

The Rise of China as India's Major Geopolitical Challenge

Shivshankar Menon

Why does the world find the rise of China, which masks a more general rise of Asia, such an object of concern or fascination? For two emotional reasons, I think.

The first is disappointment. The Western assumption was that as China reformed and opened up to the world, globalisation and free markets would remake China in the West's image — capitalist and ultimately democratic. At first all seemed to be going according to plan, until after China's WTO accession and "socialism with Chinese characteristics". But the experience of the last decade and a half, particularly after the 2008 financial crisis, suggests that Chinese capitalism is qualitatively and quantitatively different from that in the West, with a real prospect of long-term success on its own terms. It also suggests that in an increasingly authoritarian China, single party rule may be lasting. It is now clear that China's polity is unlikely to converge with Western models. It seems to have surprised people that when she had a choice, China would choose to be "Chinese", as she always has in history.

The other emotion is fear among existing power holders that the post WW-II US-led Western liberal international order is no longer sustainable. History suggests that no one hands over or shares power willingly in the international system. Graham Allison reminds us (<http://www.ft.com/intl/cms/s/0/5d695b5a-ead3-11e1-984b-00144feab49a.html#axzz3ZA2fU680>) that of 15 power transitions in the last 500 years only 4 have been peaceful. China is translating her economic strength into an infrastructure of connectivity (roads, railways, pipelines, ports, fibre optic cables, the One Belt, One Road initiative, etc.) and institutions (Asian Infrastructure Investment Bank, the New Development Bank, Chiang Mai Initiative, and so on) and internationalising her currency. By some accounts already 15% of world trade is settled in RMB.

In response, the West has moved away from the open international trading system that created GATT and WTO to plurilateral instruments

like the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, excluding India and China, and has prevented reform of the Bretton Woods institutions to reflect present reality in their quota allocations. Politically speaking, while the G20 was used at the moment of crisis in 2008-9, it seems less and less relevant or effective. Nor is there progress in the political rearrangement required by the global shift in the balance of power in favour of Asia in global institutions like the UN Security Council.

The extent of the shift becomes clearer when you look at the US-China equation. We are today dealing with a China whose accumulation of power is unprecedented in history, in both pace and extent. In 1990 the US economy was eight times the size of China's. Today, in less than a quarter century, the two economies are roughly level. And they depend on each other. The balance of economic and political power has shifted. The balance of military power is also shifting, though at a glacial rate, much, much slower than the economic shift. China's power can now change and create facts in her immediate vicinity as we see in the building of man-made islands from rocks in the South China Sea. And when you consider that China defines her territorial and maritime disputes as core interests while they are not so for the US, the balance of interests in some respects is in China's favour — she would be ready to pay a price to get her way, which the US and other extra-regional powers would not.

More broadly speaking, we are witnessing a strong Chinese effort to integrate and consolidate the Eurasian landmass, economically and politically — a process in which a Russia pressed by the West in the Ukraine now acquiesces and participates.

The consequences of the rise of China and the return of Asia will be India's major geopolitical challenge in the foreseeable future. I say challenge rather than threat because it contains both opportunities and risks for India's transformation. A clever Indian strategy would leverage China's rise to assist India's own transformation, while minimising the likelihood of friction and security dilemmas, responding to both aspects of the bivalent relationship I described in the first of my articles.

Consider, for instance the integration and consolidation of the Eurasian landmass that China seeks through the One Belt, One Road initiative and the network of pipelines, roads, railways and other connectivity proposals, including the China-Pakistan Economic Corridor announced by President Xi last month, the Maritime Silk Route, BCIM etc. These are to be supported institutionally and financially by the Asian Infrastructure Investment Bank, the New Development Bank and so on. India is a founder member of AIIB, has her own proposals for connectivity in the Indian Ocean Region and Asia, and pushes an active Look/Act East Policy. We have to see how these will work together with existing institutions, and how they can be turned to enhance overall trade, infrastructure, and investment and promote openness in Eurasia rather than become mutually exclusive zero-sum endeavours.

This article is the second in a series of articles on China written exclusively for thewire.in

Tomorrow: India-China-US: It Takes Three to do the Tango in Asia

(Shivshankar Menon was India's National Security Adviser from 2010 to May 2014.)