

**China's Growing Influence in India's Neighbourhood and Implications for India\***  
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We should view China's growing influence in our neighbourhood in a larger perspective. It is part of China's expanding influence worldwide. It is the world's second largest economy and the world's largest exporter of goods. It is the biggest trade partner of several of the world's largest economies such as the US, Japan, South Korea, besides a number of ASEAN countries. It has accumulated vast foreign exchange reserves, amounting to about US \$ 3.7 trillion. It has set up financial institutions like the Asian Infrastructure Investment Bank (AIIB) to compete with existing institutions such as the Asian Development Bank. It has built huge over-capacities in sectors like steel, cement, power, highway and dam construction, that is, infrastructure in general. It is looking at all possible external markets for utilising this excess capacity. It is exploiting the economic crisis in the EU and the collapse of the economies like that of Greece to penetrate the EU. Germany has become a major economic partner of China. The manner in which the UK is courting China, its decision to break ranks with the US and join the AIIB, the kind of reception accorded to President Xi when he visited the UK recently, the approval of Chinese participation in the massive new nuclear plant the UK plans, is all indicative of China's rising global influence. One should add to this China's mounting presence in Africa, the Gulf countries and Latin America. It is, therefore, not surprising that China's influence is also growing in our neighbourhood.

We must admit that some of our neighbours are China's neighbours too. Pakistan, Nepal, Bhutan and Myanmar have contiguity with China. Bangladesh too is geographically close. China could therefore legitimately claim that its growing relationship with our common neighbours is normal and that they have equal right to develop mutually beneficial ties with them.

If our own relations with China were normal and friendly, its growing presence in our neighbourhood would cause less concern. In some ways China's investments in the region, specially in infrastructure, could then be seen as serving a general interest. India and China have, however, serious issues of discord between them. The relationship has many adversarial elements. China poses a strategic threat to India in many respects. This, therefore, makes its enhanced presence in our neighbourhood a serious challenge.

India and China have an over 4000 kilometres long unsettled border. China occupies Indian territory and lays claims to more of it. The India-China situation is possibly the only one in the world today involving major powers. China does not seem to be interested in settling the border. If it were, it would cease making untenable claims on Indian territory. Maintaining these claims aggressively is a way to prevent a resolution. Very little progress has been made through the Special Representatives (SR) mechanism set up specifically at the highest political level to find a solution. Other than agreeing on guiding principles and parameters for resolving differences, which too in key respects are being re-interpreted by China, no real progress has been registered. Those who say that the work of SRs has been completed and now it is for the two sides to take a political decision are confounding the reality, as differences have not been materially narrowed.

India is the only power in Asia that can compete with China and stand up to it in the long run. Japan is strong economically and technologically, but it is too small and dependent on the US for its protection to be a real counterweight to China. South Korea or Southeast Asian countries are also too small to play a countering role on their own. China will have to eventually share the leadership of Asia with India. China's India problem will become more difficult for it to handle on unequal terms if the US, Japan, Australia join India as a group of democratic countries to counter China's growing power. India can pose a stronger challenge to China's assertion of its great power status in unilateral ways.

The direction of India's Act East policy would be to carve out an Indian sphere of influence in Southeast and East Asia, not in the classic sense of dominating the area and seeking to exclude others but a more cooperative approach based on win-win engagements. Japan and ASEAN countries welcome a larger Indian role so as to balance the enormous weight of China. The ASEAN would also want to create conditions in which the group can benefit from the growth of both China and India.

For all these reasons, China would have interest in limiting the expansion of Indian influence eastwards to the extent it can by using our neighbours to tie us down in the subcontinent. Our neighbours too (barring Bhutan) want to balance India's preponderant weight in the subcontinent by bringing in external powers into the region. They have exploited India-China differences to checkmate India. Our neighbours are part of the same political, security, economic, cultural, linguistic, ethnic and civilisational space as us. Their challenge is how to differentiate themselves from us, develop their own identities and sense of nationhood, avoid being overwhelmed by India and lose their independence and sovereignty de facto. Those in power in some of these countries could see India as a potential threat to their group interests and privileges if they are not compliant enough because of India's perceived capacity to intervene in their internal affairs. Although India does not promote democracy or human rights as a matter of policy, and does not support the concept of responsibility to protect, our neighbours still feel threatened. They are more comfortable with an authoritarian regime like that of China that is willing to work with any kind of government and ignores issues of democracy or human rights, the very ones that the West uses against it.

By using the China card our neighbours believe that they can extract more from India by way of economic assistance, as well as deter India from interference out of concern that this might push them to draw even closer to China as a consequence. Independent of concerns about India's size and strength, our neighbours would also like to benefit from China's economic rise and obtain Chinese economic assistance for their development projects, which

would be quite normal.

Our neighbours have also tested over time that our tolerance levels for their disregard for our sensitivities and security interests are quite high, and that we hesitate to make them pay a price for their misconduct. This encourages some of them to challenge India's legitimate interests with a sense of immunity. The support our neighbours give to China's entry into SAARC, knowing India's position and sensitivities is a case in point. This blatant attempt to give China equal status with India in the subcontinent, allow it to shape the grouping's agenda of cooperation, give it the power to prevent reaching any consensus that it does not like, enable it to use its economic weight to reduce India's influence, and give it leverage to counter us in our own region, amounts to a provocation. Our neighbours also use internal lobbies in India to ward off a strong Indian reaction to their provocations. We have now a China lobby, both ideological and economic, that acts as a pressure point on the government to play down the Chinese threat to India and its interests.

Pakistan has been China's partner of choice to contain India. The premise would be that the more India is kept busy in managing its neighbourhood, its ability to expand its influence outside the region will become that much more difficult to accomplish. China has made full use of Pakistan's endemic hostility towards India to curtail the latter's regional and extra-regional role. By transferring nuclear and missile technologies to Pakistan, India has been strategically neutralised. The "strategic stability" that the US seeks between India and Pakistan has lost its relevance as China has established it already in the subcontinent. China is today Pakistan's biggest defence partner. It panders to Pakistan's obsession with parity with India to the extent possible, at the core of which lies the transfer of nuclear and missile technologies to Pakistan. As a reaction to the India-US nuclear deal, China has extended nuclear cooperation to Pakistan in violation of its own Nuclear Suppliers Groups (NSG) commitments. It has assisted in the construction of the plutonium producing Khushab reactor and a Plutonium reprocessing facility. It is building nuclear reactors in Pakistan without the latter being required to accept constraints on its overall nuclear programme as India has had to accept under the India-US deal. Now, China is linking Pakistan's membership of NSG to that of India, as it did in the case of India's SCO membership. In April 2015, China has concluded the sale of eight conventional submarines worth US \$ 5 billion to Pakistan.

On the economic side, the relationship so far has not been too big. The current trade between the two countries amounts to US \$ 9 billion, making China Pakistan's second largest trade partner. As part of China's strategy to capture the telecom sector in the subcontinent, China Mobile announced US \$ 1 billion investment in Pakistan in the telecom infrastructure in April 2015. Its subsidiary emerged as the highest bidder in the 3 G auction and has qualified for the 4 G license. During his April 2015 visit, President Xi divulged plans to hugely expand the economic relationship with Pakistan, giving it an unprecedented strategic dimension. He signed agreements worth US \$ 28 billion in hydro, wind and solar energy projects.

On terrorism, the core issue between India and Pakistan, China shields Pakistan. It has never condemned the Mumbai terror attack and more recently opposed a UN Security Council probe into the source of the financing of Ziaur Rehman Lakhvi's bail bond, in violation of a relevant UNSC resolution. With the announcement of the China-Pakistan Economic Corridor (CPEC), China has deepened its strategic commitment to Pakistan. By this step, China is also taking a position in Pakistan's favour on the legal status of Kashmir. Its position is inconsistent with the one it took in the 1963 Border Agreement with Pakistan, which does not recognise POK as Pakistani territory and mentions that the agreement in question relates to "the boundary between China's Sinkiang and the contiguous areas the defence of which is under the actual control of Pakistan". China's step also amounts to a violation of UN Security Council resolutions, as China is effectively integrating POK with its own territory in a longer term strategic perspective. China has become a third party to the India-Pakistan differences over J&K, beyond its own bilateral differences with us over Aksai Chin. The India-China dispute is now being extended from Aksai Chin to POK. The CPEC is a strategic project and not a commercial one as the Chinese claim. China's position on the CPEC is also inconsistent with its own position on Arunachal Pradesh where it objects to any involvement of international financial institutions, and indeed the Indian government, in development projects there.

China has steadily expanded its influence in Nepal. Earlier the Palace played the Chinese card against India and local democratic forces represented by the Nepali Congress. The Maoists have acted as China's proxies in Nepal for long. After they came to power in 2008 after the fall of the monarchy, the first visit by Prime Minister Prachanda was to China. In 2007, China announced US \$1.3 million of military aid to Nepal, which was increased to US \$ 2.6 million after the Maoists came to power. These are small amounts no doubt but the issue is sensitive in the context of the India-Nepal treaty. The new Nepali Prime Minister Mr KP Sharma Oli has been openly speaking of reaching out to China to balance India in response to Madhesi protests against the new Nepali Constitution which have resulted in the disruption of oil supplies from India. China has for many years established itself south of the Himalayas, with Nepal, with its open border with India, now a buffer. Even if China does not too openly encourage Nepal to take positions against India, it does enough to keep Nepal into its political fold and provide it some options against Indian pressure. It uses the anti-Indian lobbies in Nepal to dilute a dominant Indian role there. It seeks a degree of parity with India in treaty relations with Nepal. The extension of the Qinghai Tibet railway line to the Nepal border would make little economic sense but would serve a strategic purpose. China is actively pursuing hydro-projects in Nepal. It has established its presence in the Terai where it has reportedly opened 35 China Study Centres. Its aborted Lumbini project, intended to give China a Buddhist friendly face, would have served to erode the civilisational/cultural base of India-Nepal relations, with a potential fall-out effect on Ladakh, Sikkim etc. China has entered the telecom sector in Nepal as it has done in other countries in the subcontinent, including India. It has given Nepal the Zhangmu-Kathmandu optical fibre cable. In 2001, China was the fifth largest investor in Nepal. Within 10 years it has become the third largest, after India and the US. Trade with Nepal amounts to US \$1.2 billion, with Nepal's exports to China a paltry US \$ 14 million.

China is strongly entrenched in Bangladesh. Since 2002 it is involved in building Bangladesh's military capabilities, with focus on naval defence. The Bangladesh army is equipped with Chinese tanks, frigates, missile boats, anti-ship missiles and air force jets. It is offering two Ming class submarines to Bangladesh. Almost 70 per cent of

Bangladesh's defence inventory is supplied by China. This military connection gives China the political influence it needs in Bangladesh. China is helping to develop the Chittagong port close to Kyaukpyu in Myanmar from where the oil pipeline to Kunming has been built. Bangladesh has a comprehensive economic partnership with China, with a two way trade of US \$ 10.3 billion in 2014, which is heavily tilted in China's favour. Bangladesh exports less than US \$ 460 million to China.

Sri Lanka has enjoyed close relations with China traditionally. China views Sri Lanka as a major partner for its Maritime Silk Route with Hambantota playing a key role in it. The Hambantota Development Zone to be completed in 10 years will include an International Container Port, a bunkering system, an oil refinery and an international airport. In August 2013, China opened the Colombo Container Terminal, which is a US \$ 500 million project owned 80 per cent by a Chinese company. Another Chinese company - blacklisted by the world bank till 2017 - is constructing the Colombo City Port Project on reclaimed land. The Sirisena government is reviewing some of these projects, as they are being seen as unproductive investments and bad loans. It remains to be seen how much can be reversed by the present government as the Chinese government will not easily accept a major setback to its maritime strategy in the Indian Ocean in which Sri Lanka is a critical element. Chinese companies are participating in developing Sri Lanka's expressways. It is providing military equipment to Sri Lanka and trains its military personnel. It has invested US \$ 5 billion in Sri Lanka so far.

Maldives is strengthening its relationship with China, with growing Chinese investments in housing, roads and airports. This has increased after Abdulla Yameen came to power in November 2013. Tourism has become a major area of Chinese presence in Maldives, with 330,000 tourists visiting the country in 2013. Maldives is an important player in China's Indian Ocean strategy. China's investments could give it an opportunity to increase its military presence in the country at a future date. Maldives has passed legislation allowing transfer of land on long term lease to foreign investors. Although Maldivian emissaries reassure us that the intention is not to allow any military activity in leased land, we have to be alert to future developments

China had made deep inroads into Myanmar during the period when the country was in the grip of the military and sanctioned by the West. Since the 1980s China has been the major source of military equipment and export market for Myanmar's natural resources. Chinese investments in Myanmar increased to US \$ 13 billion between 2008 to 2011, but dropped to US \$ 1 billion in 2012. Tensions have emerged in China-Myanmar relations after the opening up of the country and the cancellation of the Myitsone dam project and public resentment about the destructive environmental practices of Chinese companies and poor observance of social standards. The oil and gas pipeline to Yunnan is, however, operational since 2013. This project helps China in part to deal with its Malacca dilemma by shipping oil and gas directly from the Bay of Bengal to China. In that sense Myanmar is strategically important for China. It has now reached out to the democratic leadership of Myanmar. Whatever the differences that have emerged, Myanmar would see it in its interest to have stable relations with China.

China is now seeking to extend its influence in Afghanistan by promoting the reconciliation process between the Afghan government and the Taliban, for which it has the US support. This Chinese move outflanks us politically in Afghanistan. Given the extremely close ties between China and Pakistan, China will work collaboratively with it in Afghanistan, at the cost of our interests. Although India and China are having a dialogue on Afghanistan at the Foreign Office level, China will give far more weight to Pakistan's interests in its policy towards Afghanistan than be responsive to India's concerns. The Afghanistan government too is looking to China for investments and for leveraging its influence with Pakistan to positively influence the latter's conduct towards Afghanistan.

We obtained an insight into China's goals in the subcontinent in President Xi's speech at the Indian Council of World Affairs in September 2014. China views its engagement with India as part of China's larger South Asian goals. Xi pledged that China will work with South Asian countries to increase bilateral trade to US \$ 150 billion, raise its investment in South Asia to US \$ 30 billion, and provide US \$ 20 billion in concessional loans to the region in the next five years. Besides that, China, he said, plans to offer 10,000 scholarships, training opportunities for 5,000 youths and, exchange and training programmes for 5,000 youths, and train 5,000 Chinese language teachers for South Asia in the next five years. He noted that China was the biggest neighbour of South Asia and India was the largest country there. Xi said, "Beijing is ready to work together with New Delhi and make even greater contribution to the development of the region, so that the three billion people living on both sides of the Himalayas will enjoy peace, friendship, stability and prosperity."

China is already a dominant player in Central Asia. It has entrenched itself in Iran, taking advantage of the West's policy of sanctioning that country. It has all-weather ties with Pakistan and is making deeper inroads into Afghanistan. This makes it a dominant player in the region to our West. Because the US is withdrawing from the region, our strategic challenge from Chinese power is becoming more problematic. Even if the US maintains about 10,000 troops in Afghanistan, it will not be able to provide a counter to increasing Chinese influence in this entire region. China's enhanced role will only serve to boost Pakistan's ambitions to its West and efforts to keep India out of that region as much as possible. Pakistan will have even less incentive to facilitate links between India and Afghanistan, and beyond that to Central Asia.

It is in this larger context that India should view China's Belt and Road initiative. This project is a vehicle for the expansion of China's power through economic linkages financed by China's financial resources. All the land linkages envisaged in this project are either East-West ones through Eurasia or Russia, or North-South ones intended expressly to give China access to the Indian Ocean from Yunnan and Sinkiang. The North-South corridor through Iran to Central Asia and southern Russia is excluded, and so is the East-West corridor from India through Pakistan to Afghanistan, the two linkages of interest to us. China did not consult us before launching its initiative. It is keen that India join it as this will give the project greater acceptance. It will be then seen as a truly cooperative venture and not a cover for China's political and economic ambitions.

The Maritime Road or Silk Route is a re-conceptualisation of what has been referred to as China's "string of

pearls” strategy, which had begun to be seen to represent China’s geopolitical ambitions in the Indian Ocean rather than any cooperative commercial grand design to enhance trade throughout the area and beyond. By calling it the Maritime Silk Route the political aspects of the strategy are being redefined as commercial ones.

China seems determined to extend its naval reach. The 2015 Chinese Defence White Paper on Maritime Strategy says that “The traditional mentality that land outweighs sea must be abandoned, and great importance has to be attached to managing the seas and oceans and protecting maritime rights and interests.” As a result, the PLA Navy “will gradually shift its focus from ‘offshore waters defence’ to the combination of ‘offshore waters defence’ with ‘open seas protection.’” The paper says that the “Navy aims at gradual extension of the strategic depth for offshore defensive operations.”

China’s presence in the Indian Ocean will therefore grow with time. It may be manageable for some years, but the appearance of Chinese submarines in these waters and the real prospect of Gwadar becoming a naval base in the future will add to our strategic challenge. Bangladesh, Sri Lanka and Maldives have supported the project, which includes Chittagong, Colombo and Hambantota ports, as well as a potential foothold in Maldives.

China has been pushing for the Bangladesh-China-India-Myanmar (BCIM) corridor as part of its grand design to link Yunnan to adjoining regions and provide it access to the sea. We are participating in the working group set up to study the project. Our northeast is not sufficiently integrated with the rest of the country. By agreeing to a link between China and our northeast we run the risk of allowing this region to move into China’s economic orbit, with all its political implications. We may then find it more difficult to politically manage this region, besides weakening our hand in dealing with China’s thrust into it, including its territorial claims on us. We have been concerned about the China promoted North-South corridors in our region. China’s penetration of Myanmar and gaining access to the Bay of Bengal has been a source of concern. In this light, to support BCIM, a North-South corridor linking to Bangladesh and giving China access to the sea makes little strategic sense until such time as our territorial issues with China are not settled. The argument that this corridor will help in the development of our northeast is self-defeating at the political level. We should instead accelerate the building of the West-East corridor linking our northeast to Myanmar and on to Thailand and beyond. In all this, we have also to factor in Bhutan’s sensitivities, if we open up our northeast to China.

Our own approach to China encourages our neighbours to establish closer ties with that country and being responsive to its overtures. China has become one of our biggest trade partners; regular high level visits are being exchanged; we are seeking Chinese investments; China is already strongly present in our telecom and power sectors. We have declared a Strategic and Cooperative partnership with China; we have institutionalised a Strategic Economic Dialogue with it. We have, rather oddly, agreed in joint statements to support each other in enhancing friendly relations with our common neighbours ( meaning Pakistan, Nepal, Bhutan and Myanmar) for mutual benefit and win-win results. We have agreed to enhance bilateral cooperation on maritime security, which serves to legitimise China’s penetration into the Indian Ocean. We are endorsing civil nuclear cooperation with China, which actually undermines our objections to the China-Pakistan nuclear axis.

Theoretically, improved India-China relations should leave less scope for our neighbours to use the China card against us. Up to a point this may be true. In reality, under cover of enhanced engagement with India, China is strengthening ties with our neighbours, sometimes in provocative ways, such as the announcement of the China-Pakistan Economic Corridor (CPEC), developments of ports in Sri Lanka and appearance of submarines there, as well as efforts to secure a foothold in Maldives.

What should India do to deal with China’s growing presence in our neighbourhood? India has limited options. China and our neighbours have the right to establish bilateral ties at levels they feel are to mutual advantage. India cannot object, except where our security interests are seriously affected. India is facing a rather complex situation. The gap between us and China has widened greatly. China has ambitions and resources to back them. It has begun to challenge the US and its allies in the western Pacific. Any incremental success it achieves there erodes the US hegemony and increases China’s regional and global stature. If China can challenge the US power, it can be confident of dealing with India’s rise. China has begun to expand westwards where the US power is withdrawing. This brings the weight of Chinese power to bear on us even more.

We need to engage more with Maldives at the political level. Nepal is a very complex case. The need to call Nepal’s bluff on China has to be weighed against being tolerant of a smaller neighbour’s provocations. It is possible that a tougher stance with Nepal may pay dividends in the longer run, but it will cause a setback in the immediate in terms of public sentiment. Pakistan is endemically hostile to India. The China-Pakistan nexus will remain strong. We should consider putting roadblocks in whatever possible way in the development of the CPEC. We should accelerate the development of West-East connectivity through Myanmar. Improved relations with Bangladesh should be consolidated as transit rights and connectivity through its territory can help develop and integrate our northeast, besides boosting our Act East policy. We have yielded too much ground in our joint statements with China on our neighbourhood and this should not be repeated in the future. We have to expand and strengthen our Navy. More importantly, we have to strengthen our economy. China has become a power to reckon with because of its economic transformation. At the end of the day, however, we have to accept China’s growing presence in our neighbourhood as a fact of life. Our aim should be to prevent the India-China balance turning more to our disadvantage. An equilibrium has to be established that we can live with.

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