

**A MILITARY CONFLICT BETWEEN INDIA AND CHINA IN THE  
CURRENT DECADE: ASSESSING THE POSSIBILITY IN THE  
BACKDROP OF STANDOFF IN EASTERN LADAKH AND WESTERN  
SANCTIONS ON RUSSIA IN THE UKRAINE WAR**

48th ADVANCE PROFESSIONAL PROGRAMME IN PUBLIC  
ADMINISTRATION

(2022-23)

INDIAN INSTITUTE OF PUBLIC ADMINISTRATION, NEW DELHI



by

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**(Roll No 4828)**

under the guidance and supervision of

**Dr Manan Dwivedi**

**Indian Institute of Public Administration**

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A Dissertation submitted to the Punjab University, Chandigarh for the award of the degree of  
Master of Philosophy in social sciences, in partial fulfillment of the requirement for the Advance  
Professional Programme in Public Administration

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## **Certificate**

I have the pleasure to certify that Brigadier Sanatan Singh has pursued his research work and prepared the present dissertation titled '**A military conflict between India and China in current decade: Assessing the possibility in the backdrop of the standoff in Eastern Ladakh and western sanctions on Russia in the Ukraine war**'

under my guidance and supervision. The dissertation is the result of his own research and to the best of my knowledge, no part of it has earlier comprised any other monograph, dissertation, or book. This is being submitted to the Panjab University, Chandigarh, for the purpose of Master of Philosophy in Social Sciences in partial fulfillment of the requirement for the 48<sup>th</sup> Advanced Professional Programme in Public Administration (APPPA) of the Indian Institute of Public Administration (IIPA), New Delhi.

I recommend that the dissertation of Brigadier Sanatan Singh is worthy of the award of M.Phil. degree of Panjab University, Chandigarh.

(Dr Manan Dwivedi)

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**New Delhi**

**March 2023**

**Brigadier Sanatan Singh**

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**Declaration**

I, the undersigned, hereby declare that the dissertation titled '**A military conflict between India and China in current decade : Assessing the possibility in the backdrop of standoff in eastern Ladakh and western sanctions on Russia in the Ukraine war**'

is my own work and that all the sources I have accessed or quoted have been indicated or acknowledged by means of completed references and bibliography. The dissertation has not been submitted for any other degree at this university or elsewhere.

**New Delhi**

**March 2023**

**Brigadier Sanatan Singh**

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### **List of Abbreviations**

<u>Ser No</u>	<u>Abbreviation</u>	<u>Full Form</u>
1	APEC	Asia Pacific Economic Cooperation
2	ASBM	Anti Ship Ballistic Missile
3	ASEAN	Association of South East Asian Countries
4	ARF	ASEAN Regional Forum
5	APT	ASEAN Plus Three
6	ASW	Anti Submarine warfare
7	AAW	Anti Air Warfare
8	AIIB	Asian Infrastructure Investment Bank
9	BRI	Belt and Road Initiative
10	CPC	Communist Party of China
11	CMC	Central Military Commission
12	FOIP	Free and Open Indo Pacific
13	GDP	Gross Domestic Product
14	GFC	Global Financial Crisis
15	LAC	Line of Actual Control
16	MCM	Mines Counter Measure
17	MFN	Most Favoured Nation
18	NATO	North Atlantic Treaty Organisation
19	PLA	People's Liberation Army
20	PLAGF	People Liberation army Ground Forces

**List of Abbreviations**

<b><u>Ser NO</u></b>	<b><u>Abbreviation</u></b>	<b><u>Full Form</u></b>
21	PLAAF	People Liberation Army Air Force
22	PLAN	People Liberation Army Navy
23	PRC	People's Republic of China
24	RMA	Revolution in Military Affairs
25	SLOC	Sea Line of Communication
26	SCO	Shanghai Cooperation Organization
27	USA	United States of America
28	UNSC	United Nations Security council
29	WTO	World Trade Organization



**ABSTRACT**

The violent clash in the Galwan valley in eastern Ladakh in 2020 fundamentally altered the dynamics of the India-China relationship. China's increasing transgressions and attempts at coercion in the border areas since 2008–2009 have put the boundary question to the center of the India-China relationship. The salience of this question has also increased because the geopolitical backlash to China's actions in 2020 has been greater than in previous instances and because India's policymakers and strategic community are no longer willing to give Beijing the benefit of the doubt regarding its intentions and actions. This has prompted a comprehensive relook in India at the past, present, and future of the relationship. There was a strong belief that the current face off may end up in full-scale military conflict. A detailed look at the geopolitics in Asia, the economic coupling of India and the world with China and the impact of Ukraine crisis have thrown many questions on the ability of even a powerful country like China to initiate a military conflict. The border dispute in itself may not be a cause between two Asian giants (China & India) to go to war. However, considering the level of distrust and public outrage in India some unplanned incidents like Galwan may trigger a conflict that spirals out of control.

In 1947, the British colonial government hastily exited India leaving behind a legacy of unresolved boundary disputes from Burma in the east to Pakistan in the west, and Tibet and Kashmir in the north. Since then, the India-China border disputes has evolved into a geostrategic competition that has outlasted the Cold War. India and China can be seen as behaving like states which are fundamentally territorial constructs that engage in vigorous competition for control of territory leading to a situation wherein

territory with particular salience is more susceptible to militarization. Both countries have engaged in frequent military standoffs to define the border and stake claim to contested territory including a full scale military war in 1962. In past 5 decades China has settled its border with all neighbours less India and Bhutan. There have been attempts by China to settle the border disputes with India but they never reached a consensus. The initiatives were made in a particular strategic pressure and were withdrawn the moment the pressure on China was released. In recent times China has shown no intent on resolving the border disputes in spite of India keeping it as the central agenda in the normalisation of relations between the two countries. Various possibility of Chinese action towards border settlement is considered below:-

(a) **Settle the Issue Through Military Conflict.** If China decides to go to war on border dispute, it might gain a temporary advantage and certain other benefits. However, applying a hard-line policy to India would cause larger geopolitical loss to China. It will expedite the alliances against it wherein the west and USA would intervene in multiple ways to counter China. At a time when China is fighting the loss of credibility, the trade war with the USA and economic downturn, antagonizing the world at large is a situation that CCP leaders would try their best to avoid.

(b) **Concessionary Approach.** China's adoption of a concessionary posture could be beneficial in bringing stability to China's border region in particular and Asia at large. However, in Chinese perception, a concessionary policy would give India the impression that China is weak and surrendering to international pressure.

It will also be a marked deviation from Chinese long-standing claim of being superior and better capable in comparison. Hence, the option is not likely to be exercised by CCP.

(c) **Status Quo.** China would always be conscious of the fact that the closure of disputes offers India a free run towards higher economic development, and it will be more capable challenge to China as a regional power. From China's perspective, maintaining the status quo appears to be the most likely scenario. The delay tactics offer time for China to assess and act. It also enables it to keep India tied down through coercive action at borders.

The future of border dispute can only be assessed accurately if we examine the way India and China look at the dispute and the political will that exist in both the country to resolve the situation. No border dispute can be resolved to the full satisfaction of both parties otherwise there would not be a dispute. Political will is one of the most important ingredients in resolving old borders as it plays into the nation's psyche. In the current scenario, in consideration of the geo-political situation and dispensation in both the country a border settlement is not visible in near future.

The rise of China has been miraculous and as the economic prowess of China kept rising the dynamics of its relationships with the neighboring nations kept changing. There is no doubt that its rapid economic growth has generally improved people's living standards and heightened China's international status. It is also certain that this has brought about the basis for the legitimacy of Communist dictatorship as well as basic social stability in China. The enormous economic rise has now given China the

ambition of political leadership of the world. China considers that its time to be the political leader of the world is not far. Beijing appears to have committed itself to reorganising the whole world via the Belt and Road Initiative. A new type of international relations, in particular into a global **community of common destiny**. This is no longer a blueprint for a single nation, admittedly the most populous one on earth, but an unprecedentedly sweeping and bold vision for humankind. No nation or empire, including the Roman Empire, the British Empire, or the United States of America has ever proposed such a vision. This is nothing less than a Chinese manifesto for its global leadership. Thus, a wealthy and powerful China wishes to usher in a new era in international politics.

China believes in power politics and its own natural superiority. Beijing's vision for Asia is strictly hierarchical, with China at the top and does not consider India an equal. Refusing to recognize and acknowledge India's historical influence in South Asia, its capability as a regional power, and its global potential, China's policy toward India has largely followed a pattern of balancing India in South Asia by propping up Pakistan and developing ties with small countries in the region. In addition, China has sought to prevent an India-U.S. alignment in Asia. When possible, Beijing has tried to build a "coalition" with India on the global level as members of the "Global South." Disputes and disagreements existed but were managed as neither side was willing to change the status quo in a radical manner. Xi and Modi becoming the leaders of China and India, respectively, significantly elevated the stress on bilateral relations. Both leaders are ambitious and keen on expanding their countries' influence while bolstering their vitality, Xi through the Belt and Road Initiative and Modi through

the Modi Doctrine. On the bilateral level, China believes Modi is trying to force China's hand on border disputes, India's Nuclear Suppliers Group membership, Masood Azhar's terrorist designation, and China-Pakistan Economic Corridor projects in Kashmir. Convinced of its superiority, Beijing did not believe it needed to cater to India, although it does now and rejected Modi's demands on all fronts. Modi's vision is to regain India its rightful place in Asia and World. China is disadvantaged by the asymmetry of threat perceptions. Simply put, India sees China as its primary threat while China sees India as a secondary challenge. Beijing's national security priorities unequivocally lie in the western Pacific. Such asymmetry of security priorities means that India may not yet rival China in national power or in a conventional or nuclear arms race, but its resolve and focus on China are significantly stronger than those of China. China's strategic goal might be to stabilize relations with India in order to avoid a possible two-front war with the United States with India in support, all while minimizing distractions. But the challenge of this goal lies in how it can be achieved. For China, the Chinese and Indian demands are different and asymmetrical by nature. Key concessions that India demands from China such as the border settlement is hard commitments. What China needs from India is neutrality with respect to USA and the west and political alignment which is ephemeral and easily adjustable. While New Delhi sees addressing border disputes as the prerequisite for India to trust China, Beijing doesn't believe that relinquishing its leverage will in any way stop India from conducting hostile actions down the road, especially given their clashing regional visions.

In current scenario, China would want to avoid a conflict with India at all costs even if the trigger is border dispute. Even if China could defeat and contain India through a war, the payoff for China would remain minimal because it wouldn't address China's key external security challenges in the Pacific. Instead, a breakdown in ties with New Delhi would only further expose Beijing in its primary theater vis-à-vis the United States. Probably, China's policy towards India is pulled in two opposite directions between a perhaps genuine desire for friendly ties with India so it can focus on the United States and the Pacific, and an equally genuine hostility due to conflicting agendas in Asia.

If a similar military effort is utilised to realise the long pending reunification of Taiwan, will the impact be different on China? An invasion of Taiwan would put USA's credibility at stake. Hence, the USA would have to get involved, directly with its Armed Forces or indirectly by providing war logistics and other support to Taiwan. It will be China Vs USA, as regards other nations, the trend indicates that every nation will act in its own national interests. West is likely to join USA against China and other major power like India will make their choices as they have no commitments to any alliance. The war will be an existential battle between USA and China and the winner will be the next superpower of the world. If China loses the war it loses everything whereas if USA loses the war it will lose its influence and super power status but it is likely to live to prepare for another fight. China is the challenger in this situation, has everything at stake, and it would not like to initiate the war till it is fully ready to compete with the USA. By the admission of Xi, it is not likely before 2035. And it can

be considered that China would not like to get into military conflict with India also before it is fully ready to win a decisive battle.

Currently the U.S. factor has become the most important consideration in China's policy toward India. For China, the prospect of facing the American military at sea and the Indian military along its southern border and in the Indian Ocean becomes much more real and dangerous with defense cooperation between the United States and India. Such cooperation will not only damage the security and stability of China's western borderland while undermining China's strategic influence in South Asia; it will also hinder China's power projection capability in the Indian Ocean with the potential to threaten China's energy supply from the Middle East. Regionally and globally, the U.S. endorsement of India's leadership status dilutes and diminishes China's soft power, and encourages other countries like Japan and Australia to follow suit in seeking closer ties with New Delhi. China's elevation of relations with India reveals an inconvenient truth, exogenous factors primarily drive China's rapprochement with India. Had Washington not adopted the Indo-Pacific Strategy and pursued alignment with India, the trajectory of China's policy toward India would have looked very different.

On the trade front, the question to be asked is, has the economic coupling between the two nations strong enough to prevent a war due to border disputes along LAC. If the situation is seen from the Chinese perspective, it stands to lose the next biggest destination for its companies. With the recession looming large, the Chinese economy in a downward direction a military conflict with India could be an economic disaster for China. India is one of the major importers of goods and services from China and with large stakes of Chinese companies in India, a war initiated by China looks distant in the

current scenario. In addition, China is grappling with the issue of the west complaining about CCP control of its private sector companies, hence any such action will lead to further consolidation of alliances against China led by the USA. As regards the Indian perspective, initiating a war is not its principle nor does it have any motive to do the same. A war at this moment will hit Indian rise badly hence India would not like to initiate the war. At the same time, it is understood that being economically over-dependent on any country will lead to coercion and other means of subjugation. Hence, the process of decoupling to reduce the dependency to an acceptable limit has commenced. India banned TikTok, WeChat and dozens of other Chinese-made apps, which were regarded as being ‘prejudicial to sovereignty and integrity of India, defence of India, security of state and public order’ (India’s Ministry of Information Technology quoted in BBC, 2020). In May 2021, Chinese companies were also left out of India’s national trials for 5G telecommunications infrastructure (Markey, 2021). It is also essential for India to maintain its strategic independence. It has emerged now that mutual economic development aims (of India and China ) now appear to be arguably secondary to national security concerns in India’s relations with China. The focus of the current regime in New Delhi on “Make in India” is also another step in that direction.

From economic perspective of the world, currently, neither China nor USA/West are in any comfortable situation if there is an economic war between China and USA which could be a result of China’s military action in the region. Both sides are trying to cover their vulnerabilities and are in the process of realigning the supply chain. It may take more than a decade for such a re-alignment hence none would like to go into a situation of full fledged economic war before they are fully ready. The economic

consideration reveals that a military conflict initiated by China in the region is improbable and maybe plausible only if it is pushed to the corner in the Taiwan situation. It can be said that China would avoid a military conflict unless pushed into a corner over the Taiwan issue which is non-negotiable for their country. As regards USA, Russia has indicated that in today's world economic sanctions hurt everyone by varying degrees but it hits all. Hence USA would take a considered decision as far as China is concerned.

Finally, The outcome of the war between India and China has the potential to change the geo-political contour of Asia and the World for this century. Hence, the war if breaks out will be an existential war for both nations. Therefore, it will be destructive, never-ending and destroy the two most promising economies of the world. PLA may not be ready today and in the next few years to obtain a quick decisive military victory against India in northern mountainous terrain. The unpredictability of conflict poses a formidable question to PLA as to how to win a war swiftly and decisively, especially as Xi has made it clear many times that he expects the PLA to prepare itself to fight any war and win. The military and economic cost of victory may not achieve the desired political aim of CCP. On the other hand, India would not like to get into a war with superior Armed Forces and suffer damage that will peg the country a few decades back. PLA is a force in transition, recently reorganised, currently training and equipping itself to be a world class military by 2035. It would like to avoid getting into a major conflict in the transition phase. Also, the conflict with India will weaken China and strengthen USA which is not in the strategic interests of China. The military gap between India and China is wide but not wide enough for PLA to exploit for a decisive military victory which is a mandatory need of the CCP. Also, a war initiated by China is like offering the USA a tool

it wishes to have against China. China would not like to give up everything it has built over five decades. Hence a planned military conflict initiated by China is not likely in the current decade however an unforeseen incident along LAC escalating into a limited conflict cannot be ruled out.

## **CHAPTER 1: INTRODUCTION**

### **1.1 Background**

The way India and China manage their futures as rising powers will critically shape international politics, especially in Asia in the twenty-first century. These two countries have demonstrated sharp contrasts in terms of their political systems, economic models, and social structures, despite having common aspirations for greater stature in the region and on the world stage. They have been maintaining a complex relationship that is weighed down by history but also offers promising opportunities in an era of globalization. The two giant neighbors are said to be in a strategic competition for regional supremacy and at the same instant they also share strong trade relations, a situation similar to US-China relations on the global stage.

On the military front, since the end of the short and bloody war in 1962, border skirmishes, standoffs and land grabs in forbidding and difficult operating environments have been happening from time to time. However, general peace has prevailed along Indo - China border ensured through various accords and border agreements/protocols probably in the shadow of economic and political compulsions of both nations. Pre 2020, the military situation along Chinese borders could be said to be “as tactically turbulent under strategic silence/ peace”. Doklam situation in 2017 did spiral up but it was contained diplomatically and controlled military activities. The 2020 Ladakh standoff seems different, the border situation has changed dramatically as it has accelerated the worsening relations between the two militaries, and generated strong anti-China public sentiments in India affecting the relation between the two governments at the national

level. Beijing, on the other hand, is irked by India's participation in the US-led QUAD, which aims to counter China's aggressive posture in the Indo-Pacific region. It's a guessing game for everyone on whether the recent tensions will escalate or will fade into history like dozen others in past. The other event to have affected the situation is Russia – Ukraine war. The US and its Western allies have imposed massive sanctions on Russia following its invasion of Ukraine. However, there are countries that have chosen to remain neutral. Interestingly, three rival Asian nations, China, India and Pakistan have also refused to join USA led EU in sanctions against Russia. Despite numerous differences, the three nations hit a common ground by abstaining from voting on crucial UN resolutions condemning Moscow's military action against Ukraine. It is very evident that India has stood for its national interest and strategic independence.

The war is relevant from one more perspective. The scale and promptness of sanctions led by USA especially the freezing of Russia's foreign reserve worth USD 600 bn, in spite of Russia having the leverage of being the largest oil and gas supplier to Europe. The USA will lead the group again in putting sanctions against China if it decides to initiate military conflict against India. China would have observed the reaction of the world against Russia very carefully and like to be ready for such a situation if it decides for a military action.

## **1.2 Statement of Problem**

The Greek historian Thucydides writing on the Peloponnesian War argued that when an established power encounters a rising power, the possibility of conflict between the established and rising power would become inevitable. In this case, China is an

established regional power and India is a rising power. Tensions between both countries have repeatedly flared since the creation of India and China in 1947 and 1949 respectively, when the British colonial government hastily exited leaving behind a legacy of unresolved boundary disputes from Burma in the east to Pakistan in the west, and Tibet and Kashmir in the north. The India-China border conflict has evolved not just into a geostrategic competition that has outlasted the Cold War. One full-fledged war in 1962 and tense LAC with multiple military confrontations and standoffs is testimony to the rough and at times stormy bilateral relationship along the border.

Sino-Indian relations had been steadily declining over last one and half decades due to rampant misperceptions of the other side, contributing to a lack of trust. The most fundamental misperception between the two countries is likely to be the inability to comprehend each other's international ambitions, yielding the fear that their foreign policies are targeted against the other. India's Neighborhood First policy and closer ties with the United States were perceived negatively in China. Corresponding with these perceptions was Beijing's growing assertiveness vis-à-vis India, symbolized in the 2017 border standoff at Doklam and China's increased naval activity in the Indian Ocean. These actions convinced New Delhi that China was not sensitive to India's international interests. By 2018, misperception and mistrust became a pervasive feature of Sino-Indian relations.

China's latest acts on the LAC in Eastern Ladakh have, from the Indian perspective, fractured the border management framework that both sides have built since 1993 and seriously damaged India-China relations. The military stand off since May 2020 have deepened the crisis and raised the possibility of a military conflict between the two

nations. There is a need to analyse in detail if the situation is volatile enough to lead to a military conflict. A correct assessment would lead to optimum preparation.

The Russia-Ukraine war has split the world into different groups. The traditional rivalries and partnerships have paled in front of national interests. Nations have taken sides based on their own interests and not merely on historical ties. The impact of sanctions and the role of the USA in leading the world against Russia will weigh heavily on China's decision for a military conflict.

If China decides that it is prepared for a military conflict, will it go for Taiwan or India? The situation and Xi's intents suggest it will be Taiwan. A victory over Taiwan meets multiple objectives of PRC especially unification and super power status in the world . It has larger payoffs at a lesser cost compared to a military conflict with India.

A credible victory in a major war against India would also propel China to super power status, however, it will be difficult to achieve and justify. Will it be an option for China?

### **1.3 Research Objective**

The objectives of the research are to: -

- (a) To analyse the Indo – China border disputes, various agreements, protocols and Chinese political intent in resolving the LAC issue.
- (b) To analyse China's national grand strategy and to infer as how India factors in it?

- (c) To analyse likely reasons leading to Ladakh military crisis and its potential to escalate into a full scale military conflict.
- (d) To analyse if China has enough economic leverage to initiate a war in neighbourhood in consideration of Western sanctions against Russia post invasion of Ukraine.
- (e) To analyse China's option of selecting India vis-a-vis Taiwan, if a decision to initiate a military conflict is implemented. What will China really gain from a military conflict with India?
- (f) Analyse the scenario of a military conflict between India and China along Himalaya

#### **1.4 Research Design**

The research design will be Descriptive and Exploratory. Research method will be Qualitative. The data collection method will be from books, journal and write up on Indo China relationship collecting existing data in the form of texts, images, audio or video recordings, etc.

#### **1.5 Rationale for Reasearch**

On military front, since the end of short and bloody war in 1962, border skirmishes, standoffs and land grabs in forbidding and difficult operating environment has been happening from time to time. However, general peace has prevailed along Indo - China border ensured through various accords and border agreements/protocols probably in the shadow of economic and political compulsions of both nations. Pre 2020, military

situation along Chinese borders could be said to be “as tactically turbulent under strategic silence/ peace”. Doklam situation in 2017 did spiral up but it was contained diplomatically and controlled military activities. The 2020 Ladakh standoff seems different, the border situation has changed dramatically as it has accelerated the worsening relations between the two militaries, generated strong anti-China public sentiments in India affecting the relation between the two governments at national level. Beijing, on the other hand, is irked by India’s participation in the US-led QUAD, which aims to counter China’s aggressive posture in the Indo-Pacific region. It’s a guessing game for everyone on whether the recent tensions will escalate or will fade into history like dozen others in past.

The war in Ukraine has added another dimension .The Russia invaded Ukraine and war was anticipated to be intense and swift. But it is anything but intense and swift. It has become a frozen conflict and ultimately impacting both Russia and Ukraine. The reaction of West is something China has to consider before taking any unilateral military action. There is lot at stake for both India and China and a military conflict is extremely complex decision which may decide the fate of future international order

## **1.6 Research Questions**

The research questions are as under:-

- (a) What are the border disputes between India and China. What is genesis and how does it impact the relation between the two country? what are the Chinese political intent in resolving the LAC issue?

- (b) How does India factor into China's National grand strategy in claiming status of a superpower?
- (c) What could be the likely reasons leading to Ladakh military crisis and does it have the potential to escalate into a full scale military conflict?
- (d) In the backdrop of Ukraine war wherein EU is rallying behind USA in imposing sanctions against Russia, does China has enough economic leverage to initiate a war in neighbourhood ?
- (e) If China decides to initiate a military conflict, will it be against India or Taiwan?
- (f) What are various military scenarios if the war breaks out between India and China along Himalaya? Is this war really inevitable?

### **1.7 Scope/Limitations**

The study is limited to the analysing possibility of armed conflict between India and China in the current decade. All other aspects of international relations like economics and geopolitics will not be covered in length. Armed conflict is a matter of decision by the respective government, the research is based on sources available in the open domain. The relationship between India and China has taken a new turn post border standoff in 2020. The literature and data available are primarily of pre 2020 vintage which may not be as relevant today. There is very limited literature available that details the trajectory of the relation between India and China post 2020.

## **1.8 Literature Review**

For the past decade, a lot has been written on China wherein scholars around the world have tried to decipher its intent, policies, and approach to foreign policy. The Chinese policy of state control media and tight control over foreign media in China has not helped the matter at all. The majority of research on China has been done by western scholars and the majority of research is with respect to China's relationship with the USA and Western countries. The research work with respect to India and China relationship is very limited. The Indo-China relationship hit the rock bottom in 2020 when both the countries engaged violent face off along the LAC. Indo - China relationship post 2020 is very different from earlier times. The trust deficit has increased, the public opinion has worsened and India's stand against China has become more firm. Any trajectory of the relationship that has to be defined between two countries has to have consideration of events of the last two years. The impact of Galwan and Ukraine war has changed a lot in the relationship of two nations and any prediction of the future without considering these two events will be out of sync with reality. There is very limited literature on future of India-China relationship and availability of post 2020 literature is scarce.

## **1.9 Research Gaps**

The research on the theme has focused more on the geopolitics of world. The research on China mainly focuses with USA as reference mark. Also there is limited focus on military aspect of the rivalry between China and India. The research on the possible conflict between India China does not take into account the Ukraine War. There

is no research which takes into account the Ladakh faceoff and Ukraine crisis together to analyse the impact in Indo-China relations.

### **1.10 Chapterisation scheme**

The research is organized into the following chapters:-

- (a) **Chapter 1** Introduction to the research.
- (b) **Chapter 2** **Indo – China Border dispute.** The Chapter traces the historical perspective on existing border disputes between India and China. It covers various agreements and border management protocols signed over the years.
- (c) **Chapter 3** **Enter the Dragon.** The chapter discusses the rise of China since 80s to current time. The study of last four decades enables the insight into party thought process and their priorities. It also throws light on the ways CPC leaders think and plan their strategy.
- (d) **Chapter 4** **Elephant in the Dragon’s Scheme.** This chapter looks into China’s India policy. It gives a perspective of India from CPC point of view. It helps in understating the relevance of India from Chinese perspectives.
- (e) **Chapter 5** **GALWAN, UKRAINE, AND COMMERCE.** The chapter analyses three factors in understanding the relationship between India and China. The issue of Galwan is discussed in detail to understand the causes of the incident and the fallout on their relationship. Ukraine crisis has been discussed from the perspective of the western sanctions on Russia and how it compares if

similar sanctions are ordered against China. The third part of the chapter is about the trade relation between India and China. The trade relation has been analysed from the perspective understand how strongly two countries are coupled together from commercial prospective. Is it feasible for both nations to break trade relations with each other. If such a situation happens what will be the impact on either side.

(f) **Chapter 6. Indo-China Military Conflict: Improbable, Plausible Or Possible.** This chapter analysis all the factors of previous chapters to reach a conclusion whether India and China can go to war in the current decade.

## **CHAPTER 2**

### **INDO-CHINA BORDER DISPUTE**

#### **2.1 General**

As ancient civilizations, China and India coexisted in peace and harmony for millennia. But as a postcolonial modern nation-state, with the exception of a very short period of bonhomie in the early 1950s, relations between the two Asian giants have been turbulent. The bilateral relationship between India and China is characterized by the 3Cs, Cooperation, Competition, and Conflict wherein boundary disputes remain the core of the conflict between the two neighbours. The two countries share a 3,488 km long boundary which is neither clearly demarcated nor marked on any map. The working separation is the Line of Actual Control (LAC) which is also not clearly demarcated through bilateral pacts. LAC has various differing perceptions which keep the border situation volatile.

In 1947, the British colonial government hastily exited India leaving behind a legacy of unresolved boundary disputes from Burma in the east to Pakistan in the west, and Tibet and Kashmir in the north. Since then, the India-China border conflict has evolved into a geostrategic competition that has outlasted the Cold War. India and China can be seen as behaving like states which are fundamentally territorial constructs that engage in vigorous competition for control of territory in a manner that territory with particular salience is more susceptible to militarization. Both countries have engaged in frequent military standoffs to define the border including a full-scale military conflict in 1962 and stake claim to contested territory. The border dispute became particularly

contentious after the 14th Dalai Lama fled to India in March 1959 as fall out of PRC's invasion and occupation of Tibet.

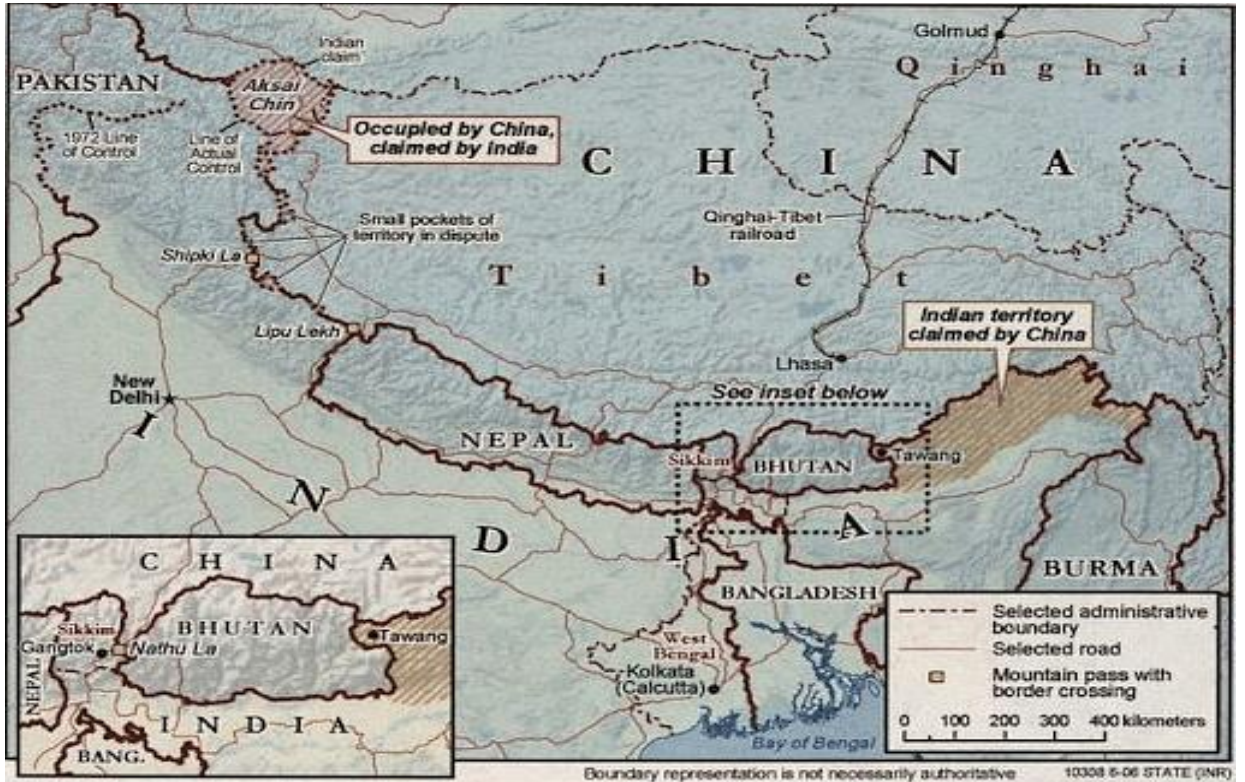


Figure 1 – Map showing Indo China Border

India shares 3488 Km of the border with China that runs along the States of Jammu & Kashmir (1597 KM), Himachal Pradesh (200), Uttarakhand (345km), Sikkim (220 km) and Arunachal Pradesh (1126 km). The border is not fully demarcated and the process of clarifying and confirming the Line of Actual Control is in progress. The area is characterized by high altitude terrain and thick habitation which have resulted in

inadequate development of infrastructure in these regions. The border can be described as under: -

(a) **Western Sector.** India and China share a **2152-kilometre-long border in the western sector.** It is located between the Indian states of Jammu and Kashmir and the Chinese province of Xinjiang. There is a territorial dispute in this sector over **Aksai Chin**. In 1962, both countries went to war over the disputed territory of Aksai Chin. It is claimed by India to be part of Kashmir, while China claims it to be part of Xinjiang.

(b) **Middle Sector.** In this sector, India and China share a **625-kilometre-long border** that runs from Ladakh to Nepal. In this sector, the states of **Himachal Pradesh and Uttarakhand** touch the border with Tibet (China). In this area, there is little disagreement between the two sides.

(c) **Eastern Sector.** India and China share a **1,140-kilometre long border** in this sector. It stretches from Bhutan's eastern border to a point near the **Talu Pass**, which connects Tibet, India and Myanmar. This boundary line is known as the **McMahon Line**. Except where the Kemang, Subansiri, Dihang, and Lohit rivers break through the Himalayan crest of the northern Brahmaputra watershed, the boundary was established along the Himalayan crest of that watershed.



Figure 2 – Sectors along Indo- China border

## 2.2 Historical Perspective

The border along China is primarily a legacy of the British Raj. The marking of borders between British India and China/Tibet was heavily influenced by the British presumption of threat from the Russian Empire. The inhospitable terrain and lack of settlement along the majority of the border may be one of the prime reason that most of the claim or boundary marking has been done remotely and lacks the formal consent of all parties as is acceptable in international practice.



Mountain Ranges emanating from Pamir Knot into India, China & Pakistan

### 2.2.1 Western Sector

The border in the western sector is most contested and loosely demarcated without any agreement or consensus. Aksai Chin is the most relevant and disputed part in the western sector. From the area's lowest point (on the Karakash River at about 14,000 feet (4,300 m) to the glaciated peaks up to 22,500 feet (6,900 m) above sea level, Aksai Chin is a desolate, largely uninhabited area. It covers an area of about 37,244 square kilometers (14,380 sq m). mi). The desolation of Aksai Chin meant that it had no significant human importance other than ancient trade routes crossing it. It

provided a brief passage during summer for caravans of yaks between Xinjiang and Tibet.

In September of 1842, following wars between Sikhs and Chinese, the Chinese and the Sikhs signed a treaty that stipulated no transgressions or interference in the other country's frontiers. The British defeat of the Sikhs in 1846 resulted in the transfer of sovereignty over Ladakh to the British, Both sides were apparently sufficiently satisfied that a traditional border was recognised and defined by natural elements, and the border was not demarcated. The boundaries at the two extremities, Pangong Lake and Karakoram Pass, were reasonably well-defined, but the Aksai Chin area in between was left without any demarcation. Enter the theory of 'The Great Game' between British and Russia and all the activities of the British Empire started to focus in the northern region to stop the Russians from reaching their goldmine called India. British attempted to make Tibet and Afghanistan as buffer states with Russia. The thought process needed fixation of some kind of suitable and convenient borders with these states. Various attempts of the British for this are the root cause of the current border dispute between China and India.

W. H. Johnson, a civil servant with the Survey of India proposed the, 'Johnson Line' in 1865, which put Aksai Chin in (Jammu and Kashmir) British India. While connecting Demchok in the South and Karakoram Pass in the North. Johnson took a circuitous route and included areas up to Kun Lun mountain. Mohan Guruswamy in his article 'India-China Border Learning from History' in *JSTOR Economic and Political Weekly*, Sep. 27 - Oct. 3, 2003, Vol. 38, No. 39 (Sep. 27 -Oct. 3, 2003), pp.

4101-4103, has mentioned that Johnson proposal may have been for personal gains which he intended seeking from Maharaja of Kashmir.” Also, the timeline of travel does not substantiate the possibility of a credible survey of such difficult terrain. Later in 1890, China occupied Xaidulla, and this changed matters in border marking as border negotiation for Aksai Chin was now to be done with China. By 1892, China had erected boundary markers at Karakoram Pass. In 1899, the British again tried to fix the border, and MacCartney – Macdonald line was proposed. It excluded most of the Aksai Chin, since in British perception, China by occupying Xaidulla has already created a buffer with the Russians. Subhasis Sen in 1914 stated that the British thought this tract would present a further obstacle to Russian advance in Central Asia. The British presented this line, known as the Macartney-MacDonald Line, to the Chinese in 1899 in a note by Sir Claude MacDonald. The Qing government did not respond to the note, and the British took that as Chinese acquiescence.

**1899 to 1947** Both the Johnson-Ardagh and the Macartney-MacDonald lines were being used on British maps of India on various occasions. Until at least 1908, the British took the Macdonald line to be the boundary, but in 1911, the Xinhai Revolution resulted in the collapse of central power in China, and by the end of World War I, based on Russian threat, the British again started using Johnson line. However, they took no steps to establish outposts or assert actual control on the ground. In 1927, the line was adjusted again as the government of British India abandoned the Johnson line in favour of a line along the Karakoram range further south. However, the maps were not updated and still showed the Johnson Line. In 1940, based on intelligence input of Russian survey in Aksai Chin, British went back

to Johnson line. The British kept using the boundary line as per the convenience of the strategic situation ( primarily as part of ‘The Great Game’ with Russia) without ever putting the effort to establish outposts or control over the Aksai Chin, nor was the issue ever discussed with the governments of China or Tibet, and the boundary remained demarcated at India's independence.

Upon independence in 1947, the government of India used the Johnson Line as the basis for its official boundary in the Western Sector, encompassing Aksai Chin. However, India did not claim the northern areas near Shahidulla and Khotan, for including which Johnson had been criticized. On 1 July 1954, Prime Minister Nehru wrote a memo directing that the maps of India be revised to show definite boundaries on all frontiers. Up to this point, the boundary in the Aksai Chin sector, based on the Johnson Line, had been described as "undemarcated."

The **Indian position**, as stated by prime minister Jawaharlal Nehru, was that the Aksai Chin was "part of the Ladakh region of India for centuries" and that this northern border was a "firm and definite one which was not open to discussion with anybody". The Chinese minister, Zhou Enlai argued that the western border had never been delimited, that the Macartney-MacDonald Line, which left the Aksai Chin within Chinese borders was the only line ever proposed to a Chinese government, and that the Aksai Chin was already under Chinese jurisdiction, and that negotiations should take into account the status quo.

The above stand continues to date and the area remains disputed wherein the Line of Actual Control is the working boundary however the low point is that even LAC is not clearly demarcated.

### **Trans Karakoram Tract**

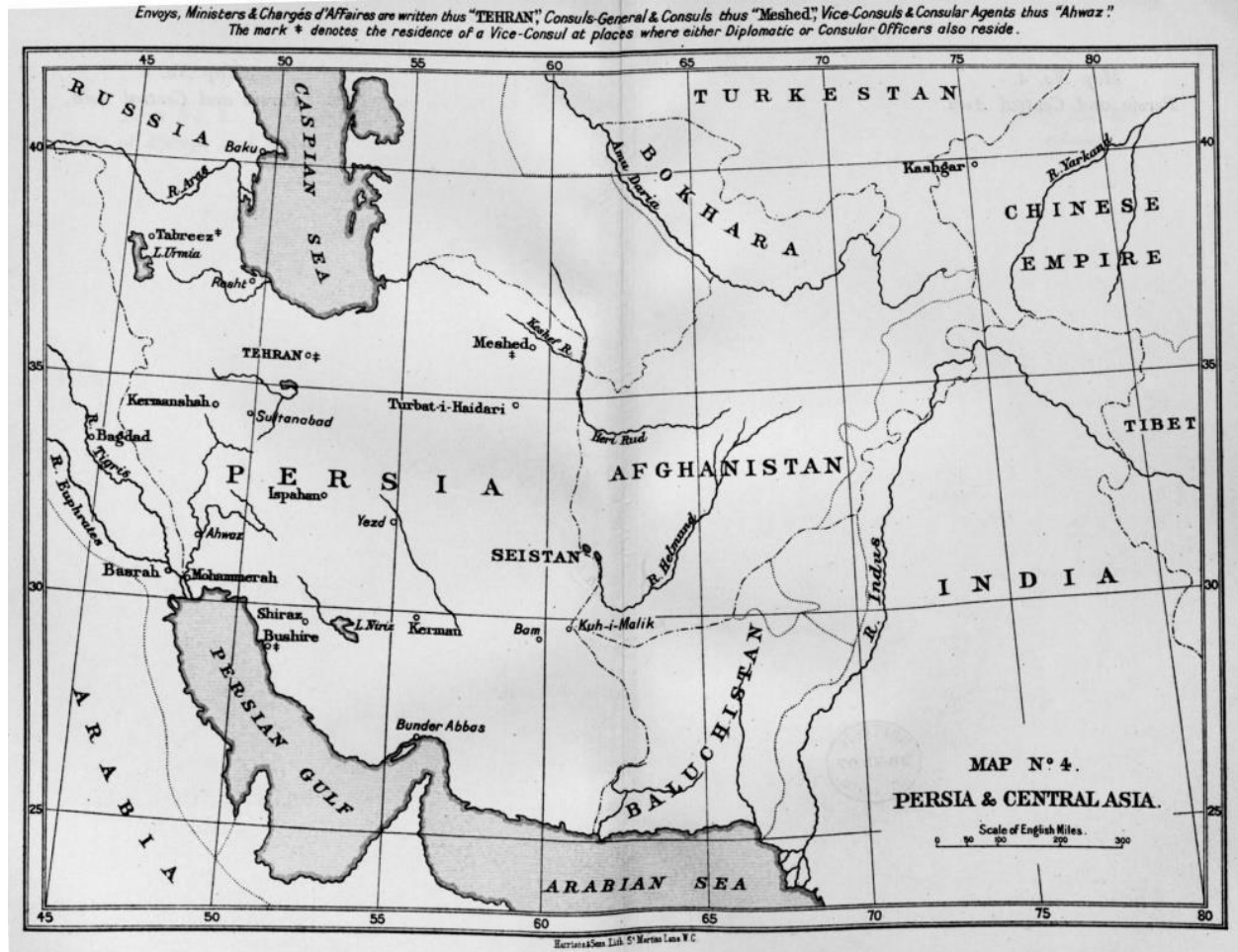
The Johnson Line is not used West of the Karakoram Pass, where China adjoins Pakistan-administered Gilgit-Baltistan. On 13 October 1962, China and Pakistan began negotiations over the boundary West of the Karakoram Pass. In 1963, the two countries settled their boundaries largely on the basis of the Macartney-MacDonald Line, which left the Trans Karakoram Tract in China, although the agreement provided for re-negotiation in the event of a settlement of the Kashmir dispute. India does not recognise that Pakistan and China have a common border. India claims the tract as part of the domains of the pre-1947 state of Kashmir and Jammu and hence became part of India in 1947. However, India's claim line in that area does not extend as far north of the Karakoram Mountains as the Johnson Line.

#### **2.2.2 Eastern Sector**

The McMahon Line is the basis for the demarcation of boundary in the Eastern sector. Though not as contested as in the Western sector, the boundary does not have mutual acceptance. British India and China gained a common border in 1826, with British annexation of Assam in the Treaty of Yandabo post the defeat of Burma in the first Anglo- Burma war. Subsequent annexations in further Anglo- Burmese Wars expanded China's borders with British India eastwards, including the border with

what is now Myanmar. Between 1903 and 1907 Lord Curzon saw Tawang tract as an avenue to Russia. He tried various means to pre-empt the occupation or control of the region which included the famous Younghusband mission in 1904. Later, on 31 August 1907, Britain and Russia signed an agreement in St Petersburg focused on Persia, Tibet and Afghanistan. In the usual manner of colonial agreements, the negotiations were conducted without consulting the concerned countries and effectively made them protectorates. With regards to Tibet, Russia's proclaimed interest was in enabling their Buddhists to consult with the Dalai Lama on religious matters. In the treaty of 1907, both countries, Britain and Russia affirmed that business with Tibet would be conducted through the Chinese Government.

However, the British empire concluded an agreement with Tibet violating the 1907 accord with Russia. In 1913-14, representatives of Britain, China, and Tibet attended a conference in Shimla, India and drew up an agreement for borders between British India and Tibet. The McMahon Line, a proposed boundary between Tibet and India for the eastern sector, was drawn by British negotiator Henry McMahon on a map attached to the agreement. All three representatives initialled the agreement, but Beijing soon objected to the proposed Sino-Tibet boundary and repudiated the agreement, refusing to sign the final, more detailed map. After approving a note which stated that China could not enjoy rights under the agreement unless she ratified it, the British and Tibetan negotiators signed the Shimla Convention and a more detailed map as a bilateral accord. Neville Maxwell states that McMahon had been instructed not to sign bilaterally with Tibetans if China refused but he did so without the Chinese representative present and then kept the declaration secret.



By signing the Shimla Agreement with Tibet, the British had violated the Anglo-Russian Convention of 1907, in which both parties were not to negotiate with Tibet, "except through the intermediary of the Chinese Government", as well as the Anglo-Chinese Convention of 1906, which bound the British government "not to annex Tibetan territory." Because of doubts concerning the legal status of the accord, the British did not put the McMahon Line on their maps until 1937, nor did they publish the Shimla Convention in the treaty record until 1938.

India's claim line in the Eastern Sector follows the McMahon Line. The line drawn by McMahon on the 24-25 March 1914 Shimla Treaty maps starts at

27°45,40"N, a tri junction between Bhutan, China, and India, and from there, extends eastward. The Indian version of the McMahon Line moves the Bhutan-China-India tri junction north to 27°5r30"N. India would claim that the treaty map ran along features such as Thag La ridge, though the actual treaty map itself is topographically vague (as the treaty was not accompanied by demarcation) in places, shows a straight line (not a watershed ridge) near Bhutan and near Thag La, and the treaty includes no verbal description of geographic features nor description of the highest ridges. China argued that the Shimla Convention and McMahon Line were illegal and that Tibetan government was merely a local government without treaty-making powers and China has rejected any claims based on McMahon Line. Though the scholars feel that the Chinese opposition to McMahon Line other than the Tawang tract is not really justified.

Mohan Guruswamy argues that post 1947 with collapse of British and Russian empire, the only inheritors of the squalid and bloody game (referring to the 'The Great Game' between Russia and British) are the Indians and the Chinese. The inheritance has kept two formidable nuclear neighbours, two largest populated nations, two fastest growing economies and two formidable modern militaries jostling with each other for a prize which is merely a barren and desolate high altitude desert amidst cold windswept mountains where in the word of Nehru. "not even a blade of grass grows". Overall, the Chinese protests over the boundary in the East is not as hardened as in the West and it appears that China has more or less accepted the McMahon line without officially conceding it.

International law recognizes that boundaries are fundamental to the bases of national power and therefore projects various prescriptions for their protection as the demarcation lines of territorial integrity and exclusive control. By far the most important principle is prohibiting the use of coercion in reshaping boundaries. This principle assumes, the effective application of other principles or norms for establishing and identifying boundaries. Fundamental general community policies require that states do not employ coercion in the settlement of boundary disputes, but rather make positive efforts to honor reasonable demands and expectations of other states concerning their political independence and territorial sovereignty. Effective implementation of these policies can be achieved only when states refrain from unilateral imposition of territorial claims upon other states and assert their freedom of decision in a way not to interfere with the comparable freedom of others. The boundary dispute in the northern sector of India has never followed above principle and hopefully the leaders of both countries will realise futility of the dispute and peace will prevail in the sector.

### **2.3 Likely Future Scenario of the Border Disputes**

Behavior in territorial disputes is a fundamental indicator of whether a state is pursuing status quo or revisionist foreign policies, an issue of increasing importance in light of China's aggressive behavior with an increase in economic and military power. The situation appears more complex especially when Chinese dispute is with a formidable neighbour like India. In the 1960s, China settled border disputes with Myanmar (October 1960), Nepal (October 1961), North Korea (October 1962),

Mongolia (December 1962), Pakistan (March 1963), and Afghanistan (November 1963). In the 1990s, it achieved border settlements with Russia (In May of 1991 China and the Soviet Union signed the Sino-Soviet Eastern Boundary Agreement; in September of 1994 China and Russia signed the Sino-Russian Western Boundary Agreement), Lao PDR (October 1991), Kazakhstan (April 1994), Kyrgyzstan (July 1996), Tajikistan (August 1999), and Vietnam (December 1999). Up until the present, China has signed border treaties or agreements delineating national boundaries with 12 neighbouring countries, including Myanmar, Nepal, North Korea, Mongolia, Pakistan, Afghanistan, Russia, Lao PDR, Kazakhstan, Kyrgyzstan, Tajikistan, and Vietnam. By the end of 2005, China had determined boundary lines with neighbouring countries along 90% of its land borders. The countries with which China is yet to demarcate its boundary are India and Bhutan.

M. Taylor Fravel Regime in his work "Insecurity and International Cooperation: Explaining China's Compromises in Territorial Disputes" published in *International Security*, Fall, 2005, Vol. 30, No. 2 (Fall, 2005), pp. 46-83, attempts to draw a pattern in Chinese leadership to understand the logic or reasons which led to border settlements by CCP. He argues that internal conflict often creates conditions for cooperation, producing a "diversionary peace" instead of war. Embattled leaders are willing to cooperate with other states in exchange for assistance in countering their domestic sources of insecurity. In territorial disputes, leaders are more likely to compromise when confronting internal threats to regime security, including rebellions and legitimacy crises. Facing these types of internal threats, leaders are more likely to trade territorial concessions for assistance from neighboring states, such as

suppressing rebels or increasing bilateral trade. As per Taylor, regime insecurity best explains China's many attempts to compromise in its territorial dispute. China's dispute behavior bears directly on the future of peace and stability in East Asia. China has been seen frequently using cooperative means to manage its territorial conflicts, revealing a pattern of behavior far more complex than many portray. Since 1949, China has settled seventeen of its twenty-three territorial disputes. Surprisingly it has offered substantial compromises in most of these settlements, usually receiving less than 50 percent of the contested.

In active territorial disputes, leaders generally choose among three general strategies. A delaying strategy involves doing nothing except maintaining a state's claims through public declarations. An escalation strategy involves the threat or use of force over disputed territory. A cooperation strategy excludes the threat or use of force and involves an offer to compromise by dividing control of contested land or dropping outstanding claims. The delaying strategy is usually the least costly alternative at any point in time. Escalation contains many risks, including the uncertainty associated with spirals of hostility or domestic political punishment for military defeat in addition to the costs of war. Cooperation is risky because concessions over territory can carry a high domestic political price, which may weaken a leader's position or even result in political death. Regime insecurity generates incentives for compromise by increasing the cost of poor bilateral relations created by the presence of disputed territory, a situation that can be compared with Indo-China. The discussions below attempt to trace the strategy of CPC leaders to border disputes.

### **2.3.1 Homeland Disputes**

China had faced three homeland disputes namely Hongkong, Macao and Taiwan. Less Taiwan, the other two have been settled by taking over the administration from colonial power. Taiwan remains to be settled. China has never shown any kind of cooperation or concession in any of the three cases. Concessions for any reason are unlikely in homeland disputes. The overriding importance of completing national unification suggests that these conflicts are basically non-negotiable. Few threats, internal or external, would be great enough to make any territorial compromise appear more attractive than delay and the achievement of unification. Therefore Taiwan unification can be delayed but never be given up.

### **2.3.2 Regime Insecurity**

China's han population is at the core of the geography of the country and ethnic minorities are at the periphery. Unrest in ethnic minorities has always created a crisis situation for the regime at the center. CPC always perceived that ethnic rebellion will be supported or taken advantage of by neighboring states. In 1959 Tibet revolt, the outbreak of rebellion in Tibet dramatically increased the cost of disputed territory with Burma, Nepal, and accordingly China took steps to resolve its borders with Burma, Nepal and India.

M Taylor Favel mentions that before departing for New Delhi, Zhou personally drafted a plan for his talks with Nehru. In his most optimistic scenario, Zhou hoped to reach an agreement that was "the same as with Burma and Nepal," namely one based

on compromise. In those agreements, the acceptance of the McMahon Line with Burma and affirmation of the implied direction of the line with Nepal clearly suggested that China would also accept the line as the boundary in the eastern sector with India, which would have addressed India's largest concern. Newly available sources indicate that, during the talks, Zhou proposed a territorial swap with Nehru. In their sixth meeting, Zhou offered to recognize India's position in the eastern sector if India accepted China's sovereignty over the Aksai Chin area in the west.

#### **2.4 China's likely approach to border dispute with India.**

In past 5 decades, China has settled its border with all neighbours less India and Bhutan. There have been attempts by China to settle the border disputes with India but they never reached a consensus. The initiatives were made in a particular strategic pressure and were withdrawn the moment the pressure on China was released. In recent times China has shown no intent on resolving the border disputes in spite of India keeping it as the central agenda in the normalisation of relations between the two countries. Various possibility of Chinese action toward border settlement is as under:

- (a) **Settle the Issue Through Military Conflict.** If China decides to go to war on border dispute, it might gain a temporary advantage and certain other benefits. However, applying a hard-line policy to India would cause larger geopolitical loss to China. It will expedite the alliances against it wherein the west and USA would intervene in multiple ways to counter China. At a time when China is fighting the loss of credibility, the trade war with the USA and

economic downturn, antagonizing the world at large is a situation that CCP leaders would try their best to avoid.

(b) **Concessionary Approach.** China's adoption of a concessionary posture could be beneficial in bringing stability to China's border region in particular and Asia at large. However, in Chinese perception, a concessionary policy would give India the impression that China is weak and surrendering to international pressure. It will also be a marked deviation from Chinese long-standing claim of being superior and better capable in comparison. Hence, the option is not likely to be exercised by CCP.

(c) **Status Quo.** China would always be conscious of the fact that the closure of disputes offers India a free run towards higher economic development, and it will be more capable challenge to China as a regional power. From China's perspective, maintaining the status quo appears to be the most likely scenario. The delay tactics offer time for China to assess and act. It also enables it to keep India tied down through coercive action at borders.

The future of border dispute can only be assessed accurately if we examine the way India and China look at the dispute and the political will that exist in both the country to resolve the situation. No border dispute can be resolved to the full satisfaction of both parties otherwise there would not be a dispute. Political will is one of the most important ingredients in resolving old borders as it plays into the nation's psyche. In the current scenario, a border settlement is not visible in a decade's time.

## **CHAPTER 3**

### **ENTER THE DRAGON**

“WAR IS NOT JUST THE SHOWER OF BULLETS AND BOMBS FROM BOTH SIDES, IT IS ALSO THE SHOWER OF BLOOD AND BONES ON BOTH SIDES.”

- **AMIT KALANTRI, WEALTH OF WORDS**

#### **3.1 General**

Mr Baijal in his book “Containing the China Onslaught”, argued that the USA has played a vital role in China’s meteoric rise from a poor starving nation to a economic super power. Though the foundations for the USA-China rapprochement were laid by President Nixon and Mao Zedong, it was Deng Xiaoping’s reforms with the help of the U.S which led to China’s economic growth. USA helped China grow to contain the Soviet Union and for the lure of its market size. Deng’s policies of reforms were only limited to the economy and did not expand to political freedom and CCP leaders never intended also to take it beyond the economic sphere. In fact, Deng steadfastly refused to accept any societal change or political reforms in China. He called it reforms with Chinese characteristics and prevailed over American leaders to support him without preconditions of political reforms. The US consideration of the cold war adversary USSR and market size allowed Deng to get away with his intended aims.

The insight into the rise of China as an economic giant also reveals the way Chinese leaders think and the way they are likely to react to a situation of national interest. Though it is never possible to predict accurately the course when a single person wields so much power as the Chinese CCP leader especially cult personalities like Mao and Xi, but it is always prudent to analyse and understand the adversary to remain prepared. In the same analogy it will not be wrong if we say that World War II may have been different if Hitler had little less power within his own party.

### 3.2 1991 to 2008

Rush Doshi, a former Brookings Institution scholar and current China Director on the National Security Council in his book **“The Long Game: China’s Grand Strategy to Displace American Order”** has chronicled in great detail the rise of China and has also tried to decipher its grand strategy to displace USA from its super power status. Rush Doshi has given a vivid account of CCP leader’s strategic thinking in shaping the Chinese economy and how China benefitted or rather exploited the USA’s concerns in 80s and 90s and played the power triangle of China, USSR and USA. Throughout the decade of 80s, China perceived USSR as main military threat and USSR being USA’s cold war adversary, played this card , to maintain a cozy relation with USA. China in a way played along USA’s plan to act as counter balance to Russia in the region.

Till 1989, Chinese leaders were very assured of continued US support in their economic development. However, incidents in 89 and 91 started to change Chinese leader’s perception of USA support and they started realizing the likely USA threat to

their political system through economic coercion. The year 1989 to 1991 can be considered as defining years in USA – China relations from a Chinese perspective. It is likely to have played a major role in rise of China as military power in the second decade of the new millennium. The first, 1989, was the year of the Tiananmen Square crisis, which prompted Beijing to consider Washington more of a threat than it did before. It realized that US is likely to push them towards democratic China from communist China as reward of the economic support. The United States' first Gulf War (1990–1991) and the Soviet Union's collapse (1989–1991) only augmented the CCP's concern. These events combined into what Doshi calls the “traumatic trifecta” that “reminded Beijing of the American ideological threat (Tiananmen Square),” “the American military threat (Gulf War I),” and the “American geopolitical threat (collapse of USSR).”

Deng Xiaoping had realized that the west will always apply pressure through the economic front and leverage for political change in China. He was extremely focused towards economic development of his country at the same instant he was not willing to let west bring the issues of democracy, HR issues and open society into China. He had to take the support of the west for economic growth and deny their agenda at the same time. In late 80s, he put forward a strategic guideline to reduce the risk of American led balancing and containment to reduce/blunt American leverage over China and thereby to create conditions for both, China's development as well as autonomy. The strategy guideline is well known in the world as “to hide one's capabilities and bide one's time” and in mandarin, it is “*Tao Guang Yang Hui* “. This remained high level guiding principle of China's foreign policy till about the first decade of the new millennium.

As a result of new threat perception and new strategy of Deng, China sought to push back against the United States without unsettling Washington or the rest of Asia. China invested in only those capabilities which could achieve denial to superior forces without raising alarms. China shifted to a “sea denial strategy” focused on limiting the U.S. Navy’s ability to traverse or control waters near China. China joined and stalled regional institutions, thereby limiting Washington’s ability to use them. China simultaneously preserved and enhanced its access to U.S. markets, capital, and technology, which Tiananmen-era sanctions had limited by pushing bilateral and multilateral trade agreements that limited potential U.S. coercion and interwove the Chinese economy with much of the world. In Tiananmen’s aftermath, the United States had also threatened to revoke China’s most-favored-nation (MFN) status, which could have seriously hampered China’s economy. So, China pushed to remove its MFN status from congressional review, leveraging Asia-Pacific Economic Cooperation and World Trade Organization (WTO) negotiations to ultimately obtain it and join the WTO.

**Sea Denial Strategy** As part of this strategy, during the 1990s and 2000s, China invested heavily in submarines, sea mines and missiles. Rush Doshi research indicates that China built the world’s largest submarine fleet, world’s first Anti Ship Ballistic Missile, and created the largest stockpile of sea mines. From 1990 to 2015, China undertook massive modernization of its submarine fleet. It retired all its Romeo submarines and acquired 14 Ming, 12 Russian Kilo class, 13 Song class, 12 Yuan class and new Shang SSN class. China invested heavily in submarines and not in carriers which all blue water navy generally do. Rush Doshi feels that China invested heavily in submarines with the intention to develop asymmetric assets to thwart US carriers and

surface vessels in the region. China wanted to blunt American power without alarming the west and Asia.

In 1991, USS Tripoli and USS Princeton , US navy vessels costing upward of approx. \$1 billion were hit and laid low by three Iraqi sea mines each costing few thousand dollars. It demonstrated the asymmetric advantage against a superior foe. China probably took more out of this than any other country and invested heavily in sea mines. In a recent report of Office of Naval Intelligence, USA finds that China has a robust mining capability with 50,000 to 1,00,000 sea mines as well as robust mine related research, development, testing evaluation and production. In a relatively short period of time China completely modernized its WW II era mines and created an inventory of modern multiple varieties of mines including moored, bottom, drifting, rocket propelled and intelligence mines. The Chinese emphasis was always on the blunting the USA rather than confronting them. China knew they cannot match USA in platform to platform count or effectiveness so they opted for asymmetries relative to a superior opponent which was low cost option to deny US forces, access to the Chinese region. Rush Doshi mentions in his book that China's investment in mines warfare was way more than any other navy or warfare theory.

In 1992, Washington sold over 100 F16 fighter planes to Taiwan and decided to maintain a robust military presence in the region. China's response to this was to change the equipment profile of the Second Artillery Corps. It was decided to develop a series of conventional missiles to target adversary airfields, vessels and infrastructure. It resulted in China becoming the first country to development **Anti Ship Ballistic Missile (ASBM)** and possessing the largest inventory of conventional missiles.

### 3.3 Chinese Outlook to the Regional Organisations

Multilateral organizations do not merely solve problems related to issues like trade or environment but also serves as the instrument through which great powers create order and space for themselves. The mechanism of rules, norms, reputation, monitoring and enforcement through multilateral forums can induce cooperation as well as buttress coercive capability, consensual inducements and legitimacy claims that form the core of the order. International diplomacy places a nation's self interests above all and any country in the world including USA gets into a multilateral forum or organization only if it sees a benefit for itself. China cannot be expected to behave any differently. Hence, expecting China to have joined this organization to serve the mankind or the region would be naïve. Analysis of China's behavior in various regional forums may throw its actual intention and modus operandi to achieve the same.

It appears that in 80s, China didn't show much inclination towards regional organizations in Asia. The reason could have been that it was very focused on its economic growth with US support. It didn't see any rival closer home and being close to US was assurance of being protected. The things changed after 1991, when China started perceiving US as its main threat and the counter measures were initiated by China to blunt the Americans. One of the measures was to reduce US influence in neighborhood as China feared it would be encircled leading to coercion by USA. China's participation in regional formal multilateral organizations helps in understanding the Chinese strategy of blunting a superior adversary without openly taking a stand against it. The Chinese played their card of eroding US influence in the region in covert manner through regional forums.

The fall of USSR coincides with rise of China's economy. The Chinese leadership saw three events, break up of USSR, Gulf war I and Tiananmen square with lens of USA hegemony to create and maintain an unipolar world. The CCP leaders were apprehensive that US would work with Asian states to contain China. There was a thought that countries in China neighborhoods will feel threatened by rising China and may rally behind USA. A Chinese scholar, Kai He argued, " given the US policies on human rights and Taiwan, the US as sole super power posed a very serious challenge to China's internal and external security." American power and China's dependency on US market , capital , technology prevented Beijing from openly confronting US. Zhang Yunling of China in memo to External Affairs Ministry has mentioned that greatest challenge to China will be to deal with and address the comprehensive changes in its relationship with neighbors caused by rise of China. Zhang feared that if this situation was not handled diligently it will push China into a circle of hostility surrounded by unfriendly neighbors. The concerns led to what we know as **Peripheral Diplomacy** or **Neighborhood Diplomacy** and this became a priority for the Chinese leadership in 90s. In 90s, China pursued a strategy of maintaining amicable relations with neighbors to hedge against the cooling of US-China relations. Deng and his successors appreciated that with more than 15 countries bordering China, an aggressive posture is simply not in China's national interest. The policy was based on the line that an aggressive posture in neighborhood might result in counterbalancing alliance between neighbors and USA. The Chinese literature reveals a thought process that if China adopts a defensive realist approach, most of the regional countries would be reluctant to adopt a policy of hard containment and thus China would enjoy a benign regional security environment.

Chinese experience with multilateralism and neighborhood diplomacy can be considered to have started with APEC. The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989 to leverage the growing interdependence of the Asia-Pacific. APEC's 21 members aim to create greater prosperity for the people of the region by promoting balanced, inclusive, sustainable, innovative and secure growth and by accelerating regional economic integration. US was establishing itself as sole power and China was trying to reduce its influence in region to minimum. Rush Doshi in his book argues that the approach of American and Chinese towards APEC were aligned to above argument. In the initial years after 1991, China pursued an agenda of establishing a major say in the decision making in APEC. US wanted APEC to be an institutionalized action oriented forum that suited USA to create its order while China wanted it to remain a consultative forum which suited China at that time. Chinese feared that APEC might be Asian NATO for US and it pushed all efforts to keep the forum purely economic. China was successful in getting what it wanted in APEC and today APEC operates as a cooperative, multilateral economic and trade forum. Member economies participate on the basis of open dialogue and respect for views of all participants. In APEC, all economies have an equal say and decision-making is reached by consensus. There are no binding commitments or treaty obligations. Commitments are undertaken on a voluntary basis and capacity building projects help members implement APEC initiatives. China used this forum to give trade concessions and action like not to devalue its currency during Asian Financial Crisis (though it costed china \$10 billion) and gained considerable support in Asia.

Like APEC, China was apprehensive of all Asian institution to become tool for US and Japan to increase western influence in Chinese neighborhood. Accordingly, initially Chinese effort has been to ensure that US did not get its say as the sole leader. China never wanted any forum to have mandate to decide on issues like Taiwan and overall security situation in the region. ASEAN, ASEAN Regional Forum (ARF) and ASEAN Plus Three (APT) are three important forums where China dedicated its effort to manage affairs in its favor and denying the west an opportunity to corner it. Rush Doshi in his book summarises the behavior as under

- (a) China's approach to ARF and APEC were totally different than APT which had no western members.
- (b) China opposed security dialogue in forum at ARF and APEC while backing it fully at APT.
- (c) China opposed an Expert Working Group at APEC while supported a similar institution at APT.
- (d) While it opposed the initiative of Japan for Asian Monetary Fund during Asian financial crisis in 1997, it supported one at APT to ensure that the credit does not go Japan.
- (e) China opposed ARF and APEC secretariats and permanent staff but it ensured similar institutions at APT.

The behavior of China in regional institutions indicates that China used its position to weaken the influence of USA and Western countries in Asia and reassure its neighbours

about its benign intentions. By 2008, China had a total of 46 institutionalised mechanisms with ASEAN to USA's 15. China in its effort to win neighbours made major economic concessions in 1997 ( during Asian Financial Crisis) and continued the efforts further. It pursued a concessionary free trade agreement with ASEAN states, granted MFN status to ASEAN states who were not members of WTO and expanded loans and investment. China was able to use ARF to blunt western influence in Asia though the concessions were at high economic cost to China.

### **3.4 Post 2008 Financial Crisis**

At 9<sup>th</sup> Foreign Ambassadorial Conference in 1998, Jiang made a statement: “we should hide our capabilities and bide our time, draw our claws, preserve ourselves and consciously plan our development as our country situation and international balance of power demands us to do this.” In 2009 address of Hu stated that “adhering to Tao Guang Yang Hui is strategic decision made by the central government based on comprehensively analyzing the entire international balance of power.” He also declared that International balance of power is changing and China needed to modify ‘Tao Guang Yang Hui’ to ‘Actively Accomplishing Something’.

As China's perception of American power fell after Global Financial Crisis, the Chinese leaders started to focus on building regional order rather than focusing only on USA. These efforts were subsumed in what started in 1997, the Peripheral Diplomacy or Neighbourhood Diplomacy. In 2011, China outlined the concept of a “Community of Common Destiny “ in a white paper that focused on its foreign policy. In 2013, Xi Jinping linked this concept with ‘Peripheral Diplomacy’ and started to spread this in

various forums across the globe. The various activities that followed clearly indicated that China was now fully focused on building new regional order. Like Hu, Xi stressed on China's "be good to neighbours and do good with neighbours" as a fundamental guide to Peripheral Diplomacy. Xi took the concept further by adding that "China's diplomacy in the periphery is driven by and must serve the two Centenary Goals and national rejuvenation." And thus the new phrase "Striving for Achievements." came into being after "Tao Guang Yang Hui" and "Actively Accomplishing Something" and it became the corner stone of Peripheral Diplomacy.

## **CHAPTER 4**

### **ELEPHANT IN THE DRAGON'S SCHEME**

#### **4.1 General**

As ancient civilizations, China and India coexisted in peace and harmony for millennia with surprisingly little political interaction for most of that time. The twentieth century saw tensions between the two increase over disputed borders and geopolitical competition for power, influence, resources, and markets. As post-colonial modern nation-states, with the exception of a very short period of bonhomie in the early 1950s, relations between the two Asian giants have been marked by conflict, containment, mutual suspicion, distrust, and rivalry. Just as the Indian sub-continental plate has a tendency to constantly rub and push against the Eurasian tectonic plate, causing friction and volatility in the entire Himalayan Mountain range, India's bilateral relationship with China also remains volatile and ridden with friction and tension.

The emergence of China and India as economic giants has thrown a huge new weight onto the world's geopolitical balance. As India grows outwardly, the two giants are beginning to rub shoulders in different parts of Asia, Africa, and Latin America. New economic prosperity and military strength is re-awakening nationalist pride in India, which could bring about a clash with Chinese nationalism. The existence of two economically powerful nations will create new tensions as they both strive to stamp their authority on the region. The two future superpowers are neighbours, share disputed borders, have large military deployments along borders concurrently with significant trade relations with China being the second largest trading partner of India. The

relationship in such a situation is extremely complex where no clear-cut direction can be stated to be the right way. What is likely to be seen is a relationship that will have ample pie of competition, rivalry and cooperation.

China's rise to economic superpower led to its competition with USA. Scholars around the world generated lot of research on the Sino-US relation trajectory. Not many viewed Indo-China relation with similar enthusiasm. Initially, it was seen as a relationship centred on border disputes. Then China got involved with its economic development and things became quite and cold in Indo-China relations. Many believed that China has no place for India in its strategic plans. However, China shifted its focus to Peripheral Diplomacy in 1997 and made it a priority one after Global Financial Crisis in 2007-08. It has been accepted that there is no way that China can establish a regional order by ignoring India.

#### **4.2 1949–1965**

**Mao Zedong** was principal Chinese Marxist theorist, soldier, and statesman who led his country's communist revolution. Mao was the leader of the Chinese Communist Party (CCP) from 1935 until his death in 1976, and he was chairman (chief of state) of the People's Republic of China from 1949 to 1959 and chairman of the party until his death. Looking at the whole period from the foundation of the CCP in 1921 to Mao's death in 1976, one can fairly regard Mao Zedong as the principal architect of the new China and most influential leader in Chinese history post 1949.

After Germany attacked the Soviet Union in 1941, Mao talked of a global anti-fascist front with China as a leader alongside Great Britain, the Soviet Union, and the

United States. The emphasis on China as a front-rank global power despite its relative weakness was a regular theme in his writings. After the tide turned in favor of the allied powers, Mao talked about a postwar order that would be shaped collectively by these four countries, and claimed that China would also play “a very great role in safeguarding peace in the postwar world and a decisive one in safeguarding peace in the east.” When the People’s Republic of China was established in October 1949, two central narratives formed in the CCP were that China was the dominant Asian power without an equal in the region and that the United States was the primary adversary. Since the party and the state were fused indistinguishably, these two narratives were hardwired into the machinery of the new regime. Aside from the fact that the CCP did not consider India’s role in Asia as being as important as its own and did not look upon it as an equal, declassified papers also reveal that there was deep distrust of the country within the highest levels of the Chinese party-state from the beginning. Mao had a negative view of Nehru. One could conclude that for China there was no mind-space for India as an independent player in postwar international relations since it was neither China’s equal nor ideologically aligned.

In this era, the core of China’s India policy consisted of two main strands. First, India must be deterred from becoming an US camp follower, and policy should be crafted to keep it neutral on important matters of concern to China. Second, India’s standing and influence in the developing world should be utilized to build “Asian solidarity” as a bulwark to stop further U.S. inroads into Asia. Since China had crafted relations with India within the matrix of great power relations and with the primary objective of keeping it neutral, the policy worked so long as India shared the Chinese perspective on great

power relations, addressed China's core concerns in this larger context, and did not press its own issues. In the second half of the 1950s, after India started to articulate bilateral concerns, China still viewed these only through the prism of great power relations and not a bilateral one. It concluded that India was using problems like Tibet (which was internal to China as per CCP) or the border dispute (with India's claim seen as illegal by China) to earn support from the United States. This impression gained further ground after the Tibetan rebellion and the flight of the Dalai Lama in March 1959, and following the warm welcome that India gave then U.S. president Dwight Eisenhower during his visit in December 1959. Shifting equations within the strategic triangle further complicated China's India policy after 1958. The CCP saw the U.S. military buildup in the Taiwan Strait as preparation for an invasion. Khrushchev's visit to Washington in September 1959, the CCP felt that the two superpowers might be colluding against it. In this changed context of triangular great power relations, China adjusted its policy to keep India neutral. In September 1959, Zhou told the Indian ambassador about the great importance of Chinese-Indian friendship for Asia. It is believed that in January 1960, the CCP's Politburo Standing Committee adopted guidelines for negotiating a compromise on the boundary question. It can be inferred that this tactical adjustment in India's policy was in response to the deteriorating strategic environment around China.

Mao described the 1962 border war as a politico-military war. He decided on the strategy, tactics, and timing with a twofold goal, to show the superpowers that India was not a dependable Asian partner and to coerce India back to a neutral posture. Nehru called the war the "final culmination of the deterioration in relations between India and China" and sought military assistance from the West. The war Instead of resetting

relations, led to a freeze for a quarter of a century. China's goal of Asian solidarity as an anti-U.S. front suffered and its India policy collapsed.

Vijay Gokhale mentions three conclusions from this first phase of China's India policy. First, China regarded India as unequal, ideologically aligned with the West, and therefore untrustworthy. Second, its India policy was determined by the interplay of great power relations. The main objective was to relieve strategic pressure on China and this shaped tactics with India. Third, India may have let pass an opportunity that presented itself between mid-1959 and the end of 1960, when China made a tactical adjustment in its policy.

### **4.3 1965 - 1988**

After 1965, China was preoccupied with the Great Proletarian Cultural Revolution, and relations with India were on the backburner. In 1970, China gestured to India for reconciliation. The alliance with the Soviet Union that had been the cornerstone of Chinese foreign policy had been unwinding since the late 1950s and in early 1969, the wheels finally came off the alliance following the border clashes. Mao may have thought that India would take advantage of Sino – Soviet clashes and get closer to USSR. In order to prevent this alliance he tried to reach India. India got engaged in 1971 war with Pakistan and that followed with peace and friendship treaty with USSR. China also used the crisis to extract benefits from the United States in the great power strategic triangle by playing upon the Soviet angle in South Asia. After the collapse of its India policy in 1962, China had also adopted a subsidiary strategy of using Pakistan to counterbalance India. It assumed that improved relations with the United States and strategic ties with Pakistan

would be sufficient to keep the Soviet Union in check and India sensitive to China's national security interests.

After the death of Mao in 1976, Deng took over the reins in CCP. The three main agendas in front of Deng were to end China's diplomatic isolation after the Cultural Revolution, to manage the "anti-hegemony" struggle, and to generally improve ties with neighbors in order to create a stable environment for economic reforms. Deng stated that the "quickened pace of global strategic deployment by Soviet hegemonists presents a serious threat to world peace and our own national security." He felt it necessary to neutralize this threat by uniting more closely with the Third World and countries like the United States. India's geopolitical position as well as its influence in the Third World, therefore, likely became crucial from the perspective of Chinese threat perception.

Beijing's overtures to India between 1979 and 1984 to improve ties and settle their boundary dispute coincided with the period of maximum threat perception vis-à-vis the Soviet Union. Deng Xiaoping, proposed a "package deal" to settle the border question. The offer was that China would compromise on its stand in the eastern sector and that India could compromise on the rest. The offer of a package deal was reiterated twice. The first time was when Deng was interviewed by Krishna Kumar, the editor of the Vikrant journal, in June 1980. The second time was in October 1982 by Deng to a visiting delegation from the Indian Council for Social Sciences Research. In his memoirs, Huang Hua mentioned that "due to the fact that the Indian side adhered to its stand of keeping its vested interest in the East Section while not totally giving up its unreasonable claim in the Western Section, the package deal formula could not be realized." In 1985, China shifted its stance on the package deal. China's India policy between 1979 and 1984

gave high priority to detaching India from the Soviet Union and for this purpose, China seemed prepared to make tactical concessions.

Vijay Gokhale states that three conclusions might be drawn from this second phase of China's India policy. First, the available material suggests that China made no fundamental change to its practice of shaping India policy primarily from the perspective of triangular great power relations. Second, a subsidiary line of policy, intended to provide an additional security guarantee, was to cultivate Pakistan as a strategic ally to keep India in check in South Asia. Third, there was a pattern of China appearing as more amenable to addressing Indian concerns when it thought it faced a strategic threat that India could magnify. In sum, under Deng, China's policy continued to be crafted in such a manner as not to deal with India as an independent power center or as a stand-alone threat, but as an adjunct power that needed to be neutralized through persuasion or coercion whenever it adversely affected the balance of power between China, the Soviet Union, and the United States. At all other times, China's India policy was one of benign neglect.

#### **4.4 China's India Policy After the Cold War**

Till first half of first decade in 2000, China's India policy followed the pattern of gravitating with India's closeness with great powers. After 2005, China had gained in confidence after the full normalization of relations with the United States and a new partnership with Russia. Also, China felt more comfortable within the triangle of great powers due to its changed status in the international stage and its economic asymmetry with India. Thus there was a tendency to patronize India. Former foreign minister Li

Zhaoxing's made a comment that "sometimes the sincere attitude and generosity of China is seen as weakness by some Indian politicians." This is a more realistic reflection of what the Chinese leadership really thought about India. The fact that India does not warrant a single mention in the memoirs of Qian Qichen, China's foreign minister in 1988–1998 and vice premier in charge of foreign policy in 1993–2003, shows the relatively low strategic priority that China's top leadership attached to their relations. Likewise, India is not mentioned in Jiang Zemin's selected works from 1989 up till 1998—significant years in the bilateral relationship. It was obvious that the focus of China till 2016 remained the super powers mainly the USA and India kept interrupting based on the USA or Russian relation with India. However, it seems that India never ever got an independent space in Chinese foreign policy. Therefore it can be said that China always viewed India through lens of great power relationship and not through bilateral relationship.

#### **4.5 2013 Onward**

Xi assumed the presidency and in October 2013, he declared in a conference on diplomatic work with neighboring countries that "doing well in the diplomatic work with neighboring countries stems from the need to realize the 'two centenary' goals and achieve the great rejuvenation of the Chinese nation. China needs to work hard to advance diplomacy with neighboring countries, strive to win a sound surrounding environment for China's development and enable neighboring countries to benefit more from China's development for the purpose of common development." Yan wrote that this new principle was no longer about making money but about making friends and showing leadership in the neighborhood by building strategic credibility based on common

interests, that is, by sharing China's economic benefits with others and allowing the periphery to prosper from China's growth. The major concern remained about USA policies in Asia and China's believe that USA is strategizing to deny China its rightful leadership role in Asia Pacific. China follows closely the USA alliances and new friends and India was one of the more important among the lot. Though China did not consider India to be an ally or a threat to its growth, the revised Chinese foreign policy had a major outcome, namely the spread of economic benefits by China in its neighborhood to build common interests and establish strategic credibility, which eventually took the form of the Belt and Road Initiative. BRI touched upon one key element and one core Indian concern, Indian sovereignty over Jammu and Kashmir and CPEC passing through it.

Vijay Gokhale makes a remark that a one lobby in China is of the view that while China has shown goodwill with the best of intentions, China has not received the same in return from India. A careful parsing of these writings suggests that India's good faith is not judged in bilateral terms but in the context of global and regional order. There are the following several recurring Chinese narratives:

- (a) China has never viewed India as a threat, but India has at times viewed China as a threat.
- (b) The Indian Ocean is a strategic crossroad and the soft underbelly of Eurasia, and therefore a key area of strategic interest for China, but its presence there has triggered Indian anxieties.
- (c) India's concerns are overblown or misdirected and China is seeking not confrontation but strategic stability.

(d) The United States, on the other hand, is utilizing India as a potential geostrategic balancer to China.

(e) The United States poses an existential threat because it does not want to see China rise. Strategic tensions with India have thus increased because of Indian intentions to join a USA led coalition against China.

(f) This trend has increased under Prime Minister Narendra Modi. He has broken the restraints of India's traditional non alliance policy in its relations with United States.

After 2018, as the challenge to China's rise from the United States has become clearer to the Chinese leadership, Xi started to talk about the world as being far from tranquil as a result of acts of containment, suppression, or confrontation. As regards India is concerned, the discussion in Beijing focused more on U.S. intentions toward China and on Delhi's relationship with Washington. India's actions began to be judged on whether they helped or hindered China's objectives vis-à-vis the United States, without attributing independent agency to India. China is extremely apprehensive that USA would invest politically in India to create a countervailing force to contain China. That might be the reason for Chinese reaction to QUAD and other such initiatives which brings USA and India on same platform in Asia. A prominent commentator on the Indo-China relationship, Ye Hailin, has argued that China has made up its mind that India will lean to the United States to derive benefits and that China will become the target of containment.

Since 2013, this has been the longest period in the relationship when the border has remained active. This matches the trend of Chinese reaction to India equation to great

powers. It is the period in which India has been enhancing its strategic relations with the United States and China is concerned at the synergy between them. Chinese scholarly writings and official statements make the point that the United States is pursuing an anti-China strategy and that India should keep a distance from it. China uses coercion on the LAC to warn India while keeping the possibility of geopolitical backlash low. India has expressed puzzlement at the Chinese motives for the border incidents, but the correlation between the growing strategic relationship between Delhi and Washington and the deteriorating ties between Delhi and Beijing seem to bear out the basic premise China sees India mostly through the lens of China's relationships with the United States, Russia, and other great powers.

China's leaders believe that the nature of India's polity as well as the asymmetry of power between the two countries does not require them to reshape their policy in a way that meaningfully accommodates Indian interests. As a result, China has been dealing with India not in any strategic sense, but merely in a tactical way. There are long periods of relative neglect followed by shorter ones when China has come under strategic pressure and has tended to use coercive tactics to force India toward neutrality. The question is whether this basic premise is valid in current scenario or it has the potential to lead to a strategic miscalculation by China. Security and status are drivers of international rivalry and conflict, and India-China relations have been shaped by dilemmas over both. Power asymmetry makes China less sensitive to India's concerns. Despite China's superior view of itself and the lower status that it accords to India, it has always been apprehensive about India's potential as a counterweight due to its geopolitical location and its democratic system that allows it to align more easily with the West.

#### **4.6 Likely future Scenarios**

The Indo-Pacific is likely to be the geo-economic center of the world for the next several decades, and China's prosperity and future global status are intrinsically linked to it. Currently, there is a different great power triangle in the Asia-Pacific/Indo-Pacific, of which Russia is not a part. The United States and its regional allies (mainly Japan & Korea) are the strongest corner of this triangle, China is the second corner, and India the third. In the foreseeable future, no other country or grouping, including Russia, ASEAN, or the Gulf Cooperation Council will be able to combine economic heft and military capability to replace any of these players. The current dispensation in both countries may not be seeing strategic competition as a zero-sum game. This is because India's geographic and political advantages in the northern Indian Ocean make the power asymmetry between them in the Indo-Pacific less than the one at the global level.

## **CHAPTER 5**

### **GALWAN, UKRAINE, AND COMMERCE**

#### **5.1 GALWAN**

The tense conflict in the Galwan valley of Eastern Ladakh in 2020 significantly changed the dynamics of the relationship between India and China. Since 2008–2009, China's increasing incursions and attempts at coercion in the border areas have brought the boundary issue to the forefront of the India–China relationship. The geopolitical fallout from China's actions in 2020 has been greater than in previous years, and India's policymakers and strategic community are no longer willing to give Beijing the benefit of the doubt regarding its intentions and actions, which has increased the importance of this question. There has been so much discussion regarding the possibility of a full-fledged military conflict escalating due to friction in Eastern Ladakh especially post Galwan.

##### **5.1.1 Galwan – Causes And Fallout**

The ongoing China-India border standoff in Ladakh that began in May 2020 is punctuated by deadly clash between Indian and Chinese troops in the Galwan Valley in June 2020, which was the worst fighting in over four decades and resulted in fatalities on both sides. Almost two years into the standoff, there is still little clarity on its fundamental cause. There are multiple theories going around on likely causes for Chinese actions which remain a mystery. There are few scholars, and defence analyst who have tried to situate the circumstances that can lead to the most probable cause for Chinese action. A greater analysis indicates that China's India policy through years and Chinese

reactions towards India in various circumstances whenever China felt threatened provides ample leads to the causes that might have been the trigger for such event.

The theories for likely trigger are ranging from removing of Article 370 from Kashmir, infra development by India along LAC by India in Ladakh, diversion of local population from Covid related issues and its impact on economy to China's to show of strength USA (India is seen as USA partner to counter balance the Chinese in Asia). Some analyst called it Xi personal agenda to achieve the dream of middle kingdom. The USA led west has criticized China for its expansionist behavior and has sided with India on the issue. As expected in such scenarios China has given its version as reacting to a situation created by India rather than China. As per Antara Ghoshal Singh Chinese media and defence writings put the blame squarely on New Delhi, citing the impact of internal political dynamics like rising Hindu nationalism, a sinking economy, and worsening conditions due to the coronavirus epidemic as reasons for India's "aggressive" behavior at the border, which they argue is in line with deterioration in India's relations with its other neighbors in the region, including Pakistan and Nepal. China's India policy over the years has been discussed in detail in Chapter 4. Analysis of the event through the lens of varying but still constant China's policy is the best course to inferring the real cause of Chinese action. The term varying has been used to indicate the periodic shift in Chinese approach and constant because reference points for formulating the policies never really changed much.

Till 1997, China saw India mainly through the lens of Great Power Diplomacy or great power triangle. The three corners of the triangle were USSR, USA and China. Depending upon India's relation to the great power, China's relationship with India

changed. China never really considered the relationship as bilateral. After Asian Financial Crisis in 1997, Peripheral or Neighborhood Diplomacy entered Chinese foreign policy wherein China started focusing in neighborhood to counter balance USA in the region. India being a major country in Asia could not be ignored how China kept refusing to acknowledge India as regional player or worthy of independent bilateral relation. China's diplomacy with developing countries, and indeed the heart of its foreign economic policy, is primarily to create a virtual alliance and to counter USA's agenda. Beijing touts the idea that its trade, investment, and lending produce economic development opportunities are for both China and its developing country partners. In turn, China argues, this economic development underpins China's own social and broader geopolitical stability.

Currently, India figures prominently in all three spheres of Chinese foreign policy, Great Power Diplomacy due to sourness in Sino – USA relations and bonhomie in Indo-USA relation, Neighborhood Diplomacy with India being a major Asian nation, Developing Country diplomacy with India being the largest economy after China in developing nations.

China has been working on wooing India to hedge against the U.S. Indo-Pacific strategy and making New Delhi a key partner in Beijing's Belt and Road Initiative (BRI). Beijing also sees itself as the sole leader or rule-maker in the region vis-à-vis India and it is working on achieving China-centered regional order (Neighborhood Strategy). The Chinese dilemma is that on one hand, Beijing doesn't want to acknowledge India's rise as regional competitor and on other hand, China is anxious about the realization of its various regional and global objectives in the Indian Ocean Region that necessitates cordial ties with India. Post 2010, the Chinese relations with US started going southward

in an era when India and US kept strengthening their strategic relation. China started viewing India as USA's counter balance to China in the region. It became imperative for China to win back India or push it away from USA towards more neutrality. However it appears that it never had the intentions of acknowledging India as regional power. Improving ties with India, was officially determined as one of China's topmost foreign policy agendas during the 18<sup>th</sup> National Congress of the Communist Party of China in 2012, however, there has always been a difference in opinion within the Chinese strategic community on how to cooperate with India. It gravitates between struggle (war in 1962) and non-core economic incentives and concessions. There is also the requirement of keeping geo political impact to minimum hence coercion is more preferred option to war in modern era. It is worth mentioning the strange aspect of Indo-China relation is that in last decade the LAC face offs and trade between two nations have been on the upswing.

**FOIP** Former U.S. President Donald Trump announced the Free and Open Indo-Pacific (FOIP) strategy at an APEC meeting during his first trip to Asia in November 2017 which made the Indo-Pacific a popular strategic concept globally. China has worked all these years to minimize the western influence in Indo Pacific and had invested heavily in achieving the same. It saw another western hegemony in Indo pacific which could work against its own BRI initiative. France, India, Indonesia, Germany, the Netherlands, and the United Kingdom all have developed their own Indo-Pacific strategies. China, which has much at stake in the geopolitical churn within the Indo-Pacific, had, for all these years, maintained a relatively muted stance worked silently on reducing western say in the region. Publicly China dismissed various strategies calling them "sea foam" "doomed to fail", "paper tiger" but it was alarmed and started working to counter it .

Antara Ghosal in her publication in May 22, argues that at the military level, the Indo-Pacific strategy was seen as potentially targeting the “going out” strategy of the Chinese Navy and a ploy to block China’s access to the seas by creating a second island chain. In the political and economic realms, Chinese analysts saw FOIP as a way to challenge China’s BRI, deter Chinese industrial upgradation, attack its development model, and threaten its energy lifeline. Many in CCP believe that, the Indo-Pacific concept was not just about the containment of China or maintenance of “U.S. hegemony” in the Asia-Pacific in a cost-effective way but It was also about acknowledging the rise of India as a counterweight to China. The way Asia-Pacific was centered on China, the Indo-Pacific is centered on India. For the United States, creating a counter balancing against China is end, Indo – pacific Policy is the means and alliance with India (due to its geography) is the means. Thus India is emerges as key variable in the sit, however India’s unwillingness to play US subservient and its focus on strategic independence has complicated the scenario and created multiple dilemmas for the Chinese.

India, as one of the largest markets in the world, with the greatest development potential, located right next to China figures prominently in all major initiatives like BRI, two ocean strategy, western development strategy. Thus China though not ready to acknowledge openly India as regional power it has considered India’s geo-political advantage in all its initiatives. With favorable geography, closer ties with other great power, more acceptability due to democratic governance India has a distinct advantage which can’t be ignored in the region and this has been accepted by Chinese though mutely. In 2018, the realization probably led to the idea of “strategic coexistence between China and India” for the first time in history.

India is currently enjoying greater room for maneuver, in a new favorable international environment. The rapidly developing bonhomie between India and USA coupled with the USA working against China on the global stage is detrimental to China playing the usual card of tactical concession to India whenever China is under strategic pressure. As India didn't support China's key BRI initiative, joined QUAD , and continued its policy of strategic independence and issue-based alliance concept, China has to find new ways to manage India . Any Chinese overreaction would accelerate the actual realization of the Indo-Pacific and the Quad and under reaction would further embolden India and others. In such circumstances, wherein an open confrontation with India would have invited greater geo-political backlash, allowing things to drift would have narrowed the gap between China and India, a LAC faceoff was an ideal coercive action to remind India of the asymmetry between the two nation without inviting much attention at international stage.

### **5.1.2 Post Galwan**

The gruesome clash in Galwan Valley on the night of 15 Jun 2020 caused public outrage in India, and anti-China sentiment reached its peak. Since then the outlook of India towards China has probably changed forever. It appears that the intended coercive action by China spiraled out of their hands due to large casualties on 15 Jun. Also, the public outrage meant that the government in India had to take actions that may not have been anticipated by Chinese policy experts. The sheer magnitude of the Galwan incident, an unprecedented level of perceived escalation by India, and the global attention around the incident caused unease within Chinese strategic circles. In one of the first major interviews after the incident, renowned Chinese scholar Zheng Yongnian, Founding

Director of the Advanced Institute of Global and Contemporary China Studies at the Chinese University of Hong Kong in Shenzhen and a well-known Chinese government advisor, lamented how Beijing lacks understanding of a rising India and its importance to China. He lamented the lack of recognition in China that the Beijing-New Delhi relationship would get as the most important relationship after the Beijing-Washington relationship. He was also critical of Beijing's India policy still being managed at a comparatively lower level in terms of policy/military planning, thereby exhibiting a tactical, reactive, tit-for-tat nature, without a substantial strategic intent. This, he warned, was counterproductive for China as it stoked nationalism in India and might eventually draw China into an untimely military conflict.

China has been using coercive policies to keep India as neutral as possible with respect to Great Powers. China has been apprehensive of India being used by the USA to counter balance China. India has displayed strategic independence throughout history and had remained so in spite of very close ties with USA. Chinese actions at LAC might have brought the two countries closer than before. India has accelerated its strategic investment in the Indo-Pacific region and is carrying out "industrial chain diplomacy" in the hopes of reducing its dependence on China and improving its position in the global value chains.

## **5.2 Ukraine**

Russia's invasion of Ukraine, one year ago, shocked the world. The so called Special Military Operation was the beginning of the largest land war in Europe since World War II and has led to massive loss of life, enormous displacement of the Ukrainian population,

and the large-scale damage to Ukrainian cities and infrastructure. Beyond the terrible human cost, the war's effects have touched every aspects of life and global politics. It has redrawn geopolitical energy supply lines, strengthened alliances among some countries, and deepened divides among others. It has also put the use of nuclear weapons on the table for the first time in decades. The lessons of the war have a direct impact on China's military policies in its neighborhood. Ukraine is fighting the war primarily with the support of the USA and its allies. Any military action by China in the Asian region will offer an open opportunity to the USA to counter China in a similar manner as it is doing for Ukraine against Russia. Hence, the economic fallouts of the war, reaction of the USA and its allies, and its impact on Russia will be an indicator to China if it decides to opt for military option.

### **5.2.1 Challenging the Nuclear Order**

Russia's brutal invasion of Ukraine, an act of aggression by a veto wielding member of the UN Security Council charged with protecting international peace and security has challenged the existing international order, including the nuclear order. There is a possibility that President Putin's might use the nuclear weapon since he cannot afford to lose this war and has few options to win with majority of the world rallying behind USA to support the Ukraine. The war has gone into a situation wherein it has become an existential matter for Russia. The war in Ukraine forces us to rethink almost every aspect of nuclear policy, including approaches to nuclear deterrence, arms control, nonproliferation, nuclear energy, nuclear safety, and nuclear security. The concept that existence of nuclear weapons will keep the conventional war out of the window has been

blown away once again. The non use of nuclear weapon cannot be taken as assured. When a nation faces isolation or existential threat or its leaders feel threatened the use of nuclear weapons remains a reality. Ronald Reagan's incandescent insight remains foundational for any modern war "a nuclear war cannot be won and must never be fought." Every nuclear power knows this including Russia hence in the end it will come to as who has less to lose. It will be dangerous situation if nuclear power Russia has nothing to lose. Thus, as it did during four decades of Cold War, the United States must defend and advance its interests without engaging in hot war with Russia.

### **5.2.2 Extended Wars**

The 1991 Gulf War gave the world the impression that with the advent of futuristic armament and the Revolution of Military Warfare (RMA) future wars would be swift and intense. However, after 1991 war, the world witnessed the opposite. The modern war never ends, it just continues shifting in strategy and scope. In Ukraine, we are witnessing the same fear unfolding wherein the war amongst now peer forces (Russia versus west backed Ukraine) has shown no signs of closure. As the existential threat to Russia/Putin increases the possibility of war coming to a close reduces. Ukraine's eastern front has become a World War I like meat grinder where thousands of soldiers and civilians die daily. Costs for the war are mounting quickly, the United States spent \$50B on Ukraine in 2022. In 2023, the war is expected to cost the German economy an estimated \$170B, which is 4% of Germany's GDP. The stalemate in the east, the direct and indirect costs of the war, and the legacy of "forever wars" have significantly eroded European and American public support for Ukraine. **The most important lesson of this**

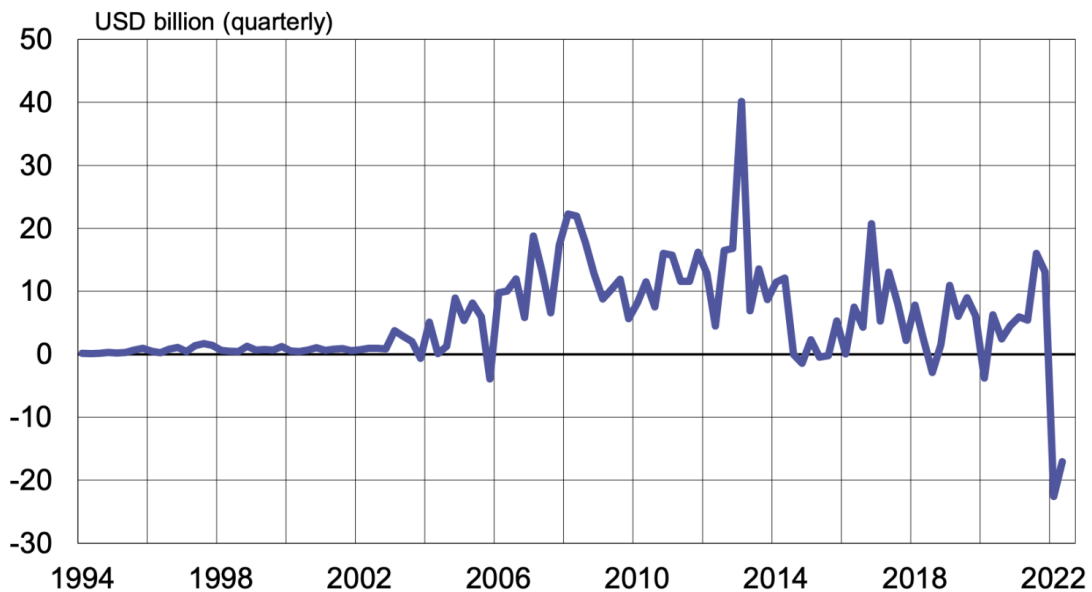
**war for future aggressors will be to assess on the larger strategic chessboard that has the costs of Putin's military venture greatly exceed any benefits that Russia may have achieved in extending Russian controlled territory or getting into conflict with NATO.**

### **5.2.3 The Trump Card of Economic Sanctions**

Russia's financial sector has been slammed by war and sanctions. A large part of the country's currency reserves are frozen, access to international financing is limited, and international payment transactions are difficult. In the initial days of the invasion, the Central Bank of Russia was obliged to resort to heavy restrictions on capital flows to support the ruble's exchange rate and prevent a financial crisis (Mukhin and Itskhoki 2022). In June 2022, Russia's government defaulted on external debt for the first time in decades, as the sanctions prevented payment to international creditors. Russia's foreign financing has traditionally come mainly from countries that are now sanctioning it. Available data suggest that Russia has been unable to locate significant new sources of foreign finance. As per World Economic Forum, Russia's net foreign direct investment inflows plunged into historically deep negative territory which has been identified as potentially one of the most devastating consequences of sanctions for the Russian economy . Large number of foreign companies has decided to leave Russia.

The numerous restrictions imposed on exports to Russia focus on high-technology goods, intending to weaken the production capacity of Russia's military industry. An article in World Economic Forum on 22 Dec 22 by Heli Simola mentions that "Imports of many technology products have fallen particularly sharply. Export data from key trading

partners of Russia suggests that Russian goods imports in September were down by 28% from pre-invasion levels.” Russia has been highly dependent on imported high-technology as Russian production remains dominated by mining and low-tech resource intensive industries. With sanctions now limiting the availability of technology and financing, Russia is facing issues in hi-tech equipment production. As Russian companies deplete their inventories of imported inputs and the need for maintenance of imported machinery continues, the sting of sanctions will gradually intensify. The small share of these industries in Russia’s total output, however, limits the effect on Russia’s total manufacturing production.



Flow of FDI into Russia

Russia’s oil industry has suffered much less. As per Russia’s statistical office, the oil and gas GDP remained unchanged in the second quarter of 2022, even as non-oil GDP contracted by over 5% year-on-year. The restrictions on oil imports imposed by the

largest buyer of Russian oil, the EU, have just entered into force in December 2022. Moreover, a spike in global oil prices has supported Russia's oil industry together with a reorientation of Russian oil to new export markets, most notably India and China. As per Heli Simola, in 2023, the EU import restrictions on Russian oil are expected to lead to a decline in Russian export income and oil production. Simulation studies suggest that the costs of sanctions for Russia could become substantially higher with more countries joining in.

There is plenty of evidence that war and sanctions have affected the performance of the Russian economy. The harshest impacts are still largely limited to individual sectors specifically targeted by sanctions. Transition periods and other measures mitigate the harms of sanctions on sanctioning countries and global markets but simultaneously blunt their impact on the Russian economy. The direct effect of sanctions on the Russian population is limited, as they are primarily aimed at degrading Russia's military capabilities. Nevertheless, all Russians will suffer for many years from a deteriorating standard of living from this war.

### **5.3 Indo – China Commerce**

In the past two decades, the weight of commercial considerations is playing a significant role in shaping Chinese foreign policy, particularly with countries with which economic ties are a significant component in bilateral relations. And Indo-China relations are no different. In addition to the ministry at the central level, the provincial governments in china have always played a key role in engagement with the world as one of the main interlocutors for foreign firms investing in China. They played a significant

role in Chinese investment in China's assets abroad. In trade with India, three provinces alone accounted for more than half of the US\$84.4 billion total bilateral trade in 2017, Guangdong (US\$21.05 billion), Jiangsu (US\$13.91 billion) and Zhejiang (US\$12.32 billion). Certain provinces have also been tasked with diplomatic outreach activities aimed at specific regions. For instance, Yunnan is the center for China's outreach activities and trade fairs with Asia, while Guangxi plays a similar role for Southeast Asia.

Commerce has been the key component of any powerful nation in shaping its relationship with other nations. The USA's effort in Asia or Africa has been aimed at either protecting the economic interests or developing new economic interests. Economic prosperity can fuel development leading to more prosperity and the capability to raise a capable Force. A country with sound economics and capable force will always be a diplomatic heavy weight. History has not seen any deviation from this cycle. In modern times economic interests have played a key and most important role in defining foreign policy to the extent that Armed Forces and Diplomacy have been used to further economic interests. So, China cannot be expected to be any different. Hence it is important to analyze the commercial interest of China in India and the impact it has on Chinese economics.

The nature and size of Chinese investments in India since 2014 have witnessed a paradigm change. From only a transactional trade, Chinese companies are emerging as prominent players and investors, in areas ranging from infrastructure and energy to newer sectors of interest such as technology startups and real estate. Chinese companies are

seeking to establish a long-term presence in India, and their acquisitions in Indian companies give them an enduring stake in the Indian market which means that the coupling between the nations is getting stronger.

### **5.3.1 Commerce as a Component of Chinese Foreign Policy**

Traditionally, responsibility for managing relations with major countries, including India, rested with three key power centers in China, the Communist Party of China (CPC), the State Council under which ministries of the government function, and the People's Liberation Army (PLA). All three entities finally converge at the Politburo of the party and one person, the General Secretary and President, currently Mr Xi Jinping. The new players in China with stake in foreign policy are State Owned Enterprises (SOE) major companies in the private sector and provincial governments. However, the final say remains with the party. While the private sector in China does not occupy a formal space within the party hierarchy as the major SOEs do, the heads of some of the major private sector players, including those who are leading investors in India, do occupy formal positions in government bodies and share close relations with the provincial governments of the states where they are located. While the Chinese private sector's abiding objectives, as in any country, are maximising the profits and answering to shareholders, it is to be noted that its roles and responsibilities to further the goals of the Communist Party at home are clearly laid out in the policy. An official policy paper released in March 2019 called on the high-tech and newly-emerging industrial sectors to "fully implement and fulfill" the spirit of the 19th Party Congress and Xi Jinping's vision.

The rapid expansion of India-China bilateral trade since the beginning of this century propelled China to emerge as our largest goods trading partner by 2008, a position that China continues to hold today. Since the beginning of the current decade, bilateral trade between the two countries recorded exponential growth. In 2017 and 2018, bilateral trade registered robust two-digit growth. While flourishing trade has brought with it all the advantages such as the availability of low priced items in India, it has also led to the biggest single trade deficit we are running with any country. Our trade deficit concerns are two pronged, one is the actual size of the deficit and second is the fact that the imbalance has continuously been widening year after year to reach US \$58.04 billion in 2018. In 2019, India's trade deficit with China stood at US \$ 56.95 billion, a minor y-o-y decline of 1.88%, with the trade deficit declining for the first time since 2005. With India, the trading relationship has generally been one way dependency, with China accounting for 73% of telecommunication equipment, 82% of semiconductor devices, 81% of antibiotics and 75% of active pharmaceutical ingredients.

### **5.3.2 Infrastructure**

Among the first major Chinese entrants into the infrastructure space was the Changsha based construction giant Sany, now the world's sixth-largest heavy equipment manufacturer. After a decade of doing business in India, Sany decided to finally establish a manufacturing presence investing US\$70 million in a 30,000 square meter plant in Chakan, near Pune. It was beginning of the trend for major Chinese investment in the infrastructure. Liugong's followed the footsteps of Sany and established first plant in India in Pitampura, Madhya Pradesh. Now, the Pitampura plant, built at the cost of

US\$43 million (Rs. 300 crores), is being expanded with a planned investment of US\$35 million (Rs. 250 crores). Liugong is a rare example of a Chinese company using India as an export hub, the equipment manufactured in Pitampura is now sold by the company in Africa and across South Asia.

China Railway Rolling Stock Corporation (CRRC) and e China Railway Construction Corporation (CRCC) have also entered Indian markets with major projects. The infrastructure deals are not conclusive due to land or other related issues. Two of China's biggest steel companies Xinxing Group and Tsingshan Holding Group have also set up plants which are functional in Karnataka and Gujrat respectively.

### **5.3.3 Energy**

An estimated three in four power plants in India use Chinese equipment. Among the biggest exporters of power equipment to India was TBEA, which in 2014 announced the setting up an industrial park in Gujarat during the visit of President Xi Jinping, the first-ever China-dedicated industrial park. The Gujarat transformer manufacturing facility took off with a planned US\$400 million outlay in what was then the single biggest Chinese investment in India. The first phase, with a US\$150 million investment, has been completed. According to the Shanghai Electric, it has 12 power projects in India in operation supplying 20,000 MW, more than in any other country, and it is planning a joint venture with French company Alstom to manufacture boilers for power projects. Besides Reliance Power projects in Sasan in Madhya Pradesh, Krishnapatnam in Andhra Pradesh and Tilaiya in Jharkhand, Shanghai Electric is also a major supplier for Jindal Power, and

signed a US\$206 million contract with Haldia Energy to supply boilers, turbines, and generators for a 600MW plant.

#### **5.3.4 Misc**

The Shanghai based SAIC motor corporation has already tasted success with MG cars and SUVs. It has invested heavily in India for manufacturing and exporting. After SAIC, BYD one of the biggest player in EV sector has now entered Indian market. Arguably the most impactful development in China's economic relations with India over the years is the emergence of India as the biggest overseas market for Chinese mobile phone companies and near complete dominance of Indian market by Chinese smart phones. Samsung is the only non-Chinese company in top 5 smart phone selling companies in India. In 2019, Xiaomi announced its seventh factory in India in partnership with Flex in Chennai, following its facilities in Sriperumbudur near Chennai in Tamil Nadu, Sri City in Andhra Pradesh and Noida in Uttar Pradesh. In addition, the company announced a US\$504 million (Rs. 3,500 crores) investment in India in January and March 2019, from Xiaomi Singapore, to fund its India plans which include opening 5,000 retail stores by 2020. Vivo and Oppo have, more than any other Chinese company, splashed the cash in an aggressive market expansion strategy. When OPPO made a massive US\$155 million (Rs. 1,079 crores) offer to sponsor the Indian cricket team, the company it outbid was Vivo. Vivo, on the other hand, bid successfully to sponsor the other prized Indian cricket product, the Indian Premier League (IPL), for US\$317 million (Rs. 2,199 crores).

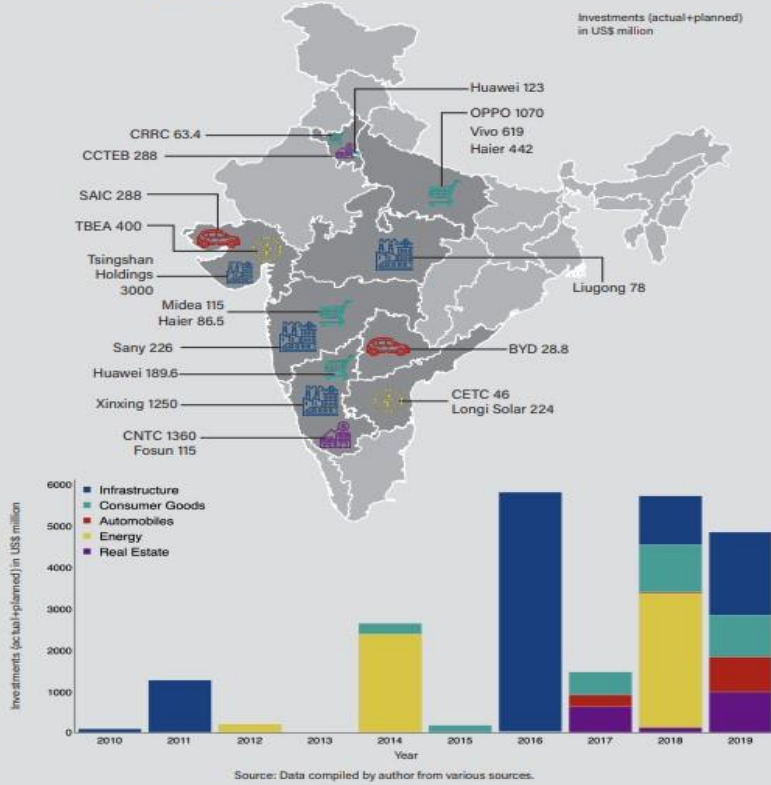
While the post-2014 period has witnessed a jump in greenfield investments, the biggest change in this period has been the inflow of Chinese funds for acquisitions in

India. The single biggest deal in this space is the Fosun Group's US\$1.09 billion acquisition of a 74% stake in Gland Pharma in 2017. Most other investments have largely come in the technology sector. From the reported deals, the three single biggest foreign investors in this space during this period were Japan's SoftBank, China's Alibaba, and China's Tencent-invested Tencent Sequoia Capital.

Alibaba and Tencent have been the two biggest investors in India, together participating in funding rounds that exceed US\$3 billion. In 2015, Alibaba invested US\$680 million through its affiliate Ant Financial for a 40% stake in One97 Communications, the parent company of online wallet Paytm. An additional US\$177 million by Alibaba in 2017 to further raised its stock in the company. Alibaba's invested \$500 million along with SoftBank and Foxconn in Snapdeal, became the biggest shareholder in Big Basket for US\$146 million followed by another US\$50 million investment in the online grocer and US\$210 million investment in food delivery app Zomato.

Tencent's first notable investment was US\$400 million in the ride-hailing app Ola. This was followed by a US\$700 million investment in the e-commerce platform Flipkart, then India's most valuable startup, in a deal that made Tencent the biggest Chinese investor in India. In the education space, it has invested US\$40 million in the learning app Byju's. Tencent made an entry into the food delivery space, joining its shareholder Naspers in a US\$1 billion funding round for Swiggy.

### Mapping Chinese investments in India



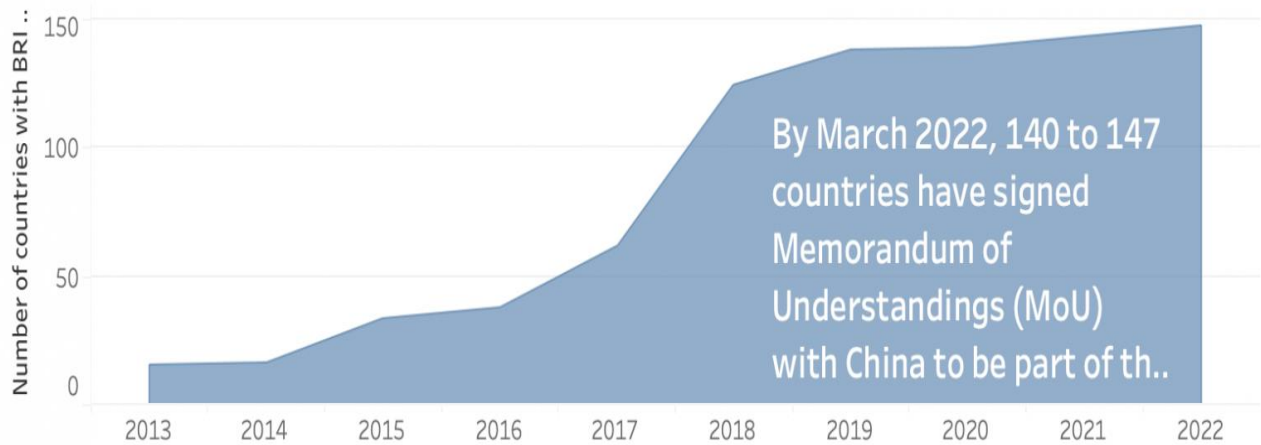
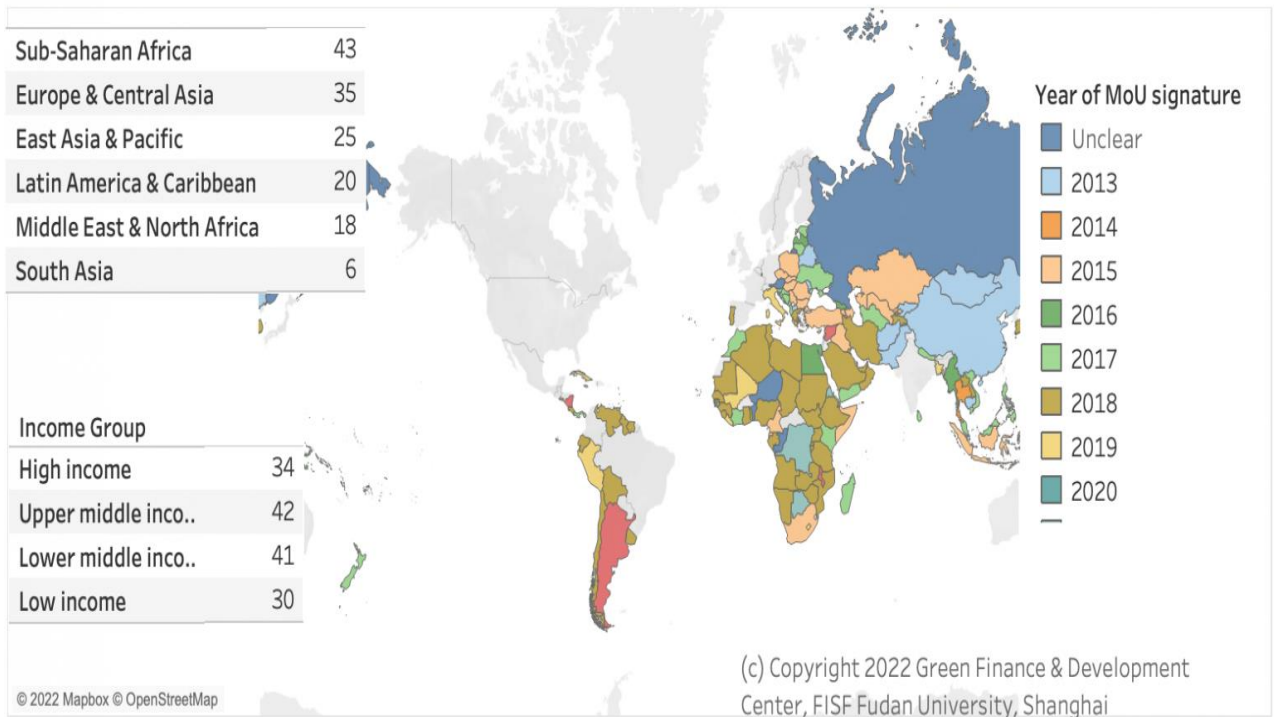
## 5.4 BRI



Figure --- Construction of BRI funded railway in Indonesia

China's Belt and Road Initiative (BRI), sometimes referred to as the New Silk Road, is one of the most ambitious and Xi Jinping's dream infrastructure projects. Launched in 2013 by President Xi Jinping, the vast collection of development and investment initiatives was originally devised to link East Asia and Europe through physical infrastructure. In the decade since, the project has expanded to Africa, Oceania, and Latin America, significantly broadening China's economic and political influence. Scholars

## Countries of the Belt and Road Initiative



from certain sections see the project as a dangerous extension of China's economic power. The costs of many of the projects have skyrocketed due to various reasons leading to the opposition in some countries. Meanwhile, the United States and its allies share the concern of some in Asia that the BRI could be a Trojan horse for China-led regional development and military expansion, but Washington has struggled to offer to participating governments a more appealing economic vision. President Xi announced the

initiative during official visits to Kazakhstan and Indonesia in 2013. The plan was two-pronged, the overland Silk Road Economic Belt and the Maritime Silk Road. The two were collectively referred to first as the One Belt, One Road initiative but eventually became the Belt and Road Initiative as there was opposition to the name of the project.

Xi's vision included creating a vast network of railways, energy pipelines, highways, and streamlined border crossings, both westward—through the mountainous former Soviet republics—and southward, to Pakistan, India, and the rest of Southeast Asia. Xi said that “such a network would expand the international use of Chinese currency, the renminbi, and “break the bottleneck in Asian connectivity.” (In 2018, the Asian Development Bank estimated that the continent faces a yearly infrastructure financing shortfall of over \$900 billion.) In addition to physical infrastructure, China has funded hundreds of special economic zones, or industrial areas designed to create jobs, and encouraged countries to embrace its tech offerings, such as the 5G network powered by telecommunications giant Huawei. China appears to have both geopolitical and economic motivations behind the initiative. Xi has promoted a vision of a more assertive China. Experts believe that the BRI is one of the main planks of bolder Chinese statecraft under Xi, coupled with Made in China 2025 economic development strategy. For Xi, the BRI serves as blunting and counter to U.S. “pivot to Asia,” boost Chinese incomes, and export China's excess production capacity. “China has had a fair amount of success in redrawing trade maps around the world, in ways that put China at the center and not the U.S. or Europe,” says CFR's David Sacks, an expert on U.S.-China relations. At the same time, China is motivated to boost global economic links to its western regions, which historically have been neglected. Promoting economic

development in the western province of Xinjiang, where separatist violence has been on the upswing, is a major priority, as is securing long-term energy supplies from Central Asia and the Middle East, especially via routes the U.S. military cannot disrupt. More broadly, Chinese leaders are determined to restructure the economy to avoid the so-called middle-income trap. In this scenario, which has plagued close to 90 percent of middle-income countries since 1960, wages go up and quality of life improves as low-skilled manufacturing rises, but countries struggle to then shift to producing higher-value goods and services.

India has tried to convince countries that the BRI is a plan to dominate Asia, warning of what some analysts have called a “String of Pearls” a geo-economic strategy whereby China creates unsustainable debt burdens for its Indian Ocean neighbors in order to seize control of regional choke points. In particular, New Delhi has long been unsettled by China’s decades-long embrace of its traditional rival, Pakistan. Meanwhile, India has provided its own development assistance to neighbors, most notably Afghanistan, where it has spent \$3 billion on infrastructure projects. India does not support the BRI, and has declined to join the project. In the joint communique issued at the conclusion of the 19th meeting of the Council of Heads of Governments (Prime Ministers) of the SCO, all member states, barring India, “reaffirmed” their support for OBOR. India has always maintained that the China-Pakistan Economic Corridor (CPEC), a part of BRI, runs through Pakistan-Occupied-Jammu and Kashmir (PoJK) and therefore is violative of India’s territorial integrity and sovereignty. The other issue that India has raised with countries in the region joining the BRI is the lack of transparency in the projects that China is investing in and the terms and conditions of loans being given by Beijing. China

Pakistan Economic Corridor remains the flagship project of BRI and convergence on the same between China and India is not possible in the current political situation.

BRI is likely to remain a contested issue between India and China. BRI is the Chinese dream for the future and it will ensure its success at all costs with India remaining pivotal to its success in South Asia. From India's perspective, it can never join BRI as, one it cannot give legitimacy to CPEC passing through India's claimed area and second acceptance of BRI will give a great boost to China's aim for regional dominance.

## CHAPTER 6

### INDO-CHINA MILITARY CONFLICT: IMPROBABLE, PLAUSIBLE OR POSSIBLE

**Peace can exist only in the scenario of mutual vulnerability!**

#### **6.1 General**

As Asia's largest and most rapidly rising powers in contemporary global politics, relations between India and China are becoming ever more intertwined with each other. China and India's strategic cultures require both to regain the power and status their leaders consider appropriate to their country's size, population, geographical position, and historical heritage. There have been numerous occasions in history when China and India were simultaneously weak and occasional moments of simultaneous cultural blossoming. But for more than half a millennium, Asia has not seen the two giants economically and militarily powerful at the same time. That time is now approaching fast, and it is likely to result in significant new geopolitical realignments. The emergence of China and India as economic giants are throwing a huge new weight onto the world's geopolitical balance. The US-China rivalry and the US need for a counter to China in Asia / Asia Pacific puts India in an enviable position. The events in the recent past ( Galwan, Ukraine ) have impacted the geopolitical order wherein the west is rallying behind USA and beginning to harden its stance against Russia and ultimately China. The above when seen in the backdrop of the India-China border dispute and trade relations, a

very complex situation emerges in the subcontinent. India's growth is inevitable and as India grows outwardly, the two giants are and will continue to rub shoulders (or ruffle feathers) in different parts of Asia, Africa, and Latin America. New economic prosperity and military strength is re-awakening nationalist pride in India, which looks likely to clash with Chinese nationalism if not handled carefully. The existence of two economically powerful nations striving to expand their footprint in the region will create new tensions and frictions are bound to happen. The Indo-China relationship appears to have ample pie of competition, rivalry and cooperation. This chapter will analyse various factors discussed in previous chapters with the perspective to understand whether a military conflict is improbable, plausible or possible in a decade's time.

## **6.2 Border Dispute**

The historical perspective and current issues on border dispute have been discussed in detail in chapter 1. This section will analyse the border dispute to check if it has the potential to escalate into a military conflict in the current scenario. Since 1960s, China has signed border treaties or agreements delineating national boundaries with 12 neighbouring countries, including Myanmar, Nepal, North Korea, Mongolia, Pakistan, Afghanistan, Russia, Lao PDR, Kazakhstan, Kyrgyzstan, Tajikistan, and Vietnam. By the end of 2005, China had determined boundary lines with neighbouring countries along 90% of its land borders. The countries with which China is yet to demarcate its boundary are India and Bhutan. It is worthwhile to examine why China didn't settle its boundary with India and Bhutan. One of the theories is about the core and periphery. Chinese majority ethnic group, Han Chinese traditionally have been concentrated in South and southeast China along the sea coast. The periphery is where the minority ethnic group of

the Chinese population can be found. CCP leaders realized that a nation cannot prosper with turbulent borders. Xi has been vocal about economic progress in border ethnic regions. As per him, peaceful borders provide higher security. In 2017, during his visit to Nanning, Xi called for more efforts to break new ground in promoting high-quality development in ethnic border regions. Xi called on these regions to better serve and integrate into the country's new development pattern, make new progress in advancing green development, and be more committed to consolidating and developing ethnic unity, social stability, and border security. The CCP has always been sensitive to this aspect and since 1960s based on the crisis that emerged Chinese leaders have taken steps to settle land borders with their neighbouring countries. In an effort to do so they made compromises and ceded land to smaller countries around the periphery. They never made any compromise on homeland disputes, Macau, Hongkong and Taiwan. Now the question is then why China did not settle its border with India and Bhutan.



The historical data says that China did attempt to resolve borders with India when the offer for a swap was made twice by Deng (details in chapter1). China has been historically more sensitive to borders in West in the Ladakh region than the eastern sector. MacMcohan line has generally been accepted without any official endorsement. It seems

that Eastern border dispute is being kept alive as a bargain for the western sector. Can the border dispute lead to all-out military conflict in the current decade? The offer from China even if it exists today is not acceptable to India. Hence a negotiated border settlement looks distinct in terms of the approach and domestic politics of both countries. However, both China and India are currently led by two once-in-a-lifetime politicians who are extremely influential and capable of taking and convincing their domestic audience of any major shift in policy towards each other. It appears that Xi and Modi are the two most likely leaders to settle the borders if there was ever an opportunity. If we discuss the traditional methods, it is summarised below:-

(a) **Settle the Issue Through Military Conflict.** If China decides to go to war on border disputes, it might gain a temporary advantage and certain other benefits. However, applying a hard-line policy to India would cause a larger geopolitical loss to China. It will expedite the alliances against it wherein West and USA would intervene in a different way to counter China. At a time when China is fighting the loss of credibility, a trade war with USA, and an economic downturn it is situation that CCP leaders would try their best to avoid. Even during Ladakh standoff, the measures used by China never indicated that China is ready to escalate the matters to full conflict. After Galwan incident some of the Chinese security experts did condemn the approach of escalation.

(b) **Concessionary Approach.** China's adoption of a concessionary posture could be beneficial in bringing stability to China's border as well as Asia. However, in Chinese perception, a concessionary policy may appear to be giving

India the impression that China is weak. It will be a deviation from the Chinese long-standing claim of being superior and better capable in comparison to India. In the overall scenario it appears highly beneficial to India. Also, it will appear to strengthen the position of the USA in the region which China would never like. Hence, the option is not likely to be exercised by CCP more so in Xi era.

(c) **Status Quo.** The status quo option offers more time for China to assess and act, and does not bind the leaders in any immediate decision-making situation. It matches with the past trends of border settlement wherein China has acted based on the requirements of the day. China is also awry of a two-front war with India in support of USA. China would feel that resolving the border will free India for faster development and closer ties with the USA. In these scenarios, the Status quo enables China to keep India tied down through coercive actions at the border. This appears the most likely option for CCP.

In the current scenario, a border settlement is not visible in a decade's time unless the charisma of Modi and Xi plays out in a historic breakthrough. A war with border dispute as a reason also does not seem likely as there is too much at stake for China and India in terms of their national ambition both as a nation and the leaders who are heading them. Overall, a war due to border disputes may get initiated only if some incident at the LAC spirals out of control else a military conflict in the plan of political leadership is not visible on the horizon for a decade.



### 6.3 Nature of War and Military Balance

On the military front, since the end of the short and bloody war in 1962, border skirmishes, standoffs and land grabs in forbidding and difficult operating environment have been happening from time to time. However, general peace has prevailed along Indo - China border ensured through various accords and border agreements/protocols in the shadow of economic and political compulsions of both nations. Pre 2020, the military situation along Chinese borders could be said to be “as tactically turbulent under strategic silence/ peace”. Doklam situation in 2017 did spiral up but it was contained diplomatically and controlled military activities. The 2020 Ladakh standoff seemed very different, as the border situation changed dramatically and it has accelerated the worsening relations between the two militaries, generated strong anti-China public sentiments in India, and affected the relationship between the two governments at the international level. It’s been a guessing game for everyone on

whether the recent tensions will escalate or will fade into history like dozen others in past.

During **OP SNOW LEOPARD** Indian Army massed up large strength of troops along northern borders, more so in Ladakh to counter any PLA's mil action. The border standoff has continued for more than two years now resulting in precious loss of lives on either side. The tense near war like situation along the northern borders has yet not escalated into an armed conflict, but it has generated strong anti-China sentiments in India. The lessons from **OP SNOW LEOPARD** are like gold dust as it is rare to get a glimpse into modern PLA equipment and tactics. The incident also triggered multiple writings in Chinese media and provided a rare insight into the thought process of security experts.

The possibility of a conventional conflict has remained a subject of debate since the advancement of nuclear weapon systems in 1950s and 60s. However, Arab-Israel War in the late 60s and early 70s, Gulf War in the 90s, Kargil conflict in the late 90s, Donbass in the 2010s and the current war in Ukraine are testimony to the fact that conventional conflict will always remain a possibility. **Between near-peer nuclear-armed nations (like India and China), a conventional border conflict is more plausible than a nuclear war due to mutual vulnerability to nuclear weapons.** Therefore, an armed conflict along northern borders can never be ruled out. If a border conflict between China and India does break out, what could be its broad contours? India and China are amongst the top militaries of the world with both known to have an adequate stockpile of modern weapons including missile arsenal to cause extensive damage to each other. The employment of missiles and other standoff weapons in the conflict is certain but the

extent of usage and nature of the targets is difficult to guess. In consideration of the current economic status and geo-political influence of both countries on the global stage, none would like to escalate the war to a level of no return, however, once war breaks out no one really has full control over it. Hence, the extensive use of missiles outside the war zone appears to be less likely as it has the inherent danger of escalating out of control in the region which houses 36% of the world population. **Thus, it may be fair to assume that a conflict that breaks out along northern borders is likely to be a long slugfest at the tactical/ operational level in the backdrop of controlled strategic intervention and frenetic diplomacy.**

Let's zoom further into the war zone. Post 1991 OP DESERT STORM, every military's wish list has been a weapon system with long-range (cruise missiles), high accuracy (PGMs) and large lethality, the prowess of which was on full display in the war. Eight percent of the total munition dropped in Gulf War I was PGMs. The percentage of PGMs rose to 35 in Kosovo in 1999 and 68 in Iraq in 2003. In OP DESERT STORM, the air missile campaign was for 42 days with only 100 hours of ground offensive and the resultant annihilation of the opponent by the USA nearly killed the debate on mass vs precision in favour of precision. However, the wars in Iraq or Kosovo were wars between forces of asymmetric capacity and lessons may not hold good for conflict between near-peer adversaries or in a specific terrain condition like northern borders. The second aspect is the cost of the war and the affordability of nations. As per one report, the one-sided 1991 war cost USA approx. 62 Bn \$. In reference, the cost of war between two matched adversaries in modern times can be cosmic. A war between China and India will be an of existence where the world will get into alliances and such wars has no quick

endings. It is expected to be a long haul for the nations which will drain out every resource in the country. Political leadership on either side will be aware of this and it will weigh heavily in decision making on both sides.

Given their proximity, the mutual pursuit of respective national interests has led to an almost inevitable overlap of New Delhi and Beijing's strategic goals, creating the possibility for friction and tensions between them. From the Indian perspective, the 1962 War continues to permeate its threat perceptions towards China, compounded by Beijing's support to Islamabad. However, both New Delhi and Beijing acknowledge that in the context of consolidating their economic strength, ensuring their internal development and stabilising their political systems, having a peaceful regional and global system is imperative to both. Initiating a military confrontation would damage the Indian stand of high moral exceptionalism in diplomacy and statecraft and discredit the Chinese claim of a 'peaceful rise' to great power status. Chris Ogden in his article in *India Quarterly* 78(2) 210–228, 2022 © 2022 Indian Council of World Affairs (ICWA) says that "Given the centrality of the Chinese economy to the global economy, as well as India's own growing clout in this domain, an all-out conflict would arguably unsettle the entire region and would have far-reaching and damaging political, military and economic effects on both China and India".

The outcome of the war between India and China has the potential to change the geo-political contour of Asia and the World for this century. Hence, the war if breaks out will be an existential war for both nations. Therefore, it will be destructive, never-ending and destroy the two most promising economies of the world. PLA may not be ready today and in the next few years to obtain a quick decisive military victory against India in

northern mountainous terrain. The unpredictability of conflict poses a formidable question to PLA as to how to win a war swiftly and decisively, especially as Xi has made it clear many times that he expects the PLA to prepare itself to fight any war and win. The military and economic cost of victory may not achieve the desired political aim of CCP. India would not like to get into a war with superior Armed Forces and suffer damage that will peg the country a few decades back. PLA is a force in transition, recently reorganised and training and equipping itself to be a world class military by 2035. It would like to avoid getting into a major conflict in the transition phase. Also, the conflict with India will weaken China and strengthen USA which is not in the strategic interests of China. The military gap between India and China is wide but not wide enough for PLA to exploit for a decisive military victory which is a mandatory need of the CCP. Also, a war initiated by China is like offering the USA a tool it wishes to have against China. China would not like to give up everything it has built over five decades. Hence a planned military conflict initiated by China is not likely in the current decade however an unforeseen incident along LAC escalating into a conflict cannot be ruled out.

If a similar military effort is utilised to realise the long pending reunification of Taiwan, will the impact be different on China? An invasion of Taiwan would put USA's credibility at stake. Hence, the USA would have to get involved, directly with its Armed Forces or indirectly by providing war logistics and other support to Taiwan. It will be China Vs USA, as regards other nations, the trend indicates that every nation will act in its own national interests. West is likely to join USA against China. This will be an existential battle between USA and China and the winner will be the next superpower of the world. China is the challenger in this situation, and it would not like to initiate the war

till it is fully ready to compete with USA. By the admission of Xi it is not likely before 2035.

With China today, being the center of the world supply chain and Taiwan, as the chip depot, can the rest of the world afford a military crisis in the Taiwan strait. The economic impact of the crisis would be huge. Charlie Vest, Agatha Kratz, and Reva Goujon in their article “The Global Economic Disruptions from a Taiwan Conflict” published in Rhodium Group on December 14, 2022 have analysed the impact of only the blockade of the Taiwan by China. It says “In a blockade scenario, the most significant disruption to global economic activity would come from a halt to Taiwan’s trade with the world, particularly in semiconductors. Associated disruptions to global supply chains—especially in major chip-consuming sectors such as electronics, automotive, and computing—would have grave repercussions for the world economy. Global trade with China would also decline due to a contraction in global trade financing, shocking the global economy and potentially triggering debt crises among China’s more fragile trade partners.” In case of Taiwan, even if China has the ‘jus bellum’ in its own perception, the world and China itself may not be ready to absorb the economic impact of the war.

### **6.3 Trade Relations**

The Indo-China relations are not very different from Sino – USA relations in basic foundations. USA and China are strategic competitors at the global level and at the same time are also strongly coupled economically. They compete to outwit each other without openly breaking relations. Similar is the situation of Sino-India relations at the regional level. It’s a case of two big nations expanding their influence in a common space which is

bound to create friction. However, the two nations are coupled so strongly economically that any clear breakaway must be preceded by economic decoupling which may take decades. A military conflict between the nations will have the biggest impact on trade relations and affect the livelihood of millions on either side of the border. In the last decade, much expectation has rested upon a natural synergy between China and India with the former acting as the ‘workshop of the world’ and the latter as the ‘back office of the world’, which former Chinese Premier Zhu Rongji suggested would be globally irresistible. As such, Indo-Chinese economic ties have been regarded as one of the central pillars of China–India rapprochement that took place in the 1990s, and which have remained constant despite other areas of conflict between them. Despite the prolonged stand-off by their two militaries in eastern Ladakh, resulting in the Galwan skirmish in 2020, India–China trade reached a record \$125 billion in 2021, which was a 43.3% increase from 2020 (The Economic Times, 2022). A look at the Chinese investment in India (chapter 4) gives a vivid picture of the coupling of the two nations on the economic front.

From colonial days, commerce has been the key component of any powerful nation in shaping its relationship with other nations. The USA’s outreach in Asia or Africa has been aimed at either protecting the existing economic interests or developing new ones. Economic prosperity can fuel development leading to more prosperity and the capability to raise a capable Force. A country with high financial capabilities and modern armed forces will always be a diplomatic heavy weight. History has not seen any deviation from this phenomenon. In modern times also, economic interests have played the key and most important role in defining foreign policy to the extent that Armed Forces and Diplomacy

have primarily been used to further economic interests. So, China cannot be expected to be any different. Hence, it is important to analyze the commercial interest of China in India and the impact it has on Chinese economics.

The nature and size of Chinese investments in India since 2014 have witnessed a paradigm change. From only a transactional trade, Chinese companies are emerging as prominent players and investors, in areas ranging from infrastructure and energy to newer sectors of interest such as technology startups and real estate. Chinese companies are seeking to establish a long-term presence in India, and their acquisitions in Indian companies give them an enduring stake in the Indian market which means that the coupling between the nations is getting stronger. Despite the prolonged stand-off at the LAC in eastern Ladakh resulting in the Galwan skirmish in 2020, India–China trade reached a record \$125 billion in 2021, which was a 43.3% increase from 2020 (The Economic Times, 2022). Notably, such distinct rises have not typified economic ties since 2011 when their growth has on occasion been less than exponential in nature. The extent of such interdependence is underscored by China being India's largest importer, which dates from 2009. In 2020, as India's top trading partner, China represented 13.8% of all imports ahead of the US (7.6%), United Arab Emirates (6.4%), Saudi Arabia (5.7%) and Iraq (5.0%) (Statista, 2021). India also depended upon Chinese equipment and materials during the COVID-19 pandemic (Patranobis, 2021). However, the issue of trade deficit remains a concern to India which was \$69 billion in 2021 (The Economic Times, 2022). Such imbalance in trade underscores a growing power differential in relations, which may be helping China's regional position and potential hegemony more than it helps India's.

The concerns have led to suspicion of Chinese investments in India, which is not easily accepted by the business community, especially in the infrastructure and telecom sectors.

In the last half a decade, Chinese companies' commerce pattern with India has changed to investment in India rather than only transactional trade. Post saturation of the market in their home country, the companies in China are seeing the Indian market as very similar to their own and offering immense opportunities. As has been deliberated in chapter 4, all major companies of China have invested large capital in the Indian market. Be it Alibaba, Baidu, Tencent or Xiaomi, they have huge stakes in India now and these are the companies that contribute significantly to the Chinese economy. Chinese companies have invested heavily in startups In India, India would not like to rock the boat for these startups and Chinese companies would not like to give up on large investments that they have made. China's exports to various countries in 2021 as percentage of total exports is as under:-

- (a) USA with a share of 17.1% (577 billion US\$)
- (b) Hong Kong with a share of 10.3% (349 billion US\$)
- (c) Japan with a share of 4.93% (165 billion US\$)
- (d) Korea with a share of 4.42% (148 billion US\$)
- (e) Vietnam with a share of 4.1% (137 billion US\$)
- (f) Germany with a share of 3.42% (115 billion US\$)

- (g) Netherlands with a share of 3.04% (102 billion US\$)
- (h) India with a share of 2.9% (97 billion US\$)**
- (j) United Kingdom with a share of 2.58% (87 billion US\$)
- (k) Malaysia with a share of 2.34% (78 billion US\$)

Are these economic compulsions large enough to prevent China from initiating a war with India? The question to be asked is, has the economic coupling between the two nations strong enough to prevent a war due to border disputes along LAC. If the situation is seen from the Chinese perspective, it stands to lose the next biggest destination for its companies. With the recession looming large, the Chinese economy in a downward direction a military conflict with India could be an economic disaster for China. India is one of the major importers of goods and services from China and with large stakes of Chinese companies in India, a war initiated by China looks distant in the current scenario. In addition, China is grappling with the issue of the west complaining about CCP control of its private sector companies, hence any such action will lead to further consolidation of alliances against China led by the USA.

As regards the Indian perspective, initiating a war is not its principle nor does it have any motive to do the same. A war at this moment will hit Indian rise badly hence India would not like to initiate the war. At the same time, it is understood that being economically over-dependent on any country will lead to coercion and other means of subjugation. Hence, the process of decoupling to reduce the dependency to an acceptable limit has commenced. India banned TikTok, WeChat and dozens of other Chinese-made

apps, which were regarded as being ‘prejudicial to sovereignty and integrity of India, defence of India, security of state and public order’ (India’s Ministry of Information Technology quoted in BBC, 2020). In May 2021, Chinese companies were also left out of India’s national trials for 5G telecommunications infrastructure (Markey, 2021). It is also essential for India to maintain its strategic independence. It has emerged now that mutual economic development aims ( of India and China ) now appear to be arguably secondary to national security concerns in India’s relations with China. The focus of the current regime in New Delhi on “Make in India” is also another step in that direction.

#### **6.4 Lessons from Ukraine War**

The crisis in Ukraine has revealed that a war in the modern era will have long-lasting Military, Diplomatic, Monetary and Economic impacts on the affected nations. The war between Russia and Ukraine is a terrible humanitarian disaster while at the same time, economic damage is already being felt around the world and threatens to become increasingly severe and protracted. The sanctions have been severe against Russia but the economic impact has been felt around the world. Russia and Ukraine are major commodity producers. The disruptions have caused global prices to skyrocket, especially for natural gas and oil. Food costs have also soared with wheat which Russia and Ukraine account for 30 percent of global exports, reaching record levels. The impact of the war will occur through three main channels. First, higher prices for commodities such as food and energy will continue to drive up inflation which in turn will reduce the value of incomes and weigh on demand. Second, neighboring economies in particular will face disruption in trade, supply chains and remittances as well as a historic increase in refugee flows. And third, lower business confidence and greater investor uncertainty will weigh

on asset prices, tightening financial conditions and potentially leading to capital outflows from emerging markets.

It is evident that sanctions are double-edged warfare in modern times because of the way markets are integrated. The current global supply chain has centre of excellence for various products in the world and these countries dominate the world for certain commodities. The rest of world depends on them as its smart business. So, if disruption happens in any of the Centre of excellence the world economy gets affected. In current scenario, China is the centre of global supply chain. Hence, any sanction against China will not only have adverse impact on China but also have severe adverse impact on world economy. The world is still reeling under economic recession due to Covid 19, made worse by Ukraine crisis. In such a situation another economic crisis will have crippling effect. Hence, it appears that from an economic perspective, a war in Asia is not favorable for either China or USA. The stakes of U.S. companies operating in China are substantial. A look at the United States' interests, the revenues that companies earn in China are very significant numbers. The real threat of sanctions to USA interests is the ability of American companies operating in China to remain functional. For example, General Motors earns a large share of its profits by selling cars in China and most of Apple's products are made in China. U.S. economic activity within China through franchises like McDonald's and Starbucks is enormous. On the other hand, China would like to cover itself or prepare backups for sanctions that Russia is facing today, primarily being the dependency of technology on USA and West.

A look at the Russian and Chinese economies to compare the sanctions against Russia to China will throw light on the impact of sanctions on China in the event of

military conflict. There is huge difference in economies of China and Russia in terms of their size, importance to international firms and investors, and extent of integration into global supply chains. In 2021, China's GDP was \$17.7 trillion, 10 times that of Russia, China's domestic bond market was \$21 trillion, 46 times the size of Russia's. The market capitalization of domestically listed Chinese firms was more than \$12.2 trillion, 18 times that of Russian firms. China's commercial banking sector had \$54 trillion in assets, 33 times the assets of Russian banks. For the USA, imposing sanctions on Russia was comparatively easy because Russia was a modest market for USA companies. But for both EU and U.S. firms, China is an enormous market. China is far more important as a destination for international investment, and its domestic market and manufacturing ecosystem are critical for many Western firms. Hence, there might be so many critical inputs from Chinese factories that a sanctions regime might need to exempt more than it covers to avoid causing massive global disruptions. All of this suggests that foreign governments would be far less willing to apply comparable sanctions or export controls to China as economic disruptions would be of worse magnitude. However, this does not mean that such measures are impossible, as economic consideration may be a lower priority than strategic, national security, or moral considerations in a crisis. However, the cost would be very high, and the USA would probably struggle to organize and sustain the same economic coalition against China. The composition of such a coalition would depend in part on the nature of the crisis, its perceived causes, the state of the global economy, and the quality of Western leadership.

The above does not mean that China's economic might is not vulnerable to western economic coercion. Beijing is aware that China's economy has three key external

vulnerabilities, foreign technologies, imported commodities such as food and fuel, and reliance on the USA dollar for international finance. Beijing is trying to address these vulnerabilities through self-sufficiency efforts, which form the basis of much of the 14th Five-Year Plan (2021– 25). The economic measures aimed at Russia have reinforced Beijing's concerns about such vulnerabilities. China also has domestic weaknesses, including government, corporate, and household debts totaling 295 percent of GDP, compared to only 120 percent of GDP in Russia.

Overall, neither China nor USA/West are in any comfortable situation if there is an economic war between China and USA which could be a result of China's military action in the region. Both sides are trying to cover their vulnerabilities and are in the process of realigning the supply chain. It may take more than a decade/decades for such a re-alignment hence none would like to go into a situation of full fledged economic situation before they are fully ready. The economic consideration reveals that a military conflict initiated by China in the region is improbable and maybe plausible only if it is pushed to the corner in the Taiwan situation. It can be said that China would avoid a military conflict unless pushed into a corner over the Taiwan issue which is non-negotiable for their country.

## **6.5 Geo-Politics in Asia/ Asia Pacific**

The China-U.S. relationship is at a moment of reckoning and so are the geopolitics of the Indo-Pacific. As per popular theory Thucydides Trap, a term popularized by American political scientist Graham T. Allison to describe an apparent tendency towards war when

an emerging power threatens to displace an existing great power as a regional or international hegemon. While there is no doubt that a new great power competition has broken out between the US and China wherein China is the challenger and USA is the existing great power. The relevance of Thucydides' Trap theory may not be same in the current era where war is disliked by the public at large, the human cost of war is almost unbearable for any nation and economic recovery takes decades. No country wants to be seen as an aggressor and every international leader wants to be known as working for mankind. We are in an era where armed conflict is probably the last resort when the existence of a country is threatened. In spite of all this, the threat of war remains and Russia -Ukraine crisis has reinforced this theory.

Recently, U.S House of Representatives Speaker Nancy Pelosi's visit to Taiwan expectedly, triggered an avalanche of demarches from Beijing, and brought China-U.S. geopolitical tensions to a boil. Such events do have the potential to trigger a conflict. Pelosi's visit produced ripple effects through increased Chinese military actions across the Taiwan Strait that included sending 21 planes into Taiwan's air defense zone, rolling tanks to the Fujian coast, deploying PLA vehicles to Pintang island, and threatening to conduct live-fire military drills in areas that are considered the territorial waters of Taiwan. Despite the Ukraine crisis that has upended the European security order and brought back Russia front in Washington's threat calculus, the broader geopolitical rivalry between the U.S. and China in the Indo-Pacific region remains the fulcrum on which the emerging new world order pivots. China's assertive behavior across the maritime and continental expanse of the Indo-Pacific, and Washington reaching out to like-minded partners through the Quadrilateral Security Dialogue and other platforms, are

re-writing the terms of amity and cooperation for the Indo-Pacific order. And India being one of the major stakeholders in Asia automatically has a role to play in the geopolitical grind.

Despite its strategic embrace with the USA, India has always professed a desire to see a multipolar Indo-Pacific, and does not favour domination by any single power. However, Delhi's power asymmetry in the India, USA and China triangle creates an uneasy balance. The test for India's strategy lies in maintaining its strategic autonomy between an open China-U.S. confrontation that pushes it to pick sides, and a China-U.S. bonhomie that would end up limiting India's traction. India maintained its strategic autonomy in Ukraine crisis and remains in touch with Moscow and Washington both. However, with USA direct involvement in Asia India will have to pick side especially with difference along LAC with China. A Sino-USA contest unlike the Cold War, in which neither the U.S. nor the Soviet Union was an adversary of India, will present a more complex geopolitical landscape. China is a proximate power that continues to harbor an unresolved border dispute with India and shows a growing penchant for aggression despite promises to maintain peace and tranquility and another is the USA which is an issue-based ally. Such a scenario will test the traditional and evolving diplomatic toolkits of India, which neither wants to be a treaty ally of the U.S. nor wants to confront China directly. If India gets closer to the USA, China feels threatened and considers India an adversary otherwise India must accept China as greater power in the region.

On September 24, 2021, Prime Minister Narendra Modi along with Australian Prime Minister Scott Morrison and Japanese Prime Minister Yoshihide Suga met

President Biden at the White House to attend the first-ever in-person summit of the Quad. The leaders discussed a range of global issues. Mr Modi emphasised ‘establishing peace in the Indo-Pacific region’ with ‘like-minded countries’ that share democratic values. Although the wide-ranging discussion went beyond the China challenge, it was evident that the four Quad is primarily an alliance to counter Chinese assertiveness in Indo Pacific. By March of 2021, when the Quad held its first leader-level summit and issued its first leader-level communique, Chinese officials had begun to view the Quad with growing concern. The Quad is uniquely problematic for China’s strategy because its aim of unifying a multilateral coalition of resistance has the potential to stiffen spines across the whole of the Indo-Pacific — and possibly beyond. For Xi, the critical question is whether the Quad will evolve to be large, coherent, and comprehensive enough to effectively balance against China, thereby undermining any sense that its dominance, in Asia or globally, is inevitable. So far, Beijing has struggled to mount an effective response to the Quad challenge. the worst-case scenario from Beijing’s perspective is that the Quad could serve as the foundation of a broader global anti-China coalition. If the Quad were to draw other Asian countries, the EU, and NATO into efforts to confront or undermine China’s international ambitions, it could over time swing the collective balance of power definitively against China. The Quad could also lay the groundwork for a broader allied economic, customs, and standards union, which could reshape everything from global infrastructure funding to supply chains to technology standards. Indeed, the gravitational pull of the Chinese economy will remain the greatest tool for weakening the Quad and subverting anti-China efforts more broadly: for Beijing, China’s continued economic growth and its growing share of the global economy remains the most

important strategic factor now, as in the past. In such dynamic geo-political environment it is improbable that China would consider initiating military conflict against India.

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