of the triangle, either by changing the pattern of her relationship with India or by lessening her dependence on China.

To me, the likely prospect for India, China and Pakistan, therefore, is a period of fluidity in India-China relations, continuity in Pakistani behaviour, and of increased uncertainty all around. Like all predictions, this one is almost certain to be wrong, which, frankly, would not be an unhappy outcome.

Important Takeaways from the Interactive Session

On China. Indian cannot force/contain/wish away China, just as China cannot force/contain/wish away India. Pure opposition is not an option for either. Can embarrass/hedge against/co-opt/work with China and others on desired outcomes. Great powers live and deal with others keeping in mind realities.

On Pakistan. Contain and manage, consequences not so serious, don't re-hyphenate.

On India.

- (a) Keep our head down while balancing internally and deal with the reality of China
- (b) Have an effective strategy for the Indian Ocean Region and Indian sub-continent. Don't whine but rather, compete & cooperate with China in the sub-continent. **This is the key.** We have strengths that we underestimate, outside state structures with each of our smaller neighbours.
- (c) Work with others; be as integrated and important to the region and others as possible.
- (d) Engage China in a real strategic dialogue to work out a new *modus vivendi* that would involve - managing differences, sensitivity to core interests where possible, cooperating when opportunity presents itself. This can be done.

India's Role. India has always done best when most connected, acting as intermediary or when hedging to build own economy and strength. India has a choice of its role and strategy: watch the geo-strategic environment in the neighbourhood; follow a more proactive strategy, if the space opens up.

On Two Front War. If you want to prevent one, be prepared for it and display that capability.

Endnote

¹ Andrew Small: *The China-Pakistan Axis*; Asia's New Geopolitics, Hurst and Company, London, 2015, page 97. In comparison, The US delivered US \$17.12 billion in military (US \$11.74 billion) and economic (US \$6.08 billion) assistance to Pakistan between 2002 and 2011 in constant 2016 dollars, according to US Government figures.