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China's Strategic Challenges to India

Anil Jain

India and China share a complex bilateral relationship, consisting of military confrontations, diplomatic dialogues and intense economic activities, concurrent with multilateral engagements. Their growth prospects and future visions set them on a path of intense competition. Also, China's consistent growth to become a major player in the global arena poses many strategic challenges to India's growth story.

The foremost challenge is that China poses a direct military threat to India, due to its rapidly modernising military forces, as well as the bloody history of India-China territorial disputes. Second, China's burgeoning economic muscle affords it the luxury of shaping world opinion in its favour and to India's detriment. This factor is compounded by China's influence on international bodies like the UN and financial institutions like the Asian Infrastructure Investment Bank (AIIB), which may impinge on India's national interests. Coupled with this is the consistently expanding Chinese influence in South Asia, directly challenging India's dominant position in the region.¹ This commentary examines the challenges that India faces from China, and further evaluates possible strategic options for India.

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Military Challenges

India's border disputes with China exist primarily due to the absence of a mutually accepted boundary. The PLA troops have repeatedly encroached on Indian territory, leading to clashes, between the two sides, most recently in Eastern Ladakh. In addition, both in Galwan and Pangong Tso, the Chinese appears to be claiming more territory, which were not part of their earlier claims.²

Chinese actions on the LAC have implications for India. In recent years, China has displayed an increasingly belligerent attitude toward the LAC, along with an obvious disinclination to retreat to mutually acceptable positions. Post-Galwan, China has embarked upon a massive military build-up, which is conspicuously disproportionate to any actual military threat from India. Their actions include the construction of permanent military infrastructure in close proximity to the LAC, enabling Chinese troops to occupy these positions round the year.

Repeated Chinese incursions on the LAC also call into question protocols that had been carefully established since 1993. It is now quite evident that China has no intentions of either resolving the border dispute with India or implementing confidence-building agreements, which were mutually agreed to.

In 2020, the Chinese, in a marked departure from the past, displayed a clear disregard for hostile Indian public opinion to their aggressive actions on the LAC. This may be indicative of a hardened Chinese stance and greater determination to pursue their objectives.

In 2005, India and China signed the Agreement on Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question, Article VII of which stated that “the two sides shall safeguard due interests of their settled populations in the border areas”,³ which resulted in China pushing the development of such “settled populations” close to the LAC. China has, over the last few years, been building as many as 628 ‘xiaokang’ (well-off) model border

defence villages to fortify the borders of Tibet with India and Bhutan.⁴ It is apparent that such settlements will tend to buttress Chinese claims of the LAC alignment, whenever the two nations get down to resolving the border dispute.

On 1 January 2022, China's new land border law came into effect. Although the new law is not India specific, through this law, China may be demonstrating its intent to resolve border disputes on advantageous terms. It is possible that China is endeavouring to change territorial disputes into sovereignty issues, potentially creating conditions for a militarised solution to its boundary disputes.

Economic Challenges

In 2020-21, India announced an increased emphasis on self-reliance. Yet, India's bilateral trade with China grew 44 per cent in 2021, crossing \$125 billion, out of which Chinese imports attributed at \$97.5 billion and India's exports \$28.1 billion. India's trade deficit with China was a massive which is \$69.4 billion.⁵ Thus, India imported thrice as much from China, as it exported to the latter. Two primary reasons for this trade deficit is because of the narrow basket of commodities that India exports to China, and the lack of market access for most Indian agricultural products and sectors where India is highly competitive, e.g. pharmaceuticals and IT.⁶

The trade with China comes in the backdrop of continuing tensions with China along the LAC and is a cause for serious concern, not only economically, but in the domain of India's national security as well. The massive disruptions in global supply chains during the pandemic, primarily from China, and the increasingly aggressive orientation of China on the borders, has spurred India to implement measures to reduce its import dependencies and trade deficit with China. More worrying is that China's global trade surplus surged to \$676.4 billion in 2021.⁷ Such a massive trade surplus affords China substantial economic influence globally

and the potential to manipulate bilateral relations with India, as well as multilateral engagements, to its advantage.

For India, the adverse trade balance and potential depletion of its foreign exchange reserves constitute a major part of the Chinese challenge. India has a healthy foreign exchange reserve of around \$600 billion, but frequent dipping of foreign currency assets and gold reserves are potential pressure points.

Challenges in South Asia

China's BRI is among the world's most ambitious infrastructure projects. Launched in 2013, the vast collection of development and investment initiatives would stretch from East Asia to Europe, significantly expanding China's economic and political influence.⁸ Within the BRI's ambitious scope, however, it is South Asia which is of great concern to India. As China's influence on India's neighbours grows with BRI, India is faces the challenges of managing its relationship with its biggest neighbour and competing for prominence in South Asia.

The most ambitious project in the BRI is the China-Pakistan-Economic Corridor (CPEC), from Kashgar in China to Pakistan's Gwadar Port. India's primary concerns on CPEC stem from its infringement on India's territorial integrity, as it passes through Indian territory, illegally occupied by Pakistan. Moreover, sustained Chinese military presence in POK, ostensibly to safeguard its assets, has serious security implications for India. Another concern of India is that China may be prepared to intervene militarily, if it perceives a threat to CPEC or its other assets in Pakistan.

As regards to BRI projects in other parts of South Asia, especially in Bangladesh, China will fund projects in transportation sector, both road and rail, as well as in power generation and digital connectivity. In Myanmar, the China-Myanmar Economic Corridor is the flagship project under BRI. In Sri Lanka, China has provided loans for the new Colombo

Port Terminal, Hambantota Port and the first four-lane expressway in the country, amongst others. Nepal and China have started working on the Nepal-China Trans-Himalayan Multi-Dimensional Connectivity Network, which are collaboration on energy, transport, and security. In Maldives, China has involved in construction and upgradation of many infrastructure projects, including the China-Maldives Friendship Bridge, Male International Airport, Ibrahim Nasir International Airport etc. The willing collaboration in BRI by India's neighbours is symptomatic of a degree of failure on India's part to offer requisite developmental assistance to its comparatively underdeveloped neighbours, as well as the inadequacy of India's strategic engagement in its backyard.

From an Indian perspective, BRI initiatives further China's strategic goals in a manner which is inimical to India's national security interests. These projects provide China with greater geopolitical influence, along with economic and diplomatic leverage over policymaking decisions in India's immediate neighbourhood. In particular, India is concerned about the increasing China's deepening relationships with Bangladesh, Myanmar, and Nepal on the continental route and with the Maldives and Sri Lanka along the maritime route.⁹

India also harbours concerns regarding funding and execution of BRI projects, as it believes that they are not based on principles of good governance, rule of law, and transparency. India also suggests that BRI creates unsustainable debt burdens in some recipient countries. Some of India's sensitivities in this regard are manifesting clearly, as in Hambantota Port, which allowed China economic and strategic advantages in India's immediate vicinity.

Maritime Challenges

The Indian Ocean is at the centre of major geopolitical competition, with important sea lines of communication. The ocean is also rich in natural resources, with fishing, offshore oil production and aquaculture

industries. For India, it is important that the Indian Ocean region facilitates free trade, with secure passage for merchant shipping, a sustainable resource base and remains safe from adversarial military competition. It is herein where the Chinese challenge emerges.

Over the past two decades, China has significantly enhanced its presence in the Indian Ocean region. In 2017, China established an overseas military facility in Djibouti. Besides, China is constructing commercial ports in Myanmar, Pakistan, Sri Lanka and Bangladesh, which could, eventually serve for the military purpose. Of all the key powers, China is the only one with a diplomatic mission across all six island nations in the Indian Ocean.¹⁰ Although China's ultimate aims in the Indian Ocean remain somewhat ambiguous, it is clear that the Chinese leadership is actively pursuing capabilities that would allow it to undertake a range of military missions in the region.¹¹

India has serious concerns about China's increasing activities in the Indian Ocean, where Chinese research vessels and fishing boats have been seen regularly, including in Indian EEZ. These research vessels are used for surveying various oceanic parameters, which may assist PLA Navy in undertaking submarine operations in the future. While China's growing footprints across the Indian Ocean may not be aimed specifically at India, however, they point to an insidious long term Chinese strategy of global maritime domination. India particularly views Gwadar Port as a part of China's increasing power projection into the Indian Ocean, exacerbating India's maritime security concerns. Although Gwadar is currently a civilian facility, it may well emerge as a naval base for China, altering the region's power dynamics.

Traditionally, India has been a security provider and strategic partner to island nations like Maldives, Mauritius, Seychelles and Sri Lanka, participating in many capacity-building programs therein. When requested, India has also deployed its naval and other maritime assets to monitor their EEZ and prevent illegal activities like piracy and drug

trafficking. Faced with the Chinese challenge, India has enhanced measures to protect its interests in the Indian Ocean, expanding its maritime infrastructure, while intensifying efforts to develop Chabahar port in Iran.

India must maximise the strategic advantages that Andaman and Nicobar islands provide. As key entry and exit points to and from the Indian Ocean, the Islands offer major advantages in surveillance and monitoring of Malacca Straits, which India must exploit, by substantially upgrading its military infrastructure and capabilities on these Islands. It is also important for India to recognise the difficulties involved in managing the Indian Ocean by itself and establish sustainable cooperation with friendly maritime powers to maintain security in the region. Australia's participation in the 2020 Malabar naval exercises is an example in this regard.

India's Strategic Options

China has set out its clear goals for itself by 2049, which is the 100th birth anniversary of People's Republic of China. China's strategy aims to achieve the "great rejuvenation of the Chinese nation" by 2049 and revise the international order to be more advantageous to its authoritarian system and national interests.¹² India must accordingly prepare itself for an openly expansionist, irredentist and belligerent China.

As China works toward achieving its global aspirations and India pursues its ambitions to become a strong Indo-Pacific power and net security provider in the Indian Ocean Region and South Asia, it is imperative for India to conceive a balanced and sustainable strategic response to China's challenge, without compromising on its long term national interests and foreign policy autonomy.

Post-Galwan, India-China relations have witnessed a paradigm shift. Hypothetically, there might be a new beginning, as was the case after the Sumdorong Chu crisis in 1986-87, though it appears unlikely. Conversely,

a large scale military conflict, as in 1962, may not manifest either. It is most likely that the future of India China relations will continue to remain adversarial and disputatious, though economic transactions may continue.

Militarily, India must maintain a robust posture and remain vigilant for future Chinese transgressions. India must react speedily and forcefully to any Chinese misadventure on the LAC and must not allow China to continue its practice of destabilising the border at will. India must develop and employ indigenous military technology optimally and endeavour to achieve self-reliance in defence production earliest. Concurrently, India must continue to pursue diplomatic and military dialogues with China to resolve the border disputes.

Modern realpolitik dictates that financial clout matters more than military power in international relations. India must, without any prevarication, focus on strengthening its economy in the next decade, with concomitant upgrading of millions who live below the poverty line, augmentation of its GDP and an advantageous trade balance. Simultaneously, It must assiduously reduce its dependence on Chinese goods, through indigenisation and greater self-reliance. It is only when India is uniformly prosperous and self-sustaining, that it will earn its place on the global high table.

Within South Asia, India needs to develop a pragmatic and mutually beneficial framework with each nation and focus on execution and completion of projects within specified timeframes. India cannot obviously compete with China in capital availability and consequent funding for infrastructural and connectivity projects. India must, therefore, frame its response deliberately, in conformity with its strategic priorities and economic capabilities. For infrastructural and connectivity development in South Asia, India must reach out to developed Western nations, which are keen to collaborate with the former, and provide an alternative to Chinese-funded projects.

India has traditionally maintained a policy of non-alignment, preferring an independent foreign policy, enabling it to transact for mutual benefits with nations across the political and economic divide. While continuing on this path, India must especially look to strengthen its interactions and cooperation with like-minded democracies like the USA, France, Germany, England, Japan and Australia, all of which share common values and respect for a rules-based world order. India must look to leverage the growing concern amongst such nations over China's meteoric rise and disproportionate global influence, to ensure geopolitical balance in the Indo-Pacific and South Asia.

India must continue its involvement in multilateral institutions like Quad, SCO and BRICS, which will enable it to adapt to China's emergence as the second superpower and benefit from it. It will also allow India to retain its strategic independence and pursue a balanced foreign policy, maintaining close partnerships with different power centres, simultaneously and harmoniously. The Quad alliance of maritime democracies, in particular, conforms to India's preferred narrative of strategic autonomy in multipolarity, especially with its unstated but clear intent of creating a strategic counterbalance to China in the Indo-Pacific.

Indian policymakers must not fall prey to the common misperception that India is a secondary strategic consideration for China, and that it does not feature prominently in China's strategic deliberations. Somehow, Indian scholars have formed the erroneous impression that there is an "asymmetric threat perception in China-India ties,"¹³ so much so that China can easily afford to teach India a lesson and come out largely "unscathed."¹⁴ The sooner Indian leadership rids itself of these misperceptions, the better it would be able to leverage its strategic importance in the Chinese calculus and potentially influence China for enhanced concessions and cooperation in resolving disputed issues for mutual benefits.

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