What are the complications of dealing with China? Let us begin by looking at China and its likely behaviour, before we look at how that affects India.

China Today

To begin with, China today and the China that we are likely to face in the foreseeable future is and will be very different from what we have known so far. Since 2008, China believes that its own achievements and the economic crisis in the West-led global economy have created space for it to step out and pursue its own interests more assertively, and to play a much greater role in the international system. At the same time, it is undergoing a major internal restructuring.

China’s economic achievements in three decades of 10%-plus GDP growth are known to everyone. Today, China is the world’s manufacturing workshop, with trillion dollar foreign exchange surpluses, the ability to determine commodity prices in world markets, present in most global value and production chains, and so on. In a little over 30 years China has made itself the world’s largest economy in PPP terms, the world’s largest trading nation, and the engine of world economic growth. The consequence has been the simultaneous and rapid accumulation of hard power in all its forms. This makes China a multidimensional challenge to India: political, economic, diplomatic and military.

The PLA is now the transformed product of two decades of double-digit budgetary growth and the building of hard infrastructure to support the military. For India, the direct consequence is that mobilisation times in Tibet have shrunk from two seasons to two weeks, as evident from PLA exercises in Tibet since 2010,
which practice contingencies on the border with India and in China’s rapid mobilisation capabilities. More broadly, China has modernised its nuclear and inter-continental ballistic missile forces into a more capable second-strike force and developed medium-range ballistic missile and cruise missile capabilities and systems that are altering the regional military balance, even with the United States.

Alongside the increase in its military capabilities is a shift in China’s willingness to project and use power

A repeat of the 1996 Taiwan Straits crisis is no longer possible. China’s merchant marine fleet is built to PLA specifications, a large fleet of Coast Guard vessels and modern diesel submarines can project power and threaten surface vessels in the western Pacific, East China Sea, South China Sea and, to a lesser extent, in the Indian Ocean. Its fighter aircraft inventory has grown to the point where it felt strong enough to declare an Air Defence Identification Zone in the East China Sea in November 2013, with hints of one to follow in the South China Sea.

Alongside the hardware of power is a shift in China’s declared policy about its willingness to project and use power, as seen in the May 2015 White Paper on Military Strategy. This is one more confirmation of Xi Jinping’s shift away from Deng Xiaoping’s 24-character strategy that advocated among other things, ‘hiding one’s light and not taking a leadership role’. The latest round of PLA reform, not just of the military commands and regions but in the role of the political commissars, and in the functional and other military changes shows a determination to change the PLA in fundamental ways into an instrument for power projection and to fight short, intense high-technology wars in ‘informationalised’ conditions, outside China’s own territory and immediate periphery, and therefore, in further developing maritime and air capabilities. The PLA Navy (PLAN) has had a regular presence in the Indian Ocean since 2008, including nuclear submarine patrols since 2014.

These steps are a proactive attempt to provide the military underpinnings for the much greater economic and political role that China seeks for itself in its periphery and the Asia-Pacific today, and in the world tomorrow. Xi Jinping’s signature connectivity and economic integration initiative of the ‘one belt, one road’ (一带一路, yidai yilu/OBOR) linking China with Eurasia overland and to Europe by the maritime route will soon have Chinese military capacity to back it. The ports and other infrastructure that China has built or is buying in the Indian Ocean littoral and the Mediterranean are now useful to the PLAN. Djibouti is the first acknowledged PLAN base abroad, and we should expect the same of Gwadar in Pakistan and, if India-Sri Lanka relations deteriorate, in Hambantota.

China has made it clear that while it (like India) was a major beneficiary of the US-led era of open markets and free trade and investment flows in the two decades before 2008, it is also determined to have an independent say in the economic, political and security order around it and in the world. Its goal is the ‘China Dream’ (中国梦, Zhongguo meng), defined as the ‘Two 100s’ – of becoming a ‘moderately well-off society’ by 2021, the 100th anniversary of the CPC, and of becoming a fully developed nation by 2049, the 100th anniversary of the founding of the People’s Republic of China. Its attempt to shape the environment in its
periphery, and to use its economic strength to build connectivity and institutions consolidating the Eurasian landmass and tying its neighbours to itself became more evident after the 2008 global economic crisis.

China saw the crisis as a moment of opportunity, with the US and West preoccupied with reviving their own economies and entangled in Iraq, Afghanistan, and later, in North Africa and Eastern Europe. 10 years ago all except one of China’s neighbours traded more with the US than China. Today, China is the largest trading partner of all its neighbours, including of US allies like the Philippines and Japan. Faced with Western sanctions, Russia looks to China to buy the energy and commodity exports on which its economy depends for survival. Even the US, China’s main strategic competitor, is economically tied to China in deep and fundamental ways that were never true of its previous great rival, the Soviet Union.

China has now taken steps to convert its economic strength into strategic influence, in the OBOR proposal and the creation of new institutional arrangements such as AIIB, BRICS New Development Bank and RCEP. Will China’s internal condition permit its to fulfil its ambitions?

Internally, China’s rapid economic growth gave the CPC legitimacy — originally provided by its Maoist revolutionary ideology, since abandoned — and the means to maintain its social and political control. The only real challenge it has faced since reform began was in 1989 when the leadership was itself divided and reform had not yet delivered prosperity. That crisis culminated in the Tiananmen killings. But the subsequent success of Deng’s strategy of accelerated reform has made a repetition of such events unlikely, even when, like 1989, there are clear divisions within the leadership as the Bo Xilai and Zhou Yongkang affairs showed.

The CPC today, is a victim of its own success. With a US$11.21 trillion economy, China has now taken steps to convert its economic strength into strategic influence, in the OBOR proposal and the creation of new institutional arrangements such as AIIB, BRICS New Development Bank and RCEP.

Increasingly the Asia-Pacific is the centre of gravity of the global economy and politics, the major source of global economic growth and activity, and the locus of political contention between the old Western order and the new one that is forming. A Eurasian continental order is now being formed under Chinese and Russian auspices even as the maritime order in China’s near seas and the western Pacific remains contested.

1 This is the nominal GDP figure as of April 2015; in PPP terms, the figure is US$18.976 trillion. These figures from the IMF place China as the world’s second-largest economy in nominal GDP terms and largest in terms of PPP though China’s own National...
and per capita income over US$8,000 (nominal)/US$13,992 (PPP), China cannot sustain the high 10 per cent plus growth rates for ever. It also needs to readjust its economy from a reliance on exports and government-led investment, to internal demand and consumption-led growth, undertaking a gradual macro deceleration. (Last year exports were a negative contributor to the GDP). Estimates of whether it would be able to make this adjustment without a major internal economic crisis or collapse vary widely.

**A command economy like China should be able to transition relatively smoothly to a lower growth path**

My own sense is that a command economy like China, where government has fiscal and other tools not available in market economies, should find it possible to transition relatively smoothly to a lower growth path of about three to five per cent GDP growth each year, even though this will not be easy and will cause social pain. But even five per cent growth in China’s economy now means that it is adding the equivalent of India’s GDP every few years. (It has been suggested the Xi is a Keynesian who believes that military spending will promote economic growth in China.)

The social consequences of the nature and speed of China’s growth have also diminished the CPC’s ability to control and manage the lives and thoughts of the ordinary Chinese citizen, as have the effects of the ICT revolution. The CPC has had to enter into uneasy cooption of religions like Buddhism, and now looks for new sources of ideological legitimacy while trying to use modern technology to buttress its exclusive hold on power.

As China faces the ‘middle income trap’ and as economic growth slows, the CPC turns increasingly to nationalism to provide legitimacy in the eyes of its own people. Hence, some of the recent shrillness in Chinese responses to external events. In 1990, Deng Xiaoping had urged a 24-character strategy on China: ‘observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership’. In 2009, President Hu Jintao amended the last eight characters to “firmly uphold (坚持, jianchi) keeping a low profile and actively (积极, jiji) achieve something (韬光养晦有所作为, taoguang yanghui, yousuo zuowei)”.

Since 2012, China has dropped these modest and humble references and speaks of playing its role and assuming its responsibilities in the world. It also now officially describes itself in public as a great power, implicitly the equal of the US in seeking ‘a new type of great power relationship’ with the US. It is clear that Deng’s humility (whether mock Confucian or not) is no longer the declared guiding principle for China’s external...
behaviour. Instead, China now seeks to ‘display its prowess’ and ‘assume its responsibilities’. We now have Chinese scholars like Yan Xuetong speaking of the need for China to start building a series of military alliances in its neighbourhood to counteract the US alliance system and its credibility.

So, in effect, the search for internal legitimacy and existing internal fragility and opposition will likely lead the regime to rely increasingly on nationalism to mobilise and control the population and public opinion, and will lead to more assertive Chinese behaviour abroad.

**China’s Likely Behaviour**

What does this presage for China’s future behaviour as a power?

The world has been so fascinated by the rise of China that reactions, even from scholars, have been extreme, predicting China’s imminent collapse or, at the other extreme talking about ‘When China Rules the World’, as one recent book was called. Logic, Chinese history, geography, and China’s present condition suggest that the truth is somewhere in between and much more complex.

China’s history, from the so-called tributary system, to ancient Chinese barbarian-handling manuals, and so on, is only a partial guide to its behaviour though it is a useful one. It is true that, like India, China has a well-developed tradition of statecraft, stretching back at least two and a half thousand years.

But, unlike India, China’s is essentially a history of statecraft within a closed system of ideologically and ethnically homogenous states or entities. Those who were not of the same ethnicity, or not Han, were regarded as cultural or civilisational inferiors, and were sought to be assimilated or Sinicised through a process of acculturation, starting with the Chinese language and philosophy which acknowledged no equal. The Chinese saw no alternative or other manner of statecraft until the contact with India and Buddhism in the Tang.

*History has left China with a fear of barbarian encirclement, and a strong drive to achieve status/‘face’ and power*

The shock of contact with the modern world, and of the military and economic superiority of the West in the nineteenth century, was thus much more for China than for Japan or India, for a proud people who had no real experience of coping with diversity or a world of equals, (except under ‘barbarian’ dynasties like the Mongols and Manchus).

History has left China with a fear of barbarian encirclement, and a strong drive to achieve status/‘face’ and power after what they regard as ‘a century of humiliation’ and colonial degradation. (Sun Yat-sen once described China’s nineteenth century fate as worse than India’s because, he said, ‘India was the favoured wife of Britain while China was the common prostitute of all the powers’, or words to that effect).

The goals that China pursues in the international system today, of status/‘face’, of the China Dream, of military power and dominance, are a direct result of this narrative of Chinese history, which the CPC has appropriated to argue that only the Communist Party can realise and restore
China’s pride – ‘Without the Communist Party, There Would Be No New China’, as the propaganda song goes.

Taken together, history and the trauma of the long nineteenth century have left China self-centred, touchy, lonely, and seeking respect. These are heightened by the effects of geography and China’s present condition.

Unlike the US, which is protected by two of the world’s largest oceans, China is in a crowded neighbourhood, has land boundaries with 14 countries, has only two allies — Pakistan and North Korea — and some of its neighbours with whom it has difficult relations have also been accumulating hard and soft power and working with each other, such as Japan, India and Vietnam. The rising nationalism in China has led to a steady worsening of its relations with most of its neighbours.

Despite the considerable strides that China has made in acquiring power it still lacks the capability to manage, devise or impose a political or security order in its immediate neighbourhood, the Asia-Pacific.

Hence, the nature of China’s recent assertions — it changes the status quo and ground realities (in the South China Sea and elsewhere) without crossing the threshold that would provoke a direct countervailing military response. There are clear limits to how far it is willing to test its power. This is a function not just of the balance of power and the presence of the US, but also of its inability to offer a normative framework, and, because of the nature of China’s relations with significant countries like India, Japan, Vietnam, Indonesia, Russia and others. If China cannot, and the US will not continue to, provide security in the commons through alliances and bases, we should expect continued instability in the Asia-Pacific. What we are likely to see is continued jockeying among the powers, rather than the outbreak of generalised conflict.

Will the external environment permit China to fulfill its ambitions?

The natural reaction to prolonged insecurity and strategic competition between the powers in the region and the rapid rise of China’s power would be internal and external balancing by the other states — strengthening themselves and forming countervailing coalitions and alliances, formal or informal. And that is precisely what has happened.

In the last two decades, the Asia-Pacific region has seen the world’s greatest arms race ever. Informal coalitions coordinating defence, security and intelligence have been formed among China’s neighbours from Japan to Vietnam to Indonesia to India. And the US has announced a rebalance or ‘pivot’ to the region.

China’s professions of win-win diplomacy, Confucian benevolence, and economic priorities are unlikely to indicate future Chinese behaviour. Instead, as I have said, the drivers of Chinese foreign policy are likely to remain the quest for status and to acquire power – political, military and economic. The only consideration that might override them, in some hard to conceive and unlikely circumstances, is regime continuity in China. If rule by the CPC elite is
threatened by the consequences of the drive for status and power, that push will be limited or modified. But for the present expect more of an assertive China. Its own ambitious goals of a China Dream make it so.

Implications for India

What does this mean for India?

What this analysis suggests is that, (absent drastic modifications in Chinese or US behaviour, which I consider unlikely), the rise of China promises an extended period of political and security instability, tension and jockeying among powers in Asia and the Pacific, that there will be no quick recovery for the world economy and certainly no return to the pre-2008 good times of globalisation and open markets, and, that security competition between the US and China will remain the principal contradiction, as Mao would have said. The assertive China that we have seen since 2008 is here to stay for the foreseeable future. Security dilemmas between China and Japan, China and India, China and Vietnam and others will intensify.

In other words, the environment in which India pursues its interests will get more complex. And the very complexity of the situation in the Asia-Pacific gives India a choice of partners and collaborators to work with in the pursuit of its interests.

An assertive China is unlikely to seek an early settlement of the boundary issue no matter how reasonable India may be.

China’s other priorities have made Pakistan even more crucial to China’s purposes — (religious extremism and terrorism in Xinjiang, overland access to the Indian Ocean, keeping India in check, a window on Western arms technology, the Chinese commitment and presence in Pakistan-Occupied Kashmir, etc.). Pakistan’s game is to suck India into confrontation, thus establishing Pakistan’s utility to those who feel the need to balance India’s rise and acquisition of power and agency — China, the US and others. Today, Russia sells arms to Pakistan, the US is supplying arms and discussing Pakistan’s nuclear weapons and Afghanistan’s future with it, and China has committed US$46 billion to an economic corridor and Gwadar in Pakistan. Each of these represents an increased commitment to Pakistan, which is an order of magnitude bigger than ever before.

In the last year, India has chosen to equate itself with Pakistan and is asking the West to refrain from supporting Pakistan, but the West follows its interests not sentiment or
logic. So long as Pakistani terrorism is not a threat to the Americans, (as when Gen. Pervez Musharraf handed over Al Qaeda elements and they went after Osama bin Laden themselves), they will not expend blood or treasure eliminating Pakistan origin terrorism for India.

Add to this China’s dependence on the Indian Ocean, and its suspicions about India-US defence cooperation and strategic coordination.

China will likely keep the boundary issue alive as leverage in the relationship with India

Taken together these factors make it likely that China will keep the boundary issue alive as a lever in the relationship with India. Nor is it likely that a CPC leadership that increasingly relies on nationalism for its legitimacy will find it easy to make the compromises necessary for a boundary settlement. (This is also true of India.) That is one reason why public Chinese rhetoric on the boundary has become stronger in the last few years, even though its posture on the border has not changed.

A Multilayered Bilateral Relationship

However, settling the boundary will not settle or eliminate strategic competition between India and China in their shared periphery.

Today’s situation is different from the past. The railway into Tibet, PLA exercises in Tibet since 2010, China’s behaviour in Chumar during Xi Jinping’s September 2014 visit, the assertive China in the South China Sea since 2008, Xi’s US$46 billion commitment to the China-Pakistan Economic Corridor one week before Indian Prime Minister Narendra Modi’s May 2015 visit to China, and China’s new role with Pakistan in Afghanistan to try and bring the Taliban into the power structure, are all signs of the new assertive China in India’s periphery.

At the same time positive elements too, remain in the relationship.

Bilaterally, China is now India’s largest trading partner in goods, even as the two compete for global markets. Today, over 13,000 Indian students study in China, and the two countries have mechanisms to deal with issues like trans-border rivers, the trade deficit and so on. And on several global issues in multilateral forums India and China have worked together, each in pursuit of its own interests — the WTO, climate change negotiations and so on. So the prospect is that even if two countries do not settle the boundary, there is much to be done and addressed.

Fundamentally, India and China have a relationship with elements of cooperation and competition at the same time. That duality is also true in terms of national interests. Both countries have an interest in improving on the existing security and economic order. This is why India has been among the founders of the AIIB and NDB.
But India and China compete in the periphery that they share, hence the hesitation on the OBOR and Indian sensitivity about Chinese military presence in the Indian Ocean littoral. And neither side thinks the other has accepted its territorial integrity.

Maritime security is a good example of that duality. Both countries have a common interest in keeping sea-lanes of communication open, but each will oppose any attempt by the other to control the seas and straits through which these sea-lanes pass.

In this situation, the rest of the world can only be a limited enabler in India-China relations. They will use India-China competition for their own purposes to a lesser or greater degree, as seen most clearly with smaller neighbours like Nepal. Ultimately, bilateral India-China ties are a critical relationship, which will determine their future. The two countries will have to deal with it themselves. Today, India and China are entering a new phase in the relationship, and I hope we will be successful in smoothly attaining a new equilibrium. It will take a judicious mix of policies and some innovation to keep India-China relations on track, even if it is simultaneous competition and cooperation, in the years to come.

**Risks**

There are, however, at least two risks I can foresee.

One thing that could affect this prognosis is the fact that India and China, (and Japan too), have seen the rise to power since 2012 of strong, authoritarian, centralisers, conservative by the standards of their own parties and societies, with little experience of central government and foreign policy, and strong ideological predispositions to nationalist, and even chauvinist, rhetoric. While the leaders have been careful in their public utterances, the terms in which foreign and security policy are discussed in China, India, (and Japan), have become much more shrill. Anti-foreign views, jingoistic slogans, intolerant ideas, and downright bad manners are common not just on the Internet. These would not matter in normal times but these are times when governments are under stress, and could seek external release from internal difficulties.

The other risk in India-China relations comes from the mutual gap between perception and reality. Quite frankly, the China that I see described in Indian commentary on China bears little relationship to the China that I have worked with, lived in and see on my visits. The same is true of Chinese perceptions of India, though to a lesser degree.

> It will take a judicious mix of policies and some innovation to keep India-China relations on track

The problem has become more acute recently. Narratives of inevitable conflict and clashing interests can be self-fulfilling prophecies. Before 1962, both India and China operated on the basis of an idealised construct of the other which was quite distinct from reality. Besides, throughout the 1950s, the gap between scholarship and policy in both India and China grew wider and wider. The result was conflict.

It is not my point that we are in a similar situation today. Far from it. In fact, I am convinced that we are at a moment of both
challenge and opportunity for India-China relations as a result of the rapid development of both countries in the last 30 years, of what has been achieved bilaterally in this period, and of the evolution of the international situation. And India has enough negative and positive experience to have learnt how to deal with China. If India’s China policy was a failure between 1956 and 1962, and was in stasis thereafter until 1976, it has been successful in the last 30 years in achieving the goals set for it by its political leadership, by a combination of internal and external balancing. However, China, the international situation, and India itself, are now in a new phase and Indian policy will have to be adjusted accordingly.

Today, India has both opportunities and challenges in dealing with China. China’s own assertive behaviour has given India new friends who are willing to cooperate with it in defence, intelligence and other security fields. China’s economic capabilities can be used judiciously by to build India’s infrastructure as it has tremendous surplus capacity. China’s worries also reveal its vulnerabilities. Equally, India needs to meet the challenge of China’s military capabilities, its actions in its neighbourhood, and its support to Pakistan and insurgents in India’s Northeast.

India’s problem is that its responses to China are segmented: the military and security response is, rightly, that India must make itself strong, whatever the cost; diplomats say simultaneously engage China, negotiate differences, find external allies and balance China’s rise; politicians say do a deal; and the economists say that we should increase trade, get China to invest in India and develop a stake in India and the relationship to soften security conflicts.

All of them are right and wrong at the same time. They are right because China is an economic, security, political and foreign policy challenge, all at the same time. And they are wrong because none of these approaches has a chance of success on its own.

George Kennan, the author of US containment policy towards the USSR, used to say that he could think of nothing more likely to make the US insecure than the pursuit of absolute security. One could add that nothing is more likely to make us poor than the single-minded pursuit of economic growth, to the neglect of security. Clearly, India needs to do all these things at the same time in dealing with China.

The first problem is therefore, how to integrate Indian responses to China, coming up with a whole-of-country response across sectors that are not used to working together. Next, policy choices present themselves as small, discreet, individual choices — not as grand eureka moments of revelation or decision but as several choices scattered in time and amidst the mundane. Only cumulatively and in hindsight, in the historian’s gaze, do they amount to a grand strategy.

In conclusion, let me quote to you something from a very different context which, to my mind, is good advice on how to think about such problems: The Israeli Defense Forces Chief of General Staff, Lt. Gen. Gadi Eisenkot said to a group of us in January this year that the IDF was reviewing
its strategy in the light of the Iran nuclear deal:

‘It has many risks, but also presents many opportunities. Our role is to look at the risk prism and the capability prism and to judge from that — not to assume that the worst-case scenario will take place, because that is as dangerous as the best-case scenario.’

In fact, that is exactly what the Chinese want — for the opponent to assume that the worst-case scenario will take place and to act on that assumption. Chinese strategy is to use psychological dominance, to inspire awe, and to use the opponent’s fear to make their victory certain even before a single shot is fired. India must and will prevent that in the pursuit of her own interests.

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3 Lt. Gen Eisenkot was speaking the Institute for National Security Studies’ annual conference in Tel Aviv, on 18 January 2016.

* Based on the Keynote Address at the China Seminar, Defence Services Staff College, Wellington, Tamil Nadu, 30 March 2016. The views expressed here are those of the author and not necessarily of the Institute of Chinese Studies.
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