

ISAS Insights

No. 345 – 21 September 2016

Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
<http://southasiandiaspora.org>



China-India Talks: Elusive ‘Strategic’ Consensus

*Chinese President Xi Jinping has placed a premium on the **bilateral economic aspects** of the Sino-Indian Strategic and Cooperative Partnership, while calling for joint political efforts to improve the governance of global economy. India’s Prime Minister Narendra Modi, by contrast, tends to prioritise the **bilateral political aspects** of this partnership, while aligning with China for a few multilateral economic choices.*

P S Suryanarayana¹

China and India continue to strive for a “strategic and cooperative partnership”² which they portrayed, in 2005, as the defining feature of their engagement, going forward. For a number of years before that agreement, and certainly thereafter, the two Asian neighbours have by and large partnered each other to avoid war across their disputed border. But a shared vision of “strategic” consensus has eluded them so far. Unsurprisingly, the talks between India’s Prime Minister Narendra Modi and Chinese President Xi Jinping in Hangzhou on 4 September 2016

¹ Mr P S Suryanarayana is Editor (Current Affairs) at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore. He can be contacted at isaspss@nus.edu.sg. The author, not ISAS, is liable for the facts cited and opinions expressed in this paper.

² In April 2005, the-then Chinese Premier Wen Jiabao and India’s Prime Minister Manmohan Singh announced the Sino-Indian “*Strategic and Cooperative Partnership for Peace and Prosperity*” after their talks in New Delhi. At the same time, the two sides also issued the *Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question*. The details of these documents can be accessed from the websites of the foreign ministries of the two countries.

have brought into sharp focus their differing perceptions on the “strategic” core of the Sino-Indian partnership.

Compare and contrast Xi’s views with those of Modi, which were publicly outlined after their meeting in Hangzhou. They met before the start of the 11th summit of the Group of Twenty (G20). The G20 is a select group of leaders from the established and emerging economies. The hiatus between China and India, which are acknowledged as the emerging economic-and-political powerhouses on the global stage, cannot be missed. Xi placed a premium on the *bilateral economic aspects* of the Sino-Indian partnership, lacing them with a few *multilateral political imperatives* which he deemed to be essential. Modi, by contrast, prioritised the *bilateral political aspects* of this partnership, lacing them with a few *multilateral economic choices* which he considered necessary. The current *mismatch* between the perceptions of the two countries on a few aspects of the strategic core of this partnership is analysed in the specific context of the latest Xi-Modi talks in their eighth meeting in two years.

In the authentic English version of the Xi-Modi talks in Hangzhou on this occasion, the Chinese side noted that “Xi Jinping stressed that at present . . . *China and India should . . . strengthen strategic communication*”.³ (Emphasis added). This clearly indicated that Xi was advocating a line rather than setting his agenda. However, it is elementary knowledge that no strategic partnership is conceivable without strategic communication.

Xi’s India-Policy Priorities

Crowning the key nuances of Xi’s own strategic communication was his firm stand that “China will continue to encourage Chinese companies to invest and set up business in India”. Such an affirmative offer from Xi about more injections of Chinese capital into the Indian marketplace will resonate in the recent context of China’s pledges of investments of the order of at least US\$ 20-billion in India.⁴

³ Ministry of Foreign Affairs, People’s Republic of China, http://www.fmprc.gov.cn/mfa_eng/topics_665678/XJPCXBZCESGJTLD... (Accessed on 9 September 2016) [Note: The file details of this document are cited as they existed on the date of access]. Unless stated otherwise, all nuances of Xi Jinping’s conversation with Modi in Hangzhou on 4 September 2016 are cited from this Chinese document in English.

⁴ China’s offers of investments in India’s infrastructure sector and industrial parks, as well as the estimates of the Chinese project exports to India, can be gleaned from a number of official documents issued by the two sides following Xi’s visit to India in September 2014 and Modi’s visit to China in May 2015. See the websites of the foreign ministries of China and India.

On the Sino-Indian bilateral relationship *per se*, Xi conveyed to Modi a prescriptive course of action rather than a definitive policy agenda. Xi told Modi that “[t]he two countries *should* reinforce the docking of respective development strategies and planning, discuss to implement some tangible major projects in infrastructure construction, production capacity cooperation and other fields”. (Emphasis added). From Xi’s standpoint, these entirely-economic aspects encompass the purely bilateral dimension of the Sino-Indian partnership, going forward.

Such a purely-bilateral economic dimension of the Sino-Indian strategic equation is anchored in China’s current restructuring of its economy in terms of resorting to greater investments abroad rather than exporting more copiously than before.⁵ No less significantly, Xi has dovetailed the Sino-Indian bilateral economic dimension with his political imperative of seeking India’s partnership for multilateral or global economic purposes. Xi told Modi that “China is willing to deepen cooperation with India within the G20 framework, so as to jointly contribute more to world economic growth and *global economic governance improvement*”. The primary thrust of Xi’s affirmative willingness in the multilateral arena is that China seeks India’s cooperation to “improve” global economic governance. This is a running theme in Xi’s engagement with Modi, beginning with their first meeting that took place on the side-lines of a Brazil-Russia-India-China-South-Africa (BRICS) summit at Fortaleza (Brazil) in July 2014.

Surely like China, India too wants a reformation of the global financial institutions such as the International Monetary Fund and the World Bank which are still run largely under a Western world-view. A ground-reality in this domain, however, is that China, with its asymmetrical advantage over India in macroeconomic terms, has a far greater stake than India in wanting to gain a decisive say in these global institutions. However, India is not at all averse to global economic-governance reforms, as reflected in the consensus that Modi reached with Xi in Fortaleza itself. At that time, Xi had suggested that “the two countries [China and India] should join hands in *setting global rules*, so as to raise the voice of developing countries”.⁶ (Emphasis added). The two leaders then agreed to float the New Development Bank (NDB) as a BRICS initiative in order to try and reduce the dependence of the developing countries on the attitudes

⁵ Under China’s “new-normal economy” of relatively lower annual growth rates than before, there has been a shift away from exports, the key driver of the Chinese economy until the world was hit by a Western-origin recession in 2008. China now wants to invest more in other countries because of the current sluggishness in the global economic recovery. An update on the health of the global economy can be gleaned from the latest G20 documents issued in Hangzhou. China’s economic priorities have also been spelt out during this 11th G20 summit.

⁶ Xinhua cited in *Global Times*, Chinese president urges early negotiated solution to border issues with India, Published: 15 July 2014, 11:33:30, <http://www.globaltimes.cn/content/870628.shtml> (Accessed on 16 July 2014). [Note: The file details of this document are cited as they existed on the date of access.]

of the advanced countries at any given time in the existing global institutions. While an Indian-nominee is now the first chief executive of the NDB, Modi has also taken India into the Xi-piloted Asian Infrastructure Investment Bank (AIIB) as a shareholder second only to China.

While these aspects do indicate Modi's readiness to associate India with China's campaign for global economic-governance reforms, it is evident that India's participation in this movement is not as intense a passion as China's. This inference flows from the Indian spokesman's focus on political-strategic issues after the latest Modi-Xi talks in early-September 2016. To this extent, there is no perfect Sino-Indian convergence of interests in reforming global economic-governance; there is only a generalised Sino-Indian preference for global economic-governance reforms. The baseline of this argument is that China, which now ranks next only to the United States as the world's second-largest economy in the nominal terms of Gross Domestic Product, has a far greater stake than India in the global economic-governance patterns.

Modi's Call for Sensitivity

In this overarching milieu, it is easy to discern that Xi's interest in the purely-bilateral political dimension of the Sino-Indian partnership will be far less pronounced than Modi's. This inference is palpable in the latest Xi-Modi conversation. Setting out another prescriptive norm, Xi told Modi that "both countries *should* respect and care for each other's concern[s], and handle differences in a constructive way". Quite often, as indeed on this occasion, Xi does not add India's interests to its concerns as an area of China's focus. The striking distinction between a country's interests and its concerns is well-known in international relations. Now, juxtapose Xi's observation in this regard with Modi's. As paraphrased by the Spokesman of India's External Affairs Ministry, Modi told Xi that "as a matter of principle, *both countries would have to be sensitive to each other's strategic interests* [and] it is of paramount importance that we *respect* each other's aspirations, concerns and strategic interests".⁷ (Emphasis added). For

⁷ Modi's key message to Xi during their conversation in Hangzhou on 4 September 2016, as paraphrased by the Spokesman of India's External Affairs Ministry, <http://www.mea.gov.in/media-briefings.htm?dtl/27366> (accessed on 9 September 2016) [Note: The file details of this document are cited as they existed on the date of access.]

Modi, there is no alternative to the imperative of China and India being sensitive to each other's longer-term strategic interests, not merely the here-and-now concerns.

It can of course be argued in this sub-context that Xi could not have been unmindful of the core interests of both China and India when he spoke of the need to “handle [their] differences in a constructive way”. The relevant reason is that any negation of the strategic interests of the two countries, as perceived by them, cannot *ipso facto* amount to a constructive approach. Moreover, Xi did tell Modi categorically that “China is ready to make joint efforts with India to sustain the hard-won sound relations and push for continuous and new development of friendly cooperation between the two countries”. Here, too, it can be counter-argued that Xi placed the onus on India as well by talking of “joint efforts” to “sustain the hard-won sound relations”. However, the accent on “joint efforts” reflects the long-standing Chinese line of thinking that both parties in a bilateral equation or multiple parties in a multilateral equation should work together for benefits to those concerned.

Viewed in this perspective, the really *new* element of Xi's agenda towards India in regard to the purely-bilateral political dimension is his articulation of China's “readiness” to make “joint efforts” so as to “sustain the hard-won sound relations”. It is not clear whether he would trace the genesis of “the hard-won sound relations” to the 2005 Sino-Indian agreement on the “strategic and cooperative partnership”. Alternatively, he might well have on his mind the more recent phenomenon of all-weather dialogue between India and China – the continuity of talks amid the intermittently acute but non-lethal tensions along the un-demarcated Line of Actual Control (LAC) in the disputed Sino-Indian border areas. It is common sense that the all-weather dialogue, which became evident only after Xi rose to the helm in China in 2012-2013, can last only as long as there is no open warfare or a major (or perhaps even a minor) exchange of fire along the LAC.

Xi might wish to “sustain the hard-won sound relations” in the form of all-weather dialogue as outlined above; India surely has a different perspective on how to move on. While being cognisant of the need for such all-weather dialogue, India can be expected to insist on at least two of its core strategic interests to be fulfilled in order to go forward smoothly.

The first, and more-immediate, strategic priority for India is to secure membership of the Nuclear Suppliers Group (NSG), which seeks to control the worldwide commerce in technology, equipment and materials relating to atomic energy and, therefore, also nuclear weapons. In June 2016, New Delhi identified China as the solitary stumbling block on the path

to India's realisation of its strategic aspiration in this regard. Obviously, China is keen on escorting its "all-weather strategic partner", Pakistan, into the NSG at the same time as India; Islamabad's non-proliferation credentials do not, however, match those of India as already certified by the NSG itself.⁸ While being cognisant of this reality, China has its own strategic priorities vis-à-vis the India-Pakistan equation.

A brief but lucid observation on this aspect was spelt out in April 2014 by China's then Director-General of the Department of Asian Affairs in the Ministry of Foreign Affairs, Luo Zhaohui, in a Written Interview to me: "Developing China-India relations and China-Pakistan relations is not a single-choice question. China is always committed to advancing both relations in parallel. I believe that the parallel development of China-India relations and China-Pakistan relations will be conducive to regional peace and stability, and in the fundamental interest of the three countries and their peoples".⁹ At this writing, such a Chinese official perspective remains good; New Delhi has, however, made its case for the NSG membership without any reference to the Pakistan-China-India equation.

The second, and longer-term, strategic priority for India relates to the China-Pakistan Economic Corridor (CPEC), work on which is already in full swing, especially from the Chinese side. India's main interest in this regard is to try and prevent China from acknowledging any kind of Pakistani sovereignty over the Pakistan-occupied Kashmir (POK, or 'Azad Jammu and Kashmir' in Pakistan's political lexicon) as well as the "Northern Areas" (which Islamabad currently controls). The CPEC's mapped-route passes through these disputed segments which lie at the core of the unsettled Kashmir issue which India and Pakistan have been grappling with. In India's view, the presence of Chinese civil and military personnel in these disputed segments is a signal that Xi's China has virtually acknowledged Pakistan's sovereign jurisdiction over them.

⁸ P S Suryanarayana, *Shadow-Boxing over Nuclear Supplies: A China-India Tussle for 'Power'*, ISAS Insights No. 335 (28 June 2016), www.isas.nus.edu.sg

⁹ Luo Zhaohui in *Smart Diplomacy: Exploring China-India Synergy* by P S Suryanarayana, World Century Publishing Corporation, Hackensack, New Jersey, United States of America, 2016, Appendix I: China's Perspective on India, pp. 280-281

A Trade-Off Idea

However, India does hold a strategic card in this surcharged atmosphere. China is keen on accessing not only the Arabian Sea through the CPEC route but also the Bay of Bengal through the Sino-Indian initiative of the Bangladesh-China-India-Myanmar (BCIM) economic corridor. Unlike the CPEC, however, the BCIM initiative is still very much on the drawing-board. Because of this, I think, India can explore the option of soft-peddalling with regard to the BCIM initiative – in a bid to exert pressure on China over the CPEC route-map. Although New Delhi has not disclosed any intention of pursuing such a trade-off as an option, Beijing has now begun to try and humour New Delhi over the CPEC route-map without offering to accommodate India’s core strategic interests.

Beijing affirmed, on 31 August 2016, that the CPEC “cooperation framework” would “not affect” China’s position on Kashmir. Chinese Spokesperson said: “China holds a consistent and clear position on the Kashmir issue, which we believe is a historical left-over issue between India and Pakistan and should be properly settled between the two countries through dialogue and consultation. China's position on the CPEC will not affect where we stand on the Kashmir issue”.¹⁰ The Spokesperson did not address India’s concerns about the CPEC’s passage through disputed territory. Not addressed, too, was India’s strategic interest that the ongoing Chinese CPEC-related activities should not snowball into China’s acknowledgment of Pakistan’s sovereignty over the POK (AJK, in the Pakistani lexicon) and the “Northern Areas”. However, China has signalled that it is not endorsing Pakistan’s renewed efforts, as in mid-2016, to revive the old and India-rejected United Nations Security Council’s resolutions on Kashmir. Nonetheless, such a signal – not a firm commitment as in an official agreement between Beijing, on one side, and Delhi or Islamabad, on the other – is not of the kind that could actually herald strategic consensus between China and India over their core interests as two rising powers.

.

¹⁰ http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1393461.shtml (accessed on 2 September 2016) [Note: The file details are cited as they existed on the date of access.]