Fifteenth Colonel Pyara Lal Memorial Lecture – 2011

Rising Power and Enduring Paradox: India's China Challenge*

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Introduction

It is a great privilege and special honour to deliver the 15th lecture in memory of Colonel Pyara Lal, whose contribution to the flowering of the United Services Institution is legendary. I cannot claim to have known Colonel Pyara Lal well. I had the opportunity to meet him occasionally during the 1980s, when he used to visit the Institute of Defence Studies and Analyses, where I was a young researcher. He always showed interest in the kind of work I was doing and had strong words of encouragement. If Colonel Pyara Lal was a great institution builder, India will need more like him in the coming years. To cope with the sweeping challenges arising from China's rise—the single most important geopolitical fact of our time—India will need to build new institutions and reform many of the existing ones. Above all, it needs a comprehensive re-imagining many of its national policies.

My lecture today begins with a brief overview on the growing international weight of China and India. I will then move on to explain the paradox of Sino-Indian relations, where every attempt to build a stronger relationship in the past saw the sharpening of the rivalry between the two Asian giants. The third part of the lecture will look at the prospects for the mitigation of Sino-Indian rivalry; the fourth will look at the opportunity to build greater cooperation between China and India. The concluding section offers a few thoughts on the policy changes that India must consider in effectively dealing with China's rise.

Rising Power

The world is witnessing the simultaneous rise of its two largest nations—China and India. I do not want to dazzle you with all the figures that are widely available. During the last three decades and more, the average annual real growth of the Chinese economy has exceeded 9 per cent and has occasionally touched 13 per cent and 14 per cent. This economic miracle has made China the second largest economy in the world in real terms. China is expected to overtake the United States in the size of GDP within the next couple of decades. Although the emergence of India is not as spectacular as that of China, it has been significant enough. India's economy has ended its historical underperformance to become the tenth largest economy in real terms in 2010. It is expected to become the fifth largest by 2020.

It is widely acknowledged that the rise of China and India will affect the geopolitics of the various sub-regions of Asia, influence the great power relations and contribute to systemic change in international relations. It has been recognised for a while that the rise of China and India was inevitable and that together they might change the world in many ways. But the perception of the scale, pace and consequences of the emergence of China and India as great powers has become more acute since the financial crisis that rocked the world at the turn of this decade. The slowdown of the Western economies, especially those of Europe and Japan, and the continuing relative decline of Russia has meant China and India will catch up and overtake most developed economies much earlier than anticipated. The improved economic standing of China and India, in turn, will allow the two countries to devote significant resources to military modernisation, and beef up their hard power capabilities. Both countries will also steadily improve their soft power resources and bring greater weight to their diplomacy and cultural influence. Meanwhile, the sheer size of their billion plus populations and expanding economic weight would produce massive systemic impact on a range of issues—from energy, environment, and resource security to regional institutions and global governance. The world must also accept that China and India—given the sense of their own exceptionalism and a strong belief in their 'manifest destiny'—have more than the necessary political will to become great powers and shape world politics in this century.

How exactly China and India may change the world will depend on two important factors. One is the kind of purpose that China and India might attach to their increasing power capabilities. Will their policies be similar to those of France and Britain in the 19th century? Or would they look like America and the Soviet Union in the 20th? Or may China and India be very different type of great powers? The other factor is the nature of the relationship between the two Asian giants. This short essay is a reflection on whether China and India would be partners or rivals. This question animates not just the strategic communities in Beijing and Delhi but the whole world, for the dynamic between the two giants could become the defining dynamic of the international system in the 21st century.

Enduring Paradox

Even before they constituted themselves as modern states in India (1947) and China (1949), the national movements in the two countries and their intellectual leaders reached out to each other to find enduring bases for cooperation. As two great civilizational states emerging out of colonialism, the Chinese and Indian nationalists believed, they were destined to reshape Asia and the world. That was the essence of the understanding that Jawaharlal Nehru arrived at when he met the Chinese delegations anti colonial congress in Brussels in 1927. After that the Indian national movement signaled its solidarity with the Chinese people as they resisted the Japanese occupation. Yet, as the Second World War engulfed them, the Chinese and Indian national liberation movements found it impossible to cooperate. The structure of great power conflict in Asia and the fact that India and China faced different imperial powers prevented political cooperation between the two national movements. As Japan advanced closer to the Subcontinent in the 1940s, Britain got Chiang Kai Shek to travel to India and urge the Indian nationalists to ease their confrontation against London and focus on the war effort against Tokyo. The Indian leaders, including Gandhi refused. At the intellectual level too, the big ideas that moved China and India did not always match, and despite their common struggle to cope with the new domination of the West, they did not see eye to eye on critical political and philosophical assumptions.

In the early years after claiming their independent nationhood, India and China once again embarked on a new effort to build political cooperation. Their romanticism was marked by the slogan of '*Hindi-Chini Bhai-Bhai*' in the 1950s. Yet by the late 1950s, the turbulence in Tibet and their unresolved boundary dispute began to sour the

relationship which culminated in a brief military conflict at the end of 1962. This was followed by a prolonged chill until an effort to normalise the bilateral relations in the 1980s. Through the final years of the Cold War, India and China were ranged on the opposite sides of the divide. While Chinese communists drew closer to the United States after their split from the Soviet Comrades, the democratic India found itself embracing the Russian Communists. While the boundary dispute dominated the relationship, China and India found that their world views were radically different, and their interests clashed in Southeast Asia and South Asia, and their differences on the future of the security order in Asia and the Indian Ocean were strong. No wonder that Sino-Indian relations in the 20th century were characterised as 'protracted contest' and an unending rivalry.

At the turn of the 21st century, Sino-Indian relations seemed to enter one of their best ever phases. The normalisation efforts in the final years of the 20th century seemed to bear fruit as two-way trade between the two countries galloped from barely 2 billion US dollars in 1998 to nearly 70 billion in 2011. Sustained high level exchanges and broadening people to people contacts were supplemented by important efforts at military confidence building and a political effort at resolving the all important boundary dispute. Yet, the notion of an all-encompassing rivalry began to take hold of their bilateral relationship. Despite expanding trade and a stronger economic basis for a sustainable relationship, a whole range of issues began to trouble the relationship again since 2008. These include Tibet, the Dalai Lama's presence in India, Chinese opposition to international financial assistance to developmental projects in Arunachal Pradesh, the issue of stapled visas to Indian citizens from Jammu and Kashmir, China's attempt to undermine the India-US civil nuclear initiative at the Nuclear Suppliers Group in 2008, extending similar nuclear cooperation to Pakistan, Beijing's reluctance to support India's permanent membership of the United Nations Security Council, and its unwillingness to condemn Pakistan's support of cross border terrorism against India. Some Indian analysts have argued that these moves form a consistent pattern of Beijing's aggressive claims in the boundary dispute, its balancing of India by shoring up Pakistan, and determined opposition to India's larger global aspirations. They see it as a part of a rivalry rooted in the relentless logic of geography and extending beyond bilateral issues and Pakistan. Since they share the same space in Asia and both nations seek to expand their influence on the nations across their borders, a contestation for influence in Central Asia, South Asia, and Southeast Asia became inevitable. The competition was not limited to land spaces but also extended to the Indian Ocean and the Western Pacific Oceans, as China and India with their new focus on trade sought to protect their now vital sea lanes of communication. Nor was the rivalry limited to their immediate environs. It expressed itself in far flung places from Siberia in the Russian Far East to Columbia in Latin America and from Africa to the South Pacific, as Beijing and Delhi chased each other's tail in search of vital natural resources—both energy and mineral—far from their shores.

Mitigating the Rivalry

In their enhanced bilateral engagement at the turn of the 21st century, both China and India have sought to downplay the prospects for mutual rivalry. They continually declared that they were not a threat to each other. They also insisted that there was enough space in the world for the peaceful rise of both China and India, and that cooperation between themselves would be critical for the emergence of the Asian century. For all formal statement of these propositions and deepening mutual economic links, China and India constantly sought to limit the influence of the other. Despite the tall talk of building *"Chindia"*, what has emerged in the last few years is an unmitigated rivalry. Delhi's traditional fears of China encircling it in the Subcontinent through special relationships with India's neighbours has increased rather than decreased in the 21st century. In the past India's focus was China's strategic partnership with Pakistan; it now extends to Beijing's relationships with Nepal, Bhutan, Bangladesh, Burma and Sri Lanka. Similarly China used to be concerned about India's influence in Indo-China that Beijing has historically seen as its backyard. Today Beijing is looking warily at India's expanding naval and military profile in the South China Sea and Delhi's maritime partnerships with Japan, Vietnam, Indonesia and Singapore.

In their attempt to hedge against each other's rise, Beijing and New Delhi found that their bilateral relationship was increasingly sensitive to their relationships with other major powers. Both have used their relationships with the United States, Japan, and Russia to gain advantage over the other. As a consequence the fear of hostile strategic alignments by the other has gained ground in both capitals and laid the basis for what international relations theorists call the "security dilemma". What one nation sees as a necessary step in protecting its own interests is seen by the other as an aggressive move to undercut its positions. The security dilemma then sets off the two mutually suspicious nations on an ever escalating competition resulting in reduced security for both.

The notion of a Sino-Indian rivalry is not new. What makes different and consequential today are a number of factors. Rising China and emerging India are more powerful nations today on the cusp of great power status, have interests that are wide-ranging, are driven by a strong nationalist impulse, have staked their domestic political legitimacy on their ability to sustain high rates of growth which in turn depends on their ability to achieve external objectives in an increasingly interconnected world. They have repeatedly found themselves at odds in reshaping regional and international institutions. India has been wary of China's increasing influence in the South Asian Association of Regional Cooperation. Beijing in turn has sought to limit India's role in East Asian institutions. Delhi and Beijing have also clashed over the reform of the global nuclear and the United Nations Security Council. The world is watching very closely the unfolding rivalry between the rising Asian giants. If the rivalry ends up in war or conflict, it is bound to diminish both China and India. While the talk of a grand eastern alliance between Beijing and Delhi was always far-fetched, the big question is whether the two can manage their competition by keeping it limited and peaceful. Without the wisdom to do so China and India will find it difficult to realise their larger global aspirations.

Re-making the World

Six decades ago when China and India reconnected with the world as modern and free republics, they had a huge problem coming to terms with the existing international order that was dominated by the Western powers. As two great civilizational states, China and India had a sense of their self-importance despite the extreme underdevelopment that marked their societies. It was not easy, therefore, for Beijing and Delhi to reconcile their claim for a special place in the world and their inability to secure it. China and India, after all, had endured an extended period of relative decline amidst the rise of Europe and the West in the previous centuries. In the middle of Twentieth century, the Chinese and

Indian economies were burdened by widespread poverty and their large populations were under-equipped to participate in the world economy. As a result China and India chafed under the international rules that they did not make and constantly found themselves either having to obey the diktat of other powers or defy them at considerable cost. After much trial and error, China and India found a way to grow their economies rapidly. Three decades of high growth rates since the late 1970s have made China, the world's second largest economy. India which followed a similar path a decade later is on track to become the second fastest growing economy after China.

As their relative economic gains make China and India great powers, Beijing and Delhi now have the power and responsibility to reshape the world. No future set of international rules will be sustainable without the explicit support of Beijing and Delhi. That is quite visible in the current international negotiations on global warming. It will be even more evident in the coming decades as the China and India position themselves at the top of the global power hierarchy. Peaceful coexistence and deeper bilateral cooperation between China and India, then, are the main preconditions for a stable and sustainable global order in the 21st century.

Policy Challenges

India's tasks in managing its complex relationship with China, minimising the conflict with Beijing and expanding the envelope of cooperation are widely understood by the policy makers in Delhi. But these tasks are likely to become quite challenging for a number of reasons. For one, the strategic gap between China and India continues to grow. At the turn of the 1990s, China and India were roughly equal in terms of aggregate economic size and per capita income. By the turn of second decade of the Twenty First century, China looms nearly four times larger. This huge gap is unlikely to close any time soon. Even if India produces its best historic economic performance of nine per cent annual growth rate —seen for a few years in the mid 2000s—it will stay behind China for a long time. During 2010 and 2011, the Indian economy has visibly slowed down to seven per cent and below, and Delhi is perilously close to a macro-economic crisis amidst the widening trade deficit, falling rupee, high inflation and mounting burden of wide-ranging subsidies. The conditions for reducing gap in the forseeable future—a significant slow down of the Chinese economy and a rapid acceleration of India's growth rates—may not present themselves easily.

This single factor alone complicates India's ability to manage the consequences of China's rise. States in a position similar to India have two basic options. One is to adjust itself to the power differential, eschew rivalry, and tailor its policies towards greater accommodation. Such a course is largely unthinkable for India. Given its own self-image as a natural leader of the developing world, Delhi will find it hard to settle for a secondary place in a China-centred Asian order and an international system where Beijing begins to play a larger role in setting and enforcing rules. The alternative for India is to persist in balancing Chinese power. Balancing a larger power is usually done in two ways—internal and external. Internal balancing involves the full mobilisation of domestic economic and military resources to maintain a measure of strategic equity if not full parity. The other is external balancing of the strong power through alliances and partnerships. A third option is to adopt an asymmetric strategy towards the stronger power.

On all the three counts, India is facing difficulties. Internal balancing requires an extraordinary political will and executive capability in rapidly building comprehensive national power. Delhi, however, has not demonstrated this over the last decade. Despite the visible expansion of Chinese strategic capabilities across the spectrum—from transforming the border infrastructure to cyberwarfare capabilities—Delhi has found it hard to move forward. Whether it is the construction of border roads or modernising the Indian military, whether it is upgrading its human resource potential or investing in advanced research and development, Delhi has not shown the purposefulness of Beijing. On the question of external balancing, India has made some interesting moves in laying the foundations for strategic partnerships with the United States, Japan, Vietnam and others who are all alarmed to different degrees by the rise of China. Yet, India finds it hesitant to follow through the logic of external balancing. Fears about losing strategic autonomy, apprehensions about being a junior partner and domestic political concerns have significantly limited Delhi's capacity for strategic cooperation with powers bigger than itself. If the ghosts of non-alignment impede India's partnerships with the US and Japan, an ingrained reluctance to offend China has constrained what India can offer smaller powers like Vietnam seeking to balance China.

Finally, the idea of an asymmetric strategy towards China has been barely debated in India. Delhi has experienced the Pakistan army implement the asymmetric strategy of cross-border terrorism during the last two and a half decades as a way to neutralise India's superior capabilities. Delhi has also seen China adopt a similar approach to weaken the United States in the Asia and the Pacific. Despite the demonstrated virtues of an asymmetric strategy, there has been little strategic imagination in Delhi to move along similar lines in coping with China's rise. Internal balancing, alliances, asymmetric approaches are as old as statecraft. They are not inventions of the modern strategic thought from Europe, but date back to the era of Kautilya's *Arthashastra* and Vishnu Sharma's *Panchatantra.* Unless Delhi is willing to grapple with the basics of statecraft and reconnect to its own traditions of strategy, India will find increasingly hard to deal with the unprecedented challenges arising from the rise of China.

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