

China's Rise

Dealing With a Rising Power: India-China Relations and the Reconstruction of Strategic Partnerships

Alka Acharya

Introduction

India's perceptions and policies with respect to the People's Republic of China (PRC), as well as India-China relations, as they stand today, have been (and in many ways, continue to be) primarily determined and defined by two critical events, the border conflict of October 1962 and the Indian nuclear explosions of May 1998. The former wrenched the relationship out of the idealistic and unsustainable '*bhai-bhai*' framework and brought it firmly in the realm of 'realpolitik' and at the same time made the PRC, India's single most important security threat and challenge. The latter shaped and molded the strategic dimensions of the relationship – it had in fact been primarily motivated by the threat perception from the north and the obvious power asymmetry between the two. There have certainly been some modifications as well as some major shifts in this perception since the late 1980s. Officially, India and China do not consider each other a security threat; however, military/security issues still continue to influence India-China relations.

The forces of economic globalization, which acquired a new impetus after the disintegration of the Socialist Bloc and the end of the political-economic ideological divide, were paralleled by a transformation in international relations. They also imparted a greater momentum to the far-reaching domestic economic reforms underway in the PRC since the late 1970s and substantially boosted its 'policy of opening up to the outside world', the objective of which was, among others, expanding its economic engagement with the advanced industrialized

countries and the capitalist world economy. The cumulative effect of the domestic economic reforms and an export-led strategy over the last two and a half decades, has led to the phenomenon of the “rise of China,” which is now the one of the defining characteristics of the global order. India, and also the world, now has to deal with this new scenario. Nonetheless, it is useful to recall, that the discourse of a “rising” China was preceded by the phenomenal expansion of the East Asian and Pacific region and the emergence of an Asia-centric world order. It was thus a new resurgence of Asia that was underway. Moreover, China is rising in an era of economic globalization – a period, which has witnessed economic integration and interdependence among nation-states to a hitherto unprecedented degree – there are factors therefore, which will be simultaneously constraining China’s rise, even as they are assisting and promoting it.

The PRC’s Strategic Objectives

Not unexpectedly, the PRC’s chief strategic objective is to regain what it feels is its rightful status as one of the dominant global powers – but, as the PRC leaders aver on every possible occasion, it would be a responsible and responsive power that will never seek to exercise hegemony either globally or regionally or indulge in power politics. This would require the continuation of the rule by the Communist Party of China, which in turn would seek to preserve and enhance its legitimacy through continued high growth rates and raising the living standards of ever increasing segments of its population. This has necessitated the adoption of policies that contribute to the maintenance of internal social stability and the creation of a “harmonious society” to enable the leadership to sustain its reform and open door policies. Externally, the PRC has focused on “the creation of a favorable international environment” conducive to its strategy of inviting foreign direct investment and access to export markets, building of linkages

which ensure a steady flow of the economic inputs necessary for its continued high growth (and internally to create conditions under which foreign capital would not be tempted to exit the country), strengthening its regional power and presence, and maintaining and modernizing its defense capabilities to protect and “preserve China’s independence, sovereignty and territorial integrity.” All together, as a country in the process of modernization, the orientation of the PRC may be said to be fundamentally defensive, except when its core national interests are concerned.

The Economic Rise of China

The phenomenon of the ‘rise of China’ must be understood first in economic terms. It is universally acknowledged as the fastest growing economy in the world, which has demonstrated its ability to sustain historically unprecedented high rates of growth – almost ten percent per annum - for over a quarter of a century. This has catapulted it to the rank of the world’s fourth largest economy, with real per capita output having increased nearly nine times since 1978. During the same period, China’s foreign trade volume multiplied 24 times with a turnover of over US\$1 trillion and foreign exchange reserves now exceeding US\$ 300 billion. This high growth has translated into an appreciable improvement in virtually all indices of human development: a marked reduction in overall poverty, a life expectancy of 71 (much higher than most developing countries) and a literacy rate of more than 90 percent (compared to 66 percent at the end of the 1970s, which was far ahead of India at 36 percent at the same time.) Furthermore, its per capita GDP in 2005 was \$1,700 (though compared to the United States, which has a per capita GDP of \$42,000, it still has a lot of catching up to do).

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Internal Challenges

Among the Chinese leadership's greatest worries is unequal growth and, hence, macro-economic imbalance. This is reflected in the frequent exhortations at the highest levels to build a "harmonious society" and address regional and income imbalances. There are increasing qualms about the stability of the agricultural sector, which is witnessing a swelling of the ranks of the unemployed. Unemployment estimates indicate that a floating population of nearly 150-200 million unemployed or underemployed Chinese laborers, can, and have, created extremely unstable and precarious economic and political conditions. The income gap is now a chasm. Of China's 1.3 billion people, the most affluent fifth earns half of total income, according to one official study, while the bottom fifth takes home a piddling 4.7 percent. Incidents of protest are on the rise – 87,000 reported in 2005 – that's an average of more than 200 protests a day on such issues as official corruption, health problems, environmental degradation, mistreatment by employees, home evictions, an unraveling social security net, the privatization of higher education, the impact of market reforms in the healthcare sector, which has virtually collapsed in rural areas and the rise of communicable diseases. Clearly, there is a highly mixed and uneven record as far as China's socio-economic scenario is concerned. This is potentially one of the most serious challenges for China's leadership and has been reflected and voiced in almost all the major official documents and government work reports over the last few years. Upheaval in

China will have terrible repercussions both domestically and internationally, as the spill over costs would be tremendously destabilizing for the region.

Regardless, it must also be stated that China does not appear to be on the verge of a collapse. So far, the leadership has demonstrated a remarkable ability to take timely measures to address emerging concerns. The internal challenges however suggest that there are critical forces, which could possibly come together to place some checks or brakes on the pace of growth. There is thus an interrelated problem: the legitimacy of the ruling Communist Party rests on its ability to sustain high growth and spearhead the modernization and development process. But these high growth rates are at present dependent on a set of policies, which are proving increasingly unsustainable. The ruling elite now faces the problem of opposition from segments of the populations that had traditionally constituted its social base – peasants and workers – who have not benefited from the reform. Finally, there are a host of issues stemming from the authoritarian nature of the Chinese state and its hard-line stance on political reforms. Opposition is also emerging from an as yet small, but increasingly vocal, globalized, liberal intelligentsia and civil society. Given all these aspects, the leadership maintains that their rise is not a foregone conclusion and that they must be counted in the ranks of the developing countries. They hope to achieve the status of a medium power by the middle of the 21st century.

The Energy Factor

After several decades of self-sufficiency and several years of oil exports, China became a net oil importer in 1993. In 2004, the PRC became the world's second largest petroleum consumer after the United States. Roughly 40 percent of world oil demand is attributable to China's rising energy needs. It has been estimated that by 2020, oil imports will reach 8 million barrels per day,

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requiring one-half to three-quarters of domestic consumption to be met by imports. With India's growth also moving into double-digit figures, and keeping in mind that India's energy imports exceed China's, this is one sector where Chinese and Indian interests are likely to compete, if not clash. Over the last few years, India and China have been positioned against each other in bidding for the acquisition of oil fields abroad, though of late some cooperation and coordination of policies has taken place.

China's efforts to achieve energy security have led to concern in India, particularly with regard to China's activities in the Indian Ocean. The so-called "string of pearls" strategy, wherein China has secured naval bases in the littoral states, particularly with India's neighbors – Myanmar, Bangladesh, Sri Lanka, Seychelles, and Pakistan – must be carefully assessed. While it is obvious that acquiring these bases is largely driven by China's need to ensure the safety of the sea lanes of cooperation (SLOCs) through which the bulk of its imports pass and is therefore linked to China's overall economic security, the strategic and security ramifications for India are evident. Moreover, in the context of the rather troubled relations that India has with each of these countries, their use of China as a countervailing force or a hedging strategy cannot be discounted. Under these circumstances, India's best strategy would be to simultaneously endeavor to resolve the tension spots in its neighborhood and improve its relationship with its neighbors and to continue on the trajectory of normalization of relations with China. The objective should be to gradually reduce and eliminate the scope for China's countervailing role and, over time, acquire some presence in these strategic bases.

Foreign Policy Concerns

The PRC sees the United States as its primary strategic challenge moving forward based on the assessment that it seeks to keep China contained within the region by its military presence around China and by its alliances with China's neighbors. But the United States is also its most important relationship at the current time, since economic growth has been China's predominant concern. The U.S. market is the single most important external factor in China's economic rise. It is therefore unlikely to want, or even to be able, to forge a coalition against the single, dominant hegemonic power. In any case, China's strategy seems to be one of neither complete collaboration nor uncompromising opposition to the dominant power of the day, and confrontations have so far sought to be avoided.

The main foreign policy focus of the PRC since the early 1990s has been to create a peaceful and stable surrounding environment to promote economic development. In broad terms the Chinese approach may be studied in three stages:

- political/diplomatic stabilization of its relations with neighboring/peripheral areas/countries; (since the early 1990s)
- promoting economic and commercial interaction and regional integration;
- promoting cooperative security through regional organizations (since 9/11)

China and Regional Organizations

When discussing China's approach to regional organizations, we must be clear that it is not one approach that we are referring to, but different approaches; not only are the regional organizations in question qualitatively different, but China's own position vis-à-vis these organizations and each of its constituents, its objectives, and interactions differ significantly. The proliferation of the regional initiatives, which have a mandate beyond just commerce and trade

testifies to these integrative trends: ASEAN Plus One, ASEAN Plus Three, Asian Regional Forum (ARF), the Shanghai Cooperation Organization (SCO), the Chiang Mai Initiative (CMI) as well the pan-Asian Boao Economic Forum. Furthermore, we are discussing the approaches to a process – regionalism is not a static conception, frozen in time, but a dynamic one, one that is deepening, broadening and our understanding of the notion of a region. In fact, regionalism is shaping perceptions and attitudes to the regional processes even as it is being shaped by them.

A high degree of interdependence has been established among the economies of Southeast Asia and external powers and there is clear recognition that any regional economic formation will have China playing a central role. China in fact has already come to play the role both of an engine of growth in the region, as well as a stabilizing force. The debate on whether China is a challenge, a threat, and/or an opportunity continues apace, but there is no doubt that most regional players favor greater engagement. It should be noted that half of China's total trade is intraregional and, more crucially, it is either balanced or in favor of its smaller trading partners. Above all, there is virtually no U.S. presence in these emerging regional formations.

The manner in which China is building its regional presence and emerging as the principal alternative shaper of the emerging Asian order, in a way that it is unlikely to come into direct confrontation with the United States, provides a sufficient indication of the China's strategic objectives in Asia. The shift from Cold War and alliance politics has also brought a change in the Chinese approach to security, which underscores non-traditional threats that are far more formidable and require new strategies. Security is not a zero-sum game any longer. Defense diplomacy as well as defense cooperation such as military exchanges, joint exercises, and weapons transfers, is emerging alongside economic and commercial diplomacy in regional settings as a multi-pronged approach to security.

India and China

India is now facing a substantially transformed China. It is most certainly a far cry from the PRC of 1949 under Mao's leadership; in many ways it has also traversed a considerable distance from the China that had just embarked on its reforms in 1978. Its relationship with China has always been one of India's most critically important relationships. The present is no exception, as India-China relations are in the process of transformation, a carefully calibrated and mutually advantageous relationship with China, based on a clear analysis of the political, economic, security, social, and cultural implications of China's rise, is one of India's crucial foreign policy objectives. We are also now faced with a growing discourse on the rise of India *and* China, which is increasingly taking on competitive dimensions. However, this exercise must not take us into the kind of comparisons, which invariably end up as competitive projects about who is outperforming whom and whether India will catch-up with China or whether Asia is big enough for both.

There was a time when a bitterly disputed border was the entire sum and substance of the India-China relationship. Apart from the border, there was nothing worth mentioning and what was mentioned, only made matters worse. The changes now witnessed are as much the outcome of bilateral initiatives since the mid-1970s as the consequence of the post-Cold War regional and global dynamics that virtually forced a reappraisal of old mindsets and opened up a new world of possibilities. The relationship is certainly acquiring a comprehensive, multidimensional character and the realism that has come to characterize India-China relations today will help promote mutual interests even as it tempers extravagant expectations. Nonetheless, the era of coordinated global strategies, despite their advantages, is not about to take off.

India has to yet to respond suitably to China's role in South Asia. (or in Southeast Asia or Central Asia for that matter) Despite the adoption of an ostensibly more balanced approach towards South Asia, especially the India-Pakistan issue, China's presence in the subcontinent has been constant, its economic largesse to India's smaller neighbors unambiguous and deliberate and its cordial relations with all of them in sharp contrast to the troubled nature of India's ties with them. While there may be differences on the question of Chinese motives with these countries, there is hardly any voice in India that has not expressed its deep apprehensions with regard to the Sino-Pak nexus. The Chinese want to treat the two relationships (China-India and China-Pakistan) as if they have nothing to do with each other and there continues to be insufficient appreciation in China that its reluctance to explain the extent and meaning of Sino-Pakistani military cooperation is an extremely troubling aspect in Sino-Indian relations. Moreover, to look at Kashmir as yet another inter-state dispute and to de-link it from the retrogressive forces in operation is obviously to deliberately steer away from the point. The multi-dimensional cooperation that is envisaged has to be matched by an equally comprehensive dialogue, featuring defense and strategic concerns and perspectives. India-China relations may be seen as being characterized by a major paradox; there is a noticeably broadening and deepening multilevel engagement between them and the remarkable increase of trade on the one hand and the low levels of mutual trust and confidence on the other.

The interaction of the two rising powers – with China clearly ahead in the process – is assuredly the most critical and significant in the Asian context. But this interaction is now playing out in a geopolitically transformed scenario. The United States as the sole superpower is obviously the dominant presence. Japan has demonstrated its intent to no longer be a passive recipient of the changes in the region, but is still operating within its alliance with the United

States, while Russia has yet to fully come out of its post-Soviet decline. The NPT order has been completely unraveled. Nevertheless, the competitive lines that are increasingly emerging among the major powers here are tempered by the somber prospects of transnational and non-traditional threats, which will require multilateral strategies, not zero sum equations. It is important that this competition is kept in a benign framework and managed in the best interests of all the parties involved. The new strategic partnerships must be in consonance with contemporary developments, broader in scope, more long-term looking, and, above all, must not be devised to marginalize other players. Only then can they be useful frameworks to deal with the emerging challenges in a manner that maximizes flexibility and autonomy.

The post-Mao period as a whole has seen the ascendance of China from among the ranks of the “regional” entities to being one among a small number of powers who can be called the “managers” of the world order. That China is a force to be reckoned with is no longer in doubt. However, opinions are divided as to whether they possess credible abilities as an international system shaper. We have known China over the millennia as a civilization. Now we are witness to its emergence as a nation-state. We cannot underestimate the importance of this phenomenon. Socialist or not, and there is enough in recent history to be uncertain on this point, China is a challenge to the existing world order. The big task of the day is to convince not just China but all the major powers that each has a necessary role and stake in the solutions that are being devised to address the problems of the emerging world order.