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# China and India: The Struggle for Mastery in Eurasia

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**ABSTRACT** *This article examines the economic and strategic rivalry between China and India along with a number of dimensions: infrastructure, border disputes, sea power, and trade. The two countries increasingly pose a strategic challenge to each other, as India, fearing Chinese encirclement, emerges as an obstacle to China's projection of power. Insufficiently studied, the clash of visions and interests between China and India is now a central feature of global politics and the most volatile element of Chinese foreign policy. The evolution of this rivalry will dramatically impact the rest of the world.*

In June 2017, Chinese troops were spotted on the Doklam plateau, extending a road through a piece of land disputed between China and Bhutan. India perceived this as an unacceptable change to the status quo and crossed its own border—in this case a perfectly settled one—to block those works. The Doklam plateau slopes down to the Siliguri Corridor, a narrow strip of Indian territory dividing the Indian mainland from the North Eastern Region states. If China were able to block off the corridor, this would isolate the North Eastern Region, a devastating scenario in the case of war. Two months later, at the other end of the Himalayan range, perfectly poised on a tiny lake pen-

insula high in the mountains, Indian and Chinese troops engaged in a cinematic stone-throwing battle, mysteriously captured by a camera placed behind mountain rocks.

The Doklam standoff ended with a choreographed disengagement on August 28. India agreed to withdraw its troops in a designated two-hour period before noon and the Chinese did the same in a similar window that afternoon. The withdrawal was monitored from New Delhi in real time, so that the process of disengagement was completed under verification. By agreeing to discontinue construction works on the road, China seems to have met India more than halfway,

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An illustration showing the routes of the One Belt, One Road project, a Chinese initiative that will prove decisive in the future for Chinese relations with India, as well as with Europe.

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but it also used the occasion to state that it would exercise its sovereign rights in the future. More than a resolution of the crisis, the negotiation was meant to avert the risk of an accidental conflict. Troops from both countries remain in the area, but are now separated by a few hundred meters. Indian Army Chief, Bipin Rawat quickly warned, “As far as the Northern adversary is concerned, flexing of muscles has started. Salami slicing, taking over territory in a very gradual manner, testing our limits or threshold is something we have to be wary about. Remain prepared for situations that are emerging gradually into conflict.”

India’s rejection of a major Chinese geopolitical and geoeconomic project, the Belt and Road, may have triggered the confrontation. One month before the Doklam standoff, China had gathered about thirty national leaders at its first summit devoted to providing guidance for the Belt and Road. The occasion was used to

promote the initiative abroad with a blitz of television programs and interviews, comprehensive newspaper coverage, music videos and even bedtime stories for children. For the first time, the Belt and Road was the main story in most international media outlets, and many in Europe and the United States were introduced to the concept for the first time.

Perhaps unsurprisingly, these initial moments of international fame were also marked by a very public display of the geopolitical difficulties and pitfalls faced by the Belt and Road. European Union countries present at the summit declined to sign a joint statement on trade, uncomfortable with its omission of social and environmental sustainability, as well as imperfect transparency requirements, particularly in the area of public tenders. As for India, it announced just one day before the event that it would not be participating, explaining that in its current form the Belt and Road will create unsustainable burdens of

debt, while one of its segments, the economic corridor linking China and Pakistan, goes through the disputed areas of Gilgit and Baltistan in Pakistan-occupied Kashmir and therefore ignores Indian core concerns regarding sovereignty and territorial integrity. Journalist Ashok Malik from the *Times of India* called the boycott the third most significant decision in the history of Indian foreign policy, after the 1971 decision to back the independence of Bangladesh and the 1998 nuclear tests.

## The Belt and Road

In two separate speeches in the fall of 2013, Chinese President Xi Jinping put forward a bold new development strategy encompassing more than 60 countries across Asia, Europe, and East Africa and totaling investments estimated to be in the trillions of dollars. The initiative has both a land and a sea component, known respectively as the Silk Road Economic Belt and the Twenty-First-Century Maritime Silk Road. The preferred abbreviation in China for the combined initiative is Belt and Road, while outside the country it is often referred to as the New Silk Road. Unlike the original Silk Road, however, the new project is not predominantly about transportation infrastructure but about economic integration. The initiative does not attempt to unbundle production and consumption –the vision of the original Silk Road– but rather to unbundle different segments of the production chain. It attempts to create a set of political and institutional tools

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with which China can start to reorganize global value chains and stamp its imprint on the rules governing the global economy.

Transportation and communications networks are no doubt a precondition for the development of global value chains. But the crucial element is the set of industrial policy decisions by which countries strive to move into new chains or segments in an already-occupied value chain. To avoid the middle-income trap –a situation in which a country becomes stuck with the previous growth model after attaining a certain level of income– and speed up the process of moving into higher-value segments, China wants its industrial policy to be sufficiently coordinated with those countries that occupy other segments and chains. In return, China can offer cheap financing and its experience of an economic model that has proven very successful in boosting industrialization and urbanization on an unprecedentedly fast timescale.

In practice, Chinese industry may need reliable suppliers of parts or in-

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intermediate goods, or it may attempt to build assembly plants overseas to avoid import tariffs, while keeping the bulk of the production chain in China. It may try to create new opportunities to export raw materials or intermediate goods produced in China or, conversely, to secure raw materials for its own industry on a stable basis. Given how important services have become to the integrity of global value chains, increasing service exports will also be a strategic goal for the Belt and Road.

A document prepared by the National Development and Reform Commission and the China Development Bank gives a clear sense of the scale and ambition of the Belt and Road in Pakistan, which arguably lies at the center of Indian concerns. The plan envisages a deep and broad penetration of almost all sectors of Pakistan's economy by Chinese companies and its wholesale reorganization to fit with Chinese-led value chains. A key element is the development of new industrial parks, surrounded by the necessary infrastructure and a supportive policy environment. Chinese plans for Pakistan are focused

on agriculture and low-tech industry, advancing a pattern of specialization where China can move into higher-value sectors and segments. It is only in agriculture that the plan outlines the establishment of entire value chains in Pakistan, including the provision of seeds and pesticides. The favored steering mechanism is credit, with those companies interested in the agriculture sector being offered free capital and loans from the Chinese government and the China Development Bank.

The plan also shows interest in the textiles industry, with a focus on yarn and coarse cloth, which can serve as inputs for the higher-value segments of the garments sector being developed in Xinjiang. It is suggested that some of the Chinese surplus labor force could move to Pakistan, while the establishment of international value chains is described as 'introducing foreign capital and establishing domestic connections as a crossover of West and East.' Finally, fiber-optic connectivity between China and Pakistan will prepare the ground for new digital television services disseminating Chinese culture, with electronic monitoring and control systems ensuring the security of the project. The plan is carefully placed under political guidance: "International business cooperation with Pakistan should be conducted mainly with the government as a support, the banks as intermediary agents and enterprises as the mainstay."<sup>1</sup>

The Belt and Road poses a number of seemingly intractable challenges

for India. Most obviously, it threatens to turn Pakistan's occupation of part of Kashmir into a *fait accompli*. If the area becomes an important economic corridor for China, the conflict is no longer capable of being solved within the limited sphere of relations between Pakistan and its much larger neighbor. Economically, the challenge is, if anything, even graver. As a major economy hoping to enter on a trajectory of fast economic growth, India needs to develop deep international links and supply chains, most immediately in its neighborhood, but the Belt and Road may well force it into new forms of economic isolation, this time involuntary, as opposed to the years of Indian economic autarchy. New Delhi may even see in the Belt and Road a form of rewriting history by rebuilding trade and economic links between Europe and Asia while ignoring the Indian subcontinent, historically the meeting point for such trade and cultural networks.

## The Logic of Competition

The view from Beijing is just as hostile. While India remains for the time being a much weaker economy and state, it seems to have the forces of the future on its side. Chinese commentators have grown comfortable comparing China's economic vigor with the slow decay of the still-ruling powers in Europe and North America. This mental framework has made conflict improbable, since China feels that time is decisively on its side. With respect to India, how-

ever, the power equation is examined in a different way. Perhaps China will be inclined to act against a rival if the relation of forces can only worsen in the coming decades. Although traditionally cautious, Chinese state media outlets have not avoided talking openly about the possibility of a war with India. That China and India are growing strong simultaneously is an entirely new fact, carrying new and daunting risks.

Certain economic anxieties play into this dynamic. As China's economic growth is tabling out, and slowing down as the number of young people in its workforce dwindle, India will jostle for the place of the economic success story with its rewards in international prestige and investment flows. Its advantages correlate directly with China's weaknesses: the demographic dividend of a young population –even if that young population also poses challenges– and a public culture much more comfortable with experimentation and the exposure to different cultural influences. Its information technology strength continues to rival that of China.

If we limit ourselves to the measures of economic or military power, China's edge is obvious, but things look very different when we turn to the most elusive of power metrics: soft power, the ability to project your way of life abroad and attract global audiences. The West's superiority in this area is still so massive that China and India are forced to compete for a limited space, and India is winning. Bolstered by its familiarity with the

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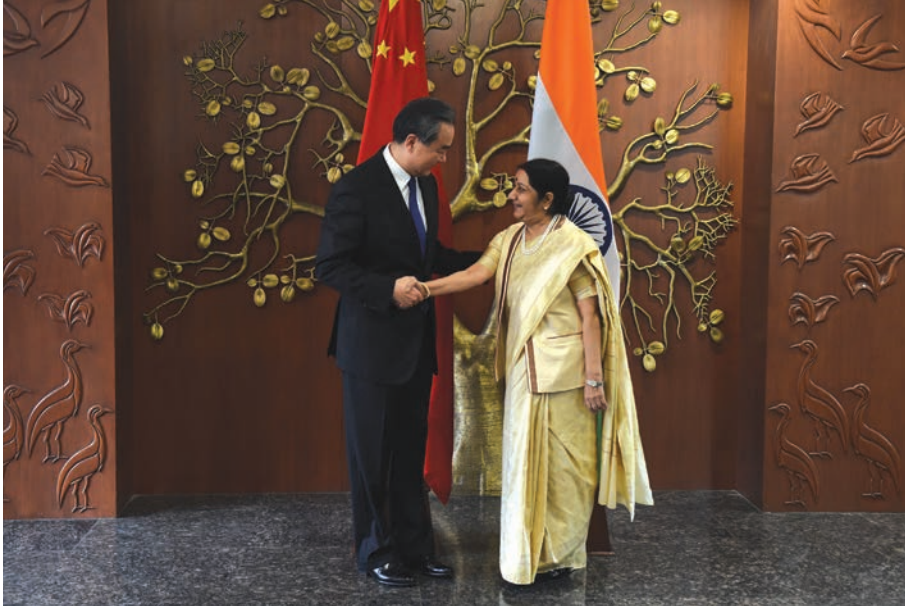
English language and the freedoms granted by a democratic society committed to some version of the rule of law, the Indian cultural and entertainment industries have captured global attention in ways that China can only dream about. More worrisome perhaps, these industries have started to appeal to Chinese audiences under the radar of Chinese anti-Western control mechanisms. Appearing in movie theaters just before the Doklam standoff, the Bollywood movie *Dangal* collected over \$190 million at the Chinese box office, capturing the imagination of viewers young and old with an uplifting story of female empowerment and the collective pursuit of happiness – better, presumably, than anything produced in China.

Given Buddhism's religious and cultural influence in a vast area stretching from Mongolia to Japan and Southeast Asia, it is hardly a surprise that China and India have increasingly been trying to use it as a diplomatic tool. In the process, they have often clashed in their attempts to conquer the hearts of Buddhists in

Asia and exert power over different sects, with their rites and procedures for reincarnation and enthronement. As China translates its economic power into a form of spiritual might, rebuilding monasteries and pilgrim routes, while creating psychological links with the people of other nations through Buddhism, India is forced to accept that even in this area the rules of great power rivalry increasingly apply. The Dalai Lama is inextricably linked with the border dispute between the two Asian giants. The Tawang monastery's historical ties to Tibetan Buddhism is an important basis of China's claim to Arunachal Pradesh, which lies to the south of the McMahon Line, the border originally drawn up by the British. China seems to consider that it will only be able to fully subdue Tibet after it annexes Tawang, where the next Dalai Lama may well be reincarnated.

Ultimately, India constitutes a special challenge to Chinese expansion because, as a separate civilization tracing its origins to the same axial age five millennia ago, it cannot be assimilated into the expanding Chinese orbit in Asia. Frank Moraes recalls in his book, *Witness to an Era*, how when he went to China as a member of India's first cultural delegation to the People's Republic in 1952, Indian Prime Minister Jawaharlal Nehru briefed the delegation before they departed: "Never forget the basic challenge in South-East Asia is between India and China. That challenge runs along the spine of Asia." What was true then remains the case today, but the rivalry





China's Foreign Minister Wang Yi shakes hands with Indian External Affairs Minister, Sushma Swaraj, prior to a meeting in New Delhi on December 11, 2017.

AFP PHOTO / GETTY IMAGES / PRAKASH SINGH

between the two countries for leadership in Asia has expanded with their rise in status, and has acquired a markedly global significance. The rivalry has also been ideologically refined, as countries in the neighborhood and beyond watch the contest between New Delhi and Beijing to see which political and economic system comes out on top.

It is as a sea power that India can become the central node between the far ends of the new supercontinent. Given their size and proximity, China and India have the potential to develop the world's largest trading relationship and this will have to be based on gigantic infrastructure plans along the Indian Ocean coastline. If the next few decades witness a naval conflict between China and the United States, that conflict will more likely be centered in the Indian

Ocean than the Pacific, thanks to its greater strategic importance, and in that case, India and the Indian navy will be a decisive factor. Perhaps with these considerations in mind, Chinese authorities have been busy developing a maritime grand strategy. The primary threat stems from American naval dominance and its ability to block the sea lanes through which China gets its energy resources and sends its exports to the rest of the world. The ability to deploy sea power freely beyond those choke points is the first and most obvious response. The establishment of alternative routes is another possibility. Finally, there is the need to secure the sea lanes and new infrastructure projects through which Beijing hopes to create a new, vast area of economic integration. As Jayanna Krupakar puts it, "controlling the far seas and key maritime trade routes has been



Exiled Tibetan spiritual leader Dalai Lama, who is inextricably linked with the border dispute between the two Asian giants, arrives to deliver Buddhist teachings to his followers in Tawang District, near the India-China border on April 8, 2017.

AFP PHOTO / GETTY IMAGES / BIJU BORO



an established pathway for attaining great power status. Historically, imperial powers have built strong expeditionary navies to expand their global foothold. Military presence in the far seas will not only add strategic depth to territorial defenses but will also provide substantial political leverage to influence the geopolitics of regions.<sup>22</sup>

As opposed to the Atlantic or the Pacific, which stretch from north to south like great open highways, the Indian Ocean is distinguished by a land rim on three sides creating numerous choke points critical for international trade and energy security. The Indian maritime doctrine recognizes that these choke points are sources of potential disruption, but also levers of control. To the east, the Straits of Malacca, Sunda and Lombok create a natural barrier against

Chinese sea power. To the west, the busiest sea lane passes through the Strait of Hormuz, granting access to the Persian Gulf and its littoral, the source of a majority of Indian oil and gas supplies and home to an estimated 7 million expatriate Indians. One Chinese analyst describes the 244 islands that constitute the Andaman and Nicobar archipelagos as a 'metal chain' that could lock the western exit of the Malacca Strait. Appropriately, the 3,500-foot existing runway at the naval air station, INS Baaz, at Campbell Bay in Andaman is being extended, first to 6,000 feet and subsequently to 10,000 feet by 2021. Chinese observers foresee the emergence of a powerful rival aiming to control the Indian Ocean, the mirror image of the Eurasian landmass to the north. For them, India is developing its overall capacity to 'enter east' into the South China Sea

and the Pacific, 'exit west' through the Red Sea and Suez Canal into the Mediterranean, and 'go south' toward the Cape of Good Hope and the Atlantic.<sup>3</sup> In 2016, news emerged that India and Japan were secretly planning to install a seawall of hydrophones between Indira Point in the Nicobar Islands and Banda Aceh on the northern tip of Sumatra in Indonesia, aimed at tracking undersea movement and effectively plugging the entry to the Indian Ocean for Chinese submarines.

When in 2017, China opened its first military base abroad in Djibouti, the reaction in India was unsurprisingly negative, with New Delhi seeing the move as a clear statement about China's ambitions in the Indian Ocean. Located in the Horn of Africa, the base revealed that Chinese strategic interests extend beyond historical claims in the South or East China Seas, and raised the dreaded prospect of strategic encirclement.<sup>4</sup>

In the east, China has built runways and fortified seven artificial islands in the South China Sea, while increasing its presence in Myanmar and setting the plan for a vast network of railways connecting Kunming to the sea. To the north, garrisons, airfields and new roads stretch along the border in the Himalayas. To the south, China has built a new harbor in Hambantota and modernized the Colombo port for Sri Lanka, a country whose autonomy relative to Beijing is now in question. The corridor linking Xinjiang to Gwadar in Pakistan closes the circle – unsurprisingly, China is now

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preparing to open a military base in the port of Gwadar, its second outside Chinese territory.

### **A New Center of Gravity**

The standoff at the Doklam plateau was also the occasion for new tensions affecting trade relations between the two countries. In response to China's incursion in the Himalayas, India approved anti-dumping procedures against a number of Chinese imports, and a planned takeover worth more than \$1 billion of Indian drug-maker, Gland Pharma, by China's Shanghai Fosun Pharmaceutical was delayed. Doklam provided a pretext, but India is growing fearful of ceding control over strategic industries to China. After reports emerged that Chinese smartphone companies are sending Indian user data to China, the Indian government started cracking down on these companies. The next step would be to require Chinese handset makers to set up servers in India to ensure the protection of user

data. China responded to the stand-off in similar tones: an ambitious high-speed train project in south India was delayed after the Chinese railways that completed a feasibility study a year before suddenly stopped responding to the Indian ministry's contacts.

These moves could not hide how dependent the Indian economy has become on imports from China. Local manufacturing companies in India are not prepared to supply goods to the rising power and telecom sectors, so in the case of an open trade war, India might be forced to import such components from the United States and Europe at a prohibitive cost, destroying its own export competitiveness. Indian goods continue to struggle to find markets in China. India's trade deficit with China has not stopped growing in recent years, reaching a staggering \$51.1 billion in the most recent year on record. That this needs to be redressed is clear, but the path to greater Indian competitiveness will only narrow as economic and trade dependency on China extends more generally. It is not surprising that New Delhi is aggressively trying to create a more balanced relationship and an obvious area where this could be achieved is pharmaceuticals. Notably, China does not allow imports of drugs from India, even as Indian companies have become one of the dominant global players. As pressure from pharmaceutical companies to lift the restrictions continues to grow, the Indian government may be forced to act in a more confrontational way.

Far from reducing tensions, trade is fast becoming its own source of conflict between China and India, with every protectionist measure triggering a swift and more serious retaliation from the other side. Until recently these tensions might have been regarded as little more than peripheral skirmishes, but as the Chinese and Indian economies have grown in size and global economic integration has deepened, they are now highly dependent on each other and, together, represent a critical percentage of global economic growth. Whether the two governments are able to reach a stable economic order, and what form it will take, will dramatically impact the rest of the world. Their rivalry is no longer a strictly Asian affair.

Calculating the global economy's center of gravity provides further clues to the Chinese-Indian rivalry. This center of gravity is simply the average location of economic activity measured on the globe across different geographies. Interestingly, in the three decades after 1945 the center was located somewhere in the middle of the Atlantic, reflecting how Europe and North America concentrated a large majority of global economic activity. That Washington saw itself as leading a bloc encompassing the Atlantic is, from an economic point of view, what you would expect. By the turn of the century, however, the center of gravity had shifted so far eastwards it was now located east of the borders of the European Union. Within ten years we should find it on the bor-



der between Europe and Asia, and by the middle of this century most likely somewhere between India and China.<sup>5</sup>

An open struggle for mastery between China and India may never materialize, but as a latent conflict, it is already one of the most important variables in world politics, bringing global trends and forces together. It was perhaps always to be expected that India would emerge as the main obstacle to Chinese expansion. That role may yet strengthen or dilute, but it is unlikely to disappear in the near future. More likely, those who are growing concerned about Chinese power will increasingly place their bets on India the first point of con-

tact, a power balancer. China itself will be forced to respond to this fact, bringing the tectonic clash closer to the surface of world politics. ■

## Endnotes

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