

Beyond the ADB: China, India and the Global Rivalry

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Introduction

Contemporary relations between China and India have often been characterised by concurrent traits of cooperation, competition and coexistence. There have been many occasions in past when the two countries have competed for power and influence in international relations. However, while the previous power games were discreet and often sugar-coated with cooperative instincts, this time it has come out in open. The occasion was the recent opposition by China to Asian Development Bank's (ADB) 'Country Partnership Strategy for India (CPS) 2009-12 that sought a \$ 2.9 billion funding to India's infrastructure projects including some in Arunachal Pradesh, an Indian territory that is claimed by China. While Chinese opposition did not succeed, its approach was quite ruthless and direct. Months later after the incident, China continues to rage in frustration while Indians are still in shock and displeased about the blatant display of Chinese competitive politics. Either way, the ADB episode represents potential challenges which, if allowed to proliferate, would derail the bilateral relations and push the two countries towards unmanageable rivalry.

The ADB controversy

The ADB controversy has come at a time when China and India are placed in the best phase of their bilateral relations. The border dispute, responsible for the 1962 War and much of the bad blood after that, remains sidelined in favour of a healthy cobweb of bilateral relations. Politically, the two countries have shown signs of accommodation and tolerance towards each other and have in fact cooperated on many issues in international relations. Economically, Sino - Indian bilateral trade has grown by leaps and bounds defying all benchmarks and estimations. Indeed, China has become the numero uno trade partner for India. Militarily, the two countries have overcome the one time hostile positioning along the Line of Actual Control (LAC) through a series of confidence building measures (CBMs) and indeed have participated in many joint military exercises, both on land and at sea.

All these developments have not deterred China to play power games against India, as and when opportunities knock. Towards the end of March this year, China used the ADB platform to withhold approval for CPS 2009-12 for India. China contended that part of the funds (\$ 60 million) were meant for certain schemes in India's Arunachal Pradesh which is also claimed by China and hence, a disputed territory.¹ India, as expected, opposed the move submitting that economic issues before a multilateral institution like ADB should not be mixed with bilateral issues like territorial dispute.

The impasse, however, ended with the ADB setting aside China's objection and approving the India Plan in mid - June 2009. Several factors account for India having overcome Chinese objection. First, China and India have almost same votes in the ADB (5.442 per cent and 5.352 per cent respectively).³ Lack of asymmetry aside, China also failed to convince other countries and build an anti - India coalition in the ADB. Second, India argued that the CPS is neither a political document nor does it not make any judgement as to the legal or any other status of any territory and that China's objection on political grounds was a clear violation of the ADB's Charter.⁴ Indian diplomacy burnt the midnight lamp in winning over biggies like the USA, Japan and South Korea apart from convincing other countries that could have derailed India's efforts, notably Pakistan.⁵ Third, Chinese diplomacy of mixing business with politics, if allowed to succeed, could have had negative consequences for national projects of many countries. Many of these countries do not have alternative sources of funding like India. Fourth, this was for the first time such an objection had been raised in ADB. There was also a possibility of India reviewing its entire gamut of relations with ADB. Certainly, ADB would not have liked to earn the displeasure of India that has been its largest loan recipient last year amounting to \$ 2.9 billion. Little wonder, when the ADB's Board of Executive Directors met on 15th June 2009, all member countries except China supported the CPS.

Beyond the ADB: Competition Galore

While the ADB is certainly the first platform where China has opposed India rather openly, there have been other international platforms where India has been at the receiving end of the Chinese competitive politics, albeit in a discreet manner. When the East Asian Community was in its fledgling stage, Chinese formulations envisaged no membership for India.⁶ Similarly, for a long time, China was loath to India's entry into the Shanghai Cooperation Organisation (SCO) as an observer and budged only when it was given a similar status in SAARC. In recent times, Chinese presence has increased phenomenally in the Indian Ocean and its naval relations with many littoral states is being perceived in India as a step to restrain India's maritime influence. While all these issues are sidelined in favour of an up-building Sino - Indian relations, the Indian psyche is still peeved by the consistent and rather virulent opposition by China to India's candidature to a permanent seat in the proposed restructuring of the UN Security Council. By proposing a formula and insisting on a consensus, China is being discreet and yet showcasing a 'denial strategy' to India.

The rise in comprehensive power of the two countries has only complicated the problem. With many issues holding the bilateral relations still from being normal, the theater of mutual competition has expanded to other areas. The two countries have often adopted different stands not only in multilateral institutions but also in regional architectures on security and economic cooperation; have been competing for resources and influence in

distant lands; and above all, have polarly opposite perception of many issues in international relations. This adds weight to the hypothesis by pragmatist Sinologists in India that Sino – Indian rivalry would be characterised by competition and cooperation.

China's Intentions

On the face of it, China opposed the ADB loan to India since it involved a territory that China claims as its own! For that matter, China has been critical of all official announcements by the Government of India in respect to Arunachal Pradesh and has not lost any opportunity to criticise economic, military or political decisions by the Government of India or visits by top political leadership. Chinese aggrandisements on Arunachal Pradesh have become sharp in recent years and the reasons could be the ongoing border talks between the two countries. Of late, China has shown focussed interest in Arunachal, particularly the Tawang tract, and is not even willing to discuss its earlier 'swap proposals'. Diplomatic roadblocks in multilateral institutions like ADB could be, therefore, Chinese pressure tactics to extract more concessions from India as the border talks enter the critical phase.

However, there is more to Chinese opposition than what was visible in ADB. Multilateral institutions, more so in Asia – Pacific region, provide China a cool instrument to project its power. China has been an active participant in all regional security forums, acting as winds beneath the wings of many of them. In recent times, China has also increased the frequency of joint military exercises with foreign militaries and has increased its presence in distant waters in the Indian Ocean. Moreover, it has become an active partner in the security and community building exercises with considerable success and expansion in its power and influence. Unfortunately, while this may be acceptable to smaller countries in the Asia – Pacific region, countries with rising power status in the region such as Japan and India may find it difficult to go the whole hog with China's expanding global ambitions. That being the case, China's insistence on conditionalities and formulae for relations between these countries and the multilateral institutions is liable to be interpreted as amounting to 'Sino centrism', i.e., peace at Chinese terms.

In recent times, China's own perception of India has undergone from 'a benign neglect' to a rising great power with own sets of aspirations⁸. As India climbs up the power ladder and spreads its influence far and wide beyond the traditional perimeters, China sniffs more competition and a relative decline in its own influence amongst the comity of nations. The ideal solution for China would be to find ways and means to keep India boxed within the sub-continental politics of South Asia. Perhaps, this explains why China has been so welcome and magnanimous to the militaries of Bangladesh, Sri Lanka and Pakistan.

India's Response

New Delhi may have managed to overcome the Chinese opposition in ADB and put an end to the polemics in vogue since late March this year, but the episode haunts both the countries. While China was furious at the ADB decision⁹, India, in a couple of belated reactions, used public as well as diplomatic means to convey its displeasure to China.¹⁰ The Indian media has also reacted, highlighting the alacrity with which China has been denigrating India in recent times on a number of issues.¹¹ However, most reactions in India are characterised by ad-hocism and emotionalism and do not suggest a grand strategy against Chinese power politics. Perhaps this explains why China has excellent relations with most South Asian countries and the consolidated its presence near the Indian waters, much to the chagrin of India. This also explains why India has not been able to overcome the Chinese resistance and win a seat in the UN Security Council.

ADB or no ADB, China will continue to play power games as and when it sniffs an opportunity. The anti – China coalition that was available to India in Manila may not be available elsewhere since it was a stand alone case; in fact, at times, the same countries could turn the heat on India as witnessed by the recent focus of the NPT towards India. New Delhi has a real challenge to devise diplomatic ways and means to handle future Chinese obstacles or the balance of power games. Unfortunately, Sinologists in India are in no hurry to study a rising China and suggest policy feedbacks to the Government for handling ADB type cases. Often, this makes it easier for non-China experts to feed pessimistic prognosis on the future of China – India relations.¹²

Managing the Rivalry

Since China and India are undergoing a power transition, there would be numerous occasions when the two countries would be tempted to compete with each other. Some of these challenges should remain dormant with increased mutual confidence and trust. Sino – Indian rivalry can be further managed by minimising competition and maximising cooperation between them. The theoretical literature is near unanimous on the gains from cooperation; the recent history of Sino – Indian relations is replete with gains from cooperation at bilateral and multilateral level; and there is no reason to doubt the potential yields in future.

Further, strategic coexistence being the defining feature of Sino – Indian relationship, both countries have to accommodate each other's rise and ensure a peaceful evolution of bilateral relations. Very rarely, history has witnessed two great powers, who are neighbours, rising peacefully, there being ample strategic space for both of them. China and India should not loose track of this opportunity. China – India game, in the coming days, will be played in different corners of the planet and in different segments of their relations. Cooperative instincts will be mutually beneficial for both of them as witnessed in few cases in Africa and Central Asia.

While the ADB has left India with a bitter taste, it must offer a sweet tooth to China and maintain an engaging relationship. The good thing is that even with episodes like ADB, the larger framework of constructing a healthy Sino – Indian relations remains intact and so does the political will on both sides of the Himalayas, as witnessed during the meeting of top leadership of the two countries at the Yekaterinburg summit of the BRIC countries and

at the 13th round of border talks at New Delhi. However, behind the veil, India must watch and study Chinese power projection in political, economic and military fields for the engagement processes to be meaningful. Perhaps, here-in lies the challenge for Indian policy makers.

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