The Crisis in India-China Relations

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ABOUT THE AUTHOR

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Abstract
This paper discusses the present crisis occasioned by China’s behaviour on the border since spring 2020, why we have come to this pass, the consequences that might follow, and where we might go from here. The issue is complicated by the fact that we have a bilateral India-China crisis in the midst of an Asia in turmoil, inside a global churning caused by the pandemic and an economic crash — a crisis wrapped in turmoil within a churning.
I. The Crisis

The crisis came after several years of simultaneous competition and cooperation between India and China, with the balance tilting over time towards competition. The June 15 deaths of soldiers and subsequent firing incidents, the first in forty-five years, followed an unprecedented PLA buildup all along the Line of Actual Control (LAC) between India and China. In eastern Ladakh the PLA moved forward into areas previously under Indian control, and is preventing Indian patrols from accessing patrol points that they have consistently visited in the past in Depsang, Hot Springs-Gogra-Kongkala, near the Galwan river, and around Pangong Tso.

Both governments have been parsimonious with the facts, and claim to have gained an advantage in narratives spun to the media. Tactical gains have been made by China across the LAC, particularly in the north near Depsang and DBO. India has moved forward on its side of the LAC to occupy heights south of Pangong-tso. At this time, the LAC is militarized and border is live with the status quo of thirty-plus years broken.

While responding militarily, both China and India have stated their desire to negotiate a solution to the crisis, though both the sides defines the immediate solution differently: India wants China to withdraw and restore the status quo as it was before May 2020. China, on the other hand demands that India withdraw from present (changed) positions and disengage, moving to de-escalation, and finally to the negotiation of new CBMs. China has tried for some years to freeze present Indian force levels and infrastructure on the border, thus baking in the existing asymmetry in China’s favour. She has now used that asymmetry to change the situation on the LAC in her own favour.

Despite statements at the political level by both sides seeking to disengage, actual disengagement has been limited so far, and the 22 September commanders’ joint press statement only committed both sides to “stop sending more troops to the frontline, refrain from unilaterally changing the situation on the ground, and avoid taking any actions that may complicate the situation.”\[1\] This

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could be viewed as an agreement to freeze the new status quo created by Chinese actions in spring and summer 2020.

Judging by the deployments and infrastructure that the PLA has put in place in Tibet, and the Indian responses, it will be a long haul before the pre-April status quo is restored, if at all. Unlike past confrontations and face-offs, the framing of the crisis by China as a sovereignty dispute—rather than as in the past as a dispute, which would be solved by give and take—makes it harder to settle. It also suggests that for China the issue is not just about the LAC or its clarification but is part of an attempt to exercise control up to its claimed boundary, and probably also serves larger political goals.

II. Why?

Why have India-China relations come to this pass despite Prime Minister Modi and President Xi Jinping meeting 18 times? The Modi government was careful after 2017 not to offend China’s sensitivities on Tibet, the Belt and Road Initiative, and in its framing of the Indo-Pacific strategy, and had refrained from calling out China for occupying the Doklam plateau after the face-off in 2017. The Indian government was also careful to balance relations with China and the USA. Yet now, as a result of Chinese actions, public opinion in both countries has been aroused, and relations are at their lowest ebb in decades, as EAM Jaishankar recently said.

One can only speculate on the tactical and operational reasons at play on the Chinese side. For well over two decades, India has been building infrastructure along the border in an attempt to catch up with China’s buildup and the much easier access to the border that China enjoys on the Tibetan plateau. For instance, new roads like the Darbuk-Shyok-Daulet Beg Oldi road, the operationalization of advanced landing grounds near the LAC, and other steps have improved Indian logistics. PLA moves this year could be explained militarily as attempts to straighten and push the LAC westward to dominate, take the heights, cut off Indian forward deployments, and isolate sub-sectors in the event of conflict. If these considerations led to the Chinese actions this
spring, they would indicate a much more significant role for the PLA in high-level decision making in post-Covid China under Xi Jinping.

But such tactical military considerations are not sufficient justification for breaking bilateral treaties and agreements with India since 1993, changing the rules of engagement that have kept the peace and the border unchanged for decades, and the adverse — from China’s point of view — political consequences that could have been anticipated. Nor do they explain the timing of Chinese actions, or why China is simultaneously asserting herself across the board in Asia — in the Senkakus, on Taiwan, in Hong Kong, in the South China Sea, with Australia and so on, and her new “wolf warrior” diplomacy. A newly powerful China has less soft power influence internationally than at any point since the GPCR. A Pew poll in late July says that only 23 percent of Indians look at China favourably.

The transition from engagement and coexistence in the decades after 1988 has not been sudden.

The border (not boundary) has always been a litmus test of the state of the relationship and the two countries’ ability to manage it. In the early and mid-fifties, both new states, the Republic of India and the PRC, sidestepped the boundary issue, while they extended administration and development in the border areas up to their idea of the boundary, and concentrated internationally on other more pressing preoccupations. Relations deteriorated in the late fifties when the extension of control over areas claimed by both sides brought them into military contact, with developments in Tibet, and China’s involvement in promoting revolution in India. The boundary dispute ultimately led to war in 1962. Through the 1980s, 1990s and 2000s, India and China were successful in putting aside the boundary question, keeping the peace on the border, and developing the rest of the relationship.

Today the relative balance of power between India and China is not what is was when there was a successful understanding on how to manage the relations in the eighties. Then the two economies were almost the same size, India was more integrated in the world economy than China, and they were at similar technological levels. China had just begun reforms, as had India. After forty years of reform, the Chinese economy is almost five times larger than India’s, most
global supply and value chains run through China, China is the world’s manufacturing superpower, and China is poised to be a technological innovator in high tech areas critical to the future such as AI, and ICT and 5G.

Since 2012, India-China relations have deteriorated, after a prolonged period of successfully managing the relationship after the Cold War. The signs of increasing tension were evident. Border incidents became more frequent and larger in scale with Depsang in 2013, Chumar in 2014, and Doklam in 2017, and each proved harder to resolve. China abandoned her public neutrality on India-Pakistan issues, and committed to building the CPEC on Indian territory under Pakistani occupation in Kashmir, creating a Chinese stake in a continued Pakistani hold. China opposed Indian membership in the NSG in 2015, a shift from her going along with the consensus on the NSG exemption for India in 2008. China is increasingly involved in the politics of our neighbours in the subcontinent. The PLA has a semi-permanent presence in the Indian Ocean, China has a military base at Djibouti on that ocean, and controls a string of ports in the IOR from Gwadar to Hambantota to Khyauskpyu that could serve its military purposes.

China too has grievances. One is that India was the first and only invitee to respond negatively to Xi Jinping’s signature Belt and Road Initiative. As US-China relations deteriorated, India’s ties with the US strengthened, particularly in defence, and India revived the Quad and committed to a free and open Indo-Pacific, concepts that China has regarded with suspicion and opposed.

As a consequence of a strained relationship, India and China are developing negative narratives on the history of India-China interactions. India and China have lived in separate multiverses in geopolitical terms for most of history. While exchanging goods, people, ideas and learning, they did not impact each other’s politics or security until the second half of the 20th century. So attitudes to each other could be pure narrative, based on selected literary sources or historical evidence, untrammeled by fact or experience. The media in each country engages in a form of navel-gazing, solipsistically studying each other’s statements rather than the reality of India-China interactions.
Today’s plethora of media and information has not really improved the situation in terms of mutual understanding and popular images of the other corresponding to reality. There is a need for another Harold Isaacs to do today’s version of “Scratches on the Mind.”

India and China have a history of misreading each other, with another instance this spring. Recent commentary by Chinese scholars like Hu Shisheng of CICIR argued that India-China tension is structural and caused by Indian overreach. Such commentary suggests that the crisis is not temporary or transient. Chinese actions have actually brought about what China should be trying to deter or avert, namely, much closer coordination between India and the US on China.

Since the immediate trigger for the crisis is the change in Chinese behaviour, it is probably in China itself, its internal stresses and leadership, and its perception of the outside world, that we should look for primary explanations.

China is in the midst of a triple transition or learning: For the first time in China’s history, she is powerful and dependent on the rest of the world for commodities, energy and markets, she is trying to become a maritime power, and she is entangled in disputes along her eastern, southern and south-eastern periphery.

China displays both great confidence and a sense of victimhood at the same time. Vice Premier and politburo member Liu He said recently that, “Bad things are turning into good ones,” referring to China’s success in suppressing Covid and in recovering growth in the economy in the last quarter. The global pandemic and economic crash have left China relatively better off than all the other major powers, which are internally preoccupied and diminished. China too has suffered considerable loss of reputation and economic harm, but less than the others. However, the US election campaign has probably been the final proof for Chinese leaders that China-US contention is now structural and that their relationship is turning increasingly antagonistic, despite economic co-dependence. All in all, it could be a combination of Chinese hubris, awareness of a deteriorating external situation, hard times ahead, internal leadership and economic stresses, all at the same time which explains China’s recent behaviour which shades from assertiveness to aggression.
III. The Consequences

On the border itself, China seems to be content with the new status quo and argues for a return to business as usual. Whether India is satisfied with the changed situation, or will continue to insist on the restoration of the status quo as it was before April 2020 is not entirely clear from GOI’s public statements. In any case, the LAC has now been militarised and called into question all along the line, and there is a new military reality on the border.

India’s first priority would have to be a series of self-strengthening steps, to restore the effective balance on the border. These would include military and intelligence reforms based on lessons learnt from the crisis.

Secondly, India-China relations are being reset. India – China ties are unlikely to return to the understanding that prevailed before 2020. Political relations will now be more adversarial, antagonistic, and contentious.

The crisis has made it clear that India’s China policy can no longer optimise for both security and prosperity. Apart from its military response of defensive deployments and filling gaps on its side of the LAC, India has also responded by seeking to lessen its economic dependence on China. These dependencies are considerable in auto parts, pharmaceuticals, electronics, telecom, power, and fin-tech. India has tightened scrutiny of Chinese investments in India, banned some Chinese apps, and cancelled some public contracts with Chinese firms. However, there are limits to decoupling. China accounted for about 12 percent of India’s imports in 2019 when total two-way trade was $92.68 billion, $56.77 in China’s favour. China was India’s largest trading partner until overtaken by the US in 2019. India’s exports to China have risen 31 per cent in the April-July period, with a total value of $7.3 billion. China’s share in the overall export basket has also
increased by 4.5 percentage points to 9.7 per cent. The Modi government, like Xi Jinping’s, has adopted “self-reliance” as a strategy after the Covid pandemic and economic crash, though it is unclear how much autarchy this will mean in practice. The signs — raising customs duties for four years running and walking out of the RCEP negotiations — point to a more insular and protectionist India.

Chinese presence in the Indian digital space was negligible five years back. However, tech players like Alibaba and Tencent have made considerable investments in the last three years. Chinese tech firms have invested $4.3 billion in venture capital funding between 2017 and June 2020. Some of the top Chinese VC players like Shunwei Capital, Fosun RZ Capital, and CDH Investments have bet big on Indian startups, apart from the tech giants Alibaba and Tencent. Among the top ten Indian tech unicorns valued at more than $1 billion, seven are backed by Chinese investors.

There is more to India-China relations than the purely militarised narrative of conflict and hostility that we see in the public media in India and China today. Both governments have been careful and speak of a return to a better relationship. Both India and China have other overwhelming preoccupations at home with the pandemic and the economic crash. India is not China’s primary strategic focus, which is in north-east and south-east Asia and on Taiwan, all critical to her contention with the US. For India, China is the main strategic challenge, but not one that can be handled purely antagonistically.

IV. The Way Forward

Today India-China relations are poised at a turning point.

Although theoretically India-China relations could see a new modus vivendi after the crisis, as they did after the Surndorungchu/Wangdong crisis in 1986-88, that it seems unlikely with

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authoritarian strongmen in power in both countries, troop buildups on the border, aroused public opinion, and differences out in the open. The other possibility is of a downward spiral to conflict, as occurred between 1959 and 1962, but both governments are so far signalling an unwillingness to be trapped into that scenario. More likely we will witness continued efforts to negotiate side by side with jostling for local advantage along the LAC and a continued buildup of infrastructure and capabilities by both sides — in other words muddling through and attempting to avoid outright conflict, though the risks of conflict are certainly higher than ever in the last forty years. What seems likely is antagonistic cooperation in a fragmented world. Most likely, India and China will enter into a period when the elements of contention and competition will outweigh those of cooperation, but where both governments will work to lower the rhetoric and salience of the relationship.

There are calls in India to review India’s one-China policy by developing relations further with Taiwan, to use the “Tibet card” and to agitate China’s “Malacca dilemma.” It remains to be seen how far this is practical policy and whether the Government of India wishes to make such fundamental changes in its China policy. It has so far resisted such calls, and left it to political parties, non-officials and others to hint at changes and to do the running on such issues.

V. Crisis Effects on India’s other relationships

A primary focus of India-China contention will be in the Indian subcontinent and the Indian Ocean region. PLAN deployments in the Indian Ocean are now permanent with China enjoying access to military bases and ports through the region. China has recently shown a willingness to involve herself in the internal politics of countries in the subcontinent and to make sizeable investments in them. An India-China competition for influence would probably be seen and used as an opportunity by many of India’s neighbours. More contentious India-China relations also complicate our task of dealing with Pakistan, the hostility of the Pakistan Army, and the cross-border terrorism that it promotes in India.
India-USA-China Triangle

China has consistently been a factor in India-US relations, from the fifties and early sixties when the Eisenhower and Kennedy administrations saw India as part of their Asian strategy to contain China, to the Nixon administration’s view of India during the 1971 crisis as testing US credibility in Chinese eyes while they sought a China opening. That opening morphed into a virtual China-US alliance in Afghanistan and Indochina in the eighties, leading to considerable Indian suspicion of China-US ties which were seen as collusive, involving Pakistan.

Equally, right through the Cold War, China regarded India-US ties with suspicion, primarily fearing Indo-US collusion on Tibet, and worked to neutralise them, using Pakistan, US antipathy to the Soviet Union, and other available levers. After the Cold War, China sought to keep India neutral and to free her periphery of US influence by improving relations with India, entered into the 1993 and subsequent border CBM agreements, kept the peace and the status quo on the border with India, worked with India in international negotiations at the Doha round and on climate change, and developed economic and trade ties. It is that phase which is now decisively over with the crisis of 2020.

For India, the ideal position in the India-US-China triangle is to have better relations with both the others than they have with each other. India has therefore traditionally adopted a balancing strategy between China and the US when their relations were antagonistic, and sought external counterweights (like the Soviet Union in 1971) when China and the US worked together against Indian interests. That balancing or hedging strategy will need to be modified as a consequence of Chinese actions this spring.

China must have known the consequences for India-US relations of her actions this spring. As a consequence of the China crisis, India will likely move from her traditional balancing between China and the US to lean to one side, the US. Presumably China saw recent advances in India-US defence and security links, particularly interoperability, as having crossed a point of no return. As a senior Chinese scholar said in mid-September, ‘India has given up nonalignment and has the motivation to become a US ally, using nonalignment as a cover to make policy.’ As Liu
Zhongyi of the Shanghai Institute of International Studies put it at the end of September: “Presently, India and the United States have formed a de facto military alliance. Under the current situation, we must re-assess our understanding of the U.S.-India alliance and reset our India strategy.”

If China has indeed concluded that India-US relations have gone beyond the point of no return and that she cannot count on Indian neutrality in her intensifying contention with the US, China’s actions on the LAC were designed to show the US and India’s neighbours that an India which could not even defend its own territory could not countervail China. They were also intended to show India that the US is not the solution to India’s China problem when it comes to dealing with China on land.

It would be reasonable to expect considerable progress in India-US relations, including an initial trade deal, a stronger defence relationship and tighter intelligence cooperation, irrespective of the results of the November elections in the USA. Indeed, as India embarks on the self-strengthening necessary to deal with a more antagonistic relationship with China and a harsher security environment, India is likely to turn to the US as she accelerates the on-going military reform. India-US congruence on the Indo-Pacific is increasing, as is defence cooperation and interoperability. The US is an essential partner for the transformation of India. While India-US ties may not become a formal alliance, they will increasingly adopt the characteristics of one, short of the commitment to mutual defence that neither side seems ready to offer at present. In other words, India-US relations are likely to gain impetus from the 2020 India-China crisis.

**Self-reliance**

The trifecta of the pandemic, economic crash and a crisis with China has driven India into itself, into stressing self-reliance and an attempt to concentrate on building internal capabilities and cutting external dependencies. In this respect the effect of the pandemic is similar to what it has done to China’s economic policy with the new stress on the domestic economy in the “dual circulation” adopted by the Politburo in May.
VI. The New Asian Geopolitics

India-China relations do not develop in a vacuum and are not entirely *sui generis*. As the two countries have changed, grown and acquired agency in the international system, the Asian context in which they conduct their relations becomes more a significant factor. That Asian context itself both influences and is influenced by India-China relations. And it has changed drastically recently.

[Covid pandemic has produced an acceleration of existing trends rather than a radical break or redirection of geopolitics in Asia — Shifting balance of power, rise of China and others, authoritarians in power relying on ultra-nationalism for legitimacy, flash-points reignited, slowing and fragmenting world economy, Asia is at center-stage both economically and politically.]

The Asian order has gone through three distinct phases since WWII:

- The Cold War saw continuous contention between the superpowers in Asia, though the Soviet Union could never match the US alliance system in Asia as it did in Europe, and their binary competition in Asia was soon complicated by the Sino-Soviet split. Superpower competition in Asia resulted in a series of wars from Korea to the first Gulf War — the main Cold War killing fields were in an arc in the rim lands of Asia from the western Pacific to the Mediterranean. During this period both India and China sought to create space for themselves in the Cold War binary structure, and to use the opportunities opened up by the Cold War for their own purposes.

- For a brief period after the end of the Cold War in 1989 until the financial crisis of 2008 the Asian order was uncontested, an aberration in the normal pattern of competition and contention when the US enjoyed an overwhelming preponderance of power — the US’ unipolar moment. These were the globalisation decades, when the world was knit together by trade, investment and technologies like ICT. India and China were probably the two greatest
beneficiaries of those decades in terms of economic growth and pulling millions of their people out of poverty.

- The third phase has been what we see now, an era of renewed great power contention, when the US faces in China a potential peer competitor in Asia. This is not a new Cold War, for China and the US are joined at the hip economically. Globalisation and the technologies that generated it, cannot be unlearnt. Globalisation will likely continue post-Covid and despite US-China contention, though differently: more mercantilist than neo-liberal, with shorter and more resilient value and supply chains. Politically, Asia is returning to its norm of great power contention, as it has seen for most of the years since WWII bar the globalisation decade — a contention made sharper by the fact that the center of gravity of the world economy and all the principal powers of the world are now here, in Asia.

Notice that India-China relations were relatively smooth during the globalisation decades from the late 1980s to 2008 when the Asian order was relatively uncontested. Today, as Asian geopolitics are fraught and fractious so are India-China relations.

Another likely consequence is the strengthening of the informal coalition that has formed in China’s maritime periphery in the last two decades in response to China’s rise. Defence, security and intelligence links among India, Japan, Australia, Indonesia, Vietnam, Singapore and others have greatly increased in quality and quantity in the last decade and a half. The China crisis increases Indian willingness to work in the Indo-Pacific with countries who share India’s concerns about freedom of navigation and security in this extended body of water that is increasingly militarised. The India-US Malabar naval exercises now include Australia and Japan, and a Quad-plus security dialogue is emerging in practice. Maritime security is the obvious common interest on which these countries can work together. The security and stability of supply chains in the more difficult economic environment is likely to be another issue on which one might expect these countries to work together. At the same time, given the stakes that each of these countries has in its ties with China, this informal coalition is probably more a hedging rather than a balancing exercise for its members. Nor is it likely to become an Asian NATO, as EAM Jaishankar has reminded us recently.
Much, naturally, depends on the direction and magnitude of Sino-US contention. Asia faces a more ideological and nationalist China and USA, whose contention seems structural and therefore likely to last and intensify. The US pushback has not managed to change Chinese behaviour, if anything it is now worse. Given their mutual economic dependence, so unlike US-Soviet ties during the Cold War, China-US decoupling could remain limited in practice to the internet, high technology and some aspects of finance. These two most powerful powers in India’s extended neighbourhood use economic sanctions to get their way, and both see a zero-sum future for Asia.

China is successfully building a continental order in Asia through the Belt and Road Initiative that accounted for 40 percent of global growth in 2019, probably even more in 2020. In the maritime domain China is challenged, both by her own lack of experience as a maritime power and by the US and others for whom the maritime space of the Indo-Pacific is critical to their prosperity and security. India is both a continental and maritime power and faces China in both domains, with the world’s largest boundary dispute and increasing Chinese military presence in the Indian Ocean region which now includes military bases, ports and a permanent PLAN deployment, while also having stakes in other aspects of the relationship.

Asia is between orders. It is unlikely that Asia would be more China centered though the economic clout of China is bound to stay. It would neither be a US-led Asia, though the US alliance structures and partnerships in north-east, south-east and IOR are stronger. It may remain disorderly. But it is increasingly difficult for China to get her way in other respects, while learning the limits of economic and military power. (Just as interdependence did not prevent conflict and contention between Britain and Germany in 1914 or between China and the US this decade.)

Asia’s future is would not necessarily be either Sino-centric or US-led, but fragmented, with Asian states hedging against all possibilities and working with both China and the US where it suits them. Indeed, opting out of the RCEP negotiations in 2019 was a sizeable bet by India on a future Asia that is multipolar with strong US involvement.
All policy is a bet on the future. India has already made her bet on a multipolar Asia, on the fact that Asia will remain open rather than tied to the apron strings of one power or another. Leaving RCEP was one such bet, as was opposing BRI from the inception, and opposing the CPEC.

One thing is certain, there is no going back in India-China relations, or in the situation in Asia.
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