



CHINA'S INFLUENCE IN INDO-US RELATIONS

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China's uninterrupted double-digit growth over the past three decades and rapid increase in military power today ensures it occupies centre stage in every conversation concerning geopolitics or international finance. This is the case whenever the US is discussed and is unavoidable in the context of India-US relations. The rapid increase in China's economic and military strength has also contributed to the newfound confidence among the Chinese people and leadership making China a truly 'aspirational' major world power.

In this backdrop the dynamics between China, India and the US are crucial and have the potential to substantively influence the future. India and China are two Asian powers rising simultaneously for the first time in history. Both countries are trying to build a durable and strong relationship with the US, which they consider essential for their development. Both view the US as a large market and source of capital, hi-technology, scientific infusions and defence equipment. China, however, has a considerable head start. The US too views a partnership with each of these countries as useful, but for quite different reasons. A common feature, though, is the attractiveness to the US of their large and growing unexploited markets.

US President Obama's recent visit to India took place in this backdrop. It materialized when apprehensions in Asia have been raised consequent to China's assertive behaviour and demonstrated willingness to use force in the past couple of years. The veritable U-turn effected by the Obama Administration in its China policy coincided with this development. The latter was demonstrated in recent months by the new vigour injected by the US in its relationships with countries in Asia. Recent

examples are US President Obama's visit to Indonesia, the first by a US President since 2006, and his visits to South Korea and Japan at this juncture when there are strains in their relations with China. The US simultaneously underscored its commitment to defence treaty obligations to its allies. It broke new ground with the assertion, of US Secretary of State Hillary Clinton a month ago in Hanoi, that the US would preserve the freedom of navigation and over flights in the 'global commons' of the South China Seas, thereby making implementation of its sovereignty claims, over the Nansha (Spratlys) and Xisha (Paracels) archipelagos, difficult for China.

These developments overlapped with a phase of enhanced self-confidence among China's leaders. They feel the time is now opportune for their country to regain its rightful position and influence in the world and play a pivotal role in global affairs. They happen to, coincidentally, have a leadership under Hu Jintao that is willing to seize this opportunity. Accordingly, in

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The US' capacity for maneuver with regard to China is, however, constrained by the nature of its bilateral relationship with China developed over the years and China's permanent membership of the United Nations Security Council. A proper appreciation of the breadth of China's relationship and exchanges with the US is important in the context of the developing India-US relationship. Beijing currently has over 80 points of contact and approximately 60 platforms for engagement with the US. Of particular

importance are the 'Strategic Economic Dialogue' and 'Senior Dialogue on Global Issues'. These encompass subjects as diverse as those ranging from monetary policy and trade to space, cultural, educational and military exchanges. Also, during their summit meetings Presidents Obama and Hu Jintao discuss a range of global and regional issues including Iran's nuclear issue, resolution of problems in South Asia—a codeword for Kashmir—and the North Korean nuclear stalemate. Official communiqués issued after their last meeting a few weeks ago on the sidelines of the ASEAN Summit, however, omitted mention of South Asia while reporting the discussions.

In economic terms, almost all 'Fortune 500' companies are present in China and by 2008, US companies had invested in excess of US\$ 50 billion in over 50,000 Chinese companies. Important in the US' current domestic climate is that low cost Chinese manufacturing helps US taxpayers save an estimated US\$ 70 billion annually. China's holding of US Treasury Bills was estimated in July 2010 at US\$ 894.8 billion. China's direct investments in the US also rose to US\$ 6.4 billion by the end of last year. The US and China together account for over 30 percent of global GDP. The extent of this economic relationship not only reveals a bipartisan consensus on USA's China policy, but also emphasizes the mutual limits on independence of action imposed by this interdependence.

The US is now concerned at the pace of China's economic and military growth and rapid spread of its influence. Expanding Chinese influence in South East and South Asia has begun to, albeit very gradually, undermine US influence. China's steadily increasing military strength is beginning to give it a capability adequate to deter US forces from going to the aid of allies in the region, like Taiwan and Japan. US efforts are underway to check China's growth and enmesh China in international political and

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During his visit to India a few weeks ago, US President Obama, in his speech to Parliament, offered India a 'global partnership in the twenty first century in Asia and the Indian Ocean'. The implication was evident— to check China in both these regions. His remark that the US would welcome India as a permanent member in the United Nations Security Council was, however, high on rhetoric and short on substance. There are many impediments in India's path to permanent membership of the UN Security Council including, the lack

of consensus on the issue in the US, opposition from China and Pakistan to India's inclusion, and the glacial pace of the reform process itself which has yet to formalize a view on whether future permanent UNSC members would have the right of veto.

Other factors that cause India and US concern include the 9-10 per cent annual rate of growth of China's economy which, in terms of PPP, is already half that of the US. Budgetary allocations for modernization of the People's Liberation Army (PLA) are increasing proportionately. China's foreign currency reserves of US\$ 2.4 trillion are also growing, adding to its heft in international economic policy and in South East Asia, the Pacific Islands, South Asia, Africa and South America. China is presently trying to expand its footprint in Europe and the railway network planned to link China with Spain via Turkey is reflective of China's ambitions.

China has actively used its economic and political influence to further national interests. Examples are its activities in Nepal and South East Asia. Beijing is increasing pressure on Kathmandu to rein in the Tibetans while simultaneously enlarging influence by establishing China Study Centres, undertaking infrastructure projects, unilaterally distributing old age pensions in the poorer northern border areas of Nepal etc. Visits by senior Chinese leaders to Nepal have increased. During at least their last

three visits to Kathmandu, Chinese leaders have recited their usual formulation of respecting Nepal's sovereignty and territorial integrity, but significantly added that China will not allow other countries to interfere in Nepal's affairs either. In South East Asia, the countries are dependent on China's economy for their growth and this circumscribes their scope for action whether on issues relating to reduced flows in the Mekong River caused by China's actions in the upper reaches, or with regard to contested claims in the South China Sea.

India-China relations will be in a critical stage for the next 5-10 years. A relationship already bedevilled by a 4,057 kms-long disputed border and China's lack of sensitivity to Indian concerns, including questioning its sovereignty over Arunachal Pradesh and Kashmir, will additionally be confronted by serious challenges in the coming decade. These include water, energy resources and food, which will impact on the populations and their livelihoods in both the countries. Their resolution will require a high degree of statesmanship, which will have to balance inescapable domestic demands with national imperatives, as otherwise the trajectory of upward growth of both countries could be adversely affected.

In addition to the extant Sino-US relationship, it is imperative to take note of areas where US and Chinese interests converge and impact on India's sovereignty and territory. Both countries, for example, have a stake in Pakistan as candidly acknowledged by Obama during his recent visits to Mumbai and Delhi.

US interests and involvement in Pakistan are symbolized by the over US\$ 18 billion Washington has handed out to Islamabad, in addition to military and other supplies, since September 2001. China has similarly invested huge amounts in Pakistan, especially in the western areas from Gilgit up to Gwadar. Beijing envisages additional investments including upgradation of the Karakoram highway and extension to Gwadar, a China-Pakistan railway over the Karokaram and a gas pipeline running alongside. More than 60 Chinese companies are engaged in at least 200 projects in Pakistan's northern areas. The developments in Pakistan are, however, a source of concern and China would be preparing to safeguard its investments against any future adverse eventuality.

Neither the US nor China will exert unrelenting pressure on Pakistan to eviscerate the sources of terrorism against India despite protestations to the contrary.

Their positions also converge on Kashmir. While the US has chosen to nudge India strongly from the sidelines to offer concessions on Kashmir, China has opted for an assertive pro-active stance by declining visas to residents of the state of Jammu and Kashmir and declaring the entire state as disputed. India will come under increasing pressure on the issue in the near future and will have to formulate its independent stand on both these matters.

Another area where US and China's interests converge, at least in the medium term, is Afghanistan. To pave the way for its pull out by mid-2014, the US is facilitating China's involvement in Afghanistan. It anticipates that China, lured by the estimated US\$ 1 trillion mineral deposits in Afghanistan, will commence their exploitation yielding a steady revenue stream to the government in Kabul. Beijing, however, has its own strategic agenda and has drawn up plans for a railway to link Afghanistan with China through Tajikstan and to Pakistan.

The railway line from western China through Tajikstan into Afghanistan and on to Gwadar in Pakistan is a major venture with immense strategic implications for China and the region. It will be Afghanistan's first long distance railway and will simultaneously ensure China's ability to transport cargo and passengers from land-locked western China up to Gwadar. It will upgrade China's military logistics capability, accelerating and facilitating movement of troops, munitions and missiles to the borders with Russia as well as into Afghanistan and on to Pakistan. China's extensive involvement in Afghanistan will ensure it a place on the negotiating high table thus reinforcing Pakistan's position. The China-dominated Shanghai Cooperation Organisation (SCO) will also be well positioned for the future.

The US has over the years toyed occasionally with the idea of allowing China a larger role in the wider Asia-Pacific region while retaining for itself the mantle of the world superpower. In recent years this has meant cooperating with China in certain areas even if it meant

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ceding space to it. These include areas impacting on Indian interests.

The first occasion was in 1974, when then US Secretary of State Kissinger visited Beijing and met Vice Premier Deng Xiaoping. In a thinly concealed reference to the clandestine Sino-Pak nuclear collusion Kissinger said, "One of my colleagues said he was not only in favour of giving arms to Pakistan, but arms and nuclear weapons to Pakistan and Bangladesh". It could not have been coincidence that China's involvement in Pakistan acquiring nuclear capability was not questioned by the US and that subsequently in 2005, when China signed a civil nuclear cooperation agreement with Bangladesh, there was no protest from the US. China's recent move to enhance Pakistan's nuclear programme and sell it additional nuclear reactors has similarly evoked only muted US protest. If China succeeds in overcoming international objections it will have shown itself as an alternative world power to the US

A second instance was in June 1998, when US President Clinton, in a speech in Beijing, outlined the possibility of the two nations sharing responsibility in different areas of the Asia-Pacific to preserve world peace including nuclear non-proliferation. He singled out India and Pakistan for special mention as also Kashmir.

In 2008 China took this suggestion a step further. A senior PLA Navy officer told visiting US Admiral Keating, albeit half jocularly: 'You take Hawaii East, we'll take Hawaii West and the Indian Ocean. We'll share information and we'll save you all the trouble of developing your naval forces west of Hawaii'. The timing of this disclosure coincided with US efforts to co-opt Saudi Arabia and China in bailing out Pakistan, and when Beijing had adopted a visibly tougher stance against India.

This was followed by two summit meetings between US President Obama and Chinese President Hu Jintao in September and November 2009. Reporting on the summit meeting in Pittsburg on September 22, 'Xinhua' said Hu Jintao urged Obama that "the two countries should push for a proper resolution to the regional issues relating to the Korean Peninsula, Iran and South Asia". This was the first time that this suggestion was made by China at the highest level. The five-part joint statement, issued at the conclusion of US President Obama's visit to China on November 17,

2009, asserted: "both sides are ready to strengthen communication, dialogue and cooperation on issues related to South Asia and work together to promote peace, stability and development in that region". These reflect the US Administration's view that China will be a locus of power in the emerging new world order. The summit meetings also constitute the backdrop to Beijing's recent attitude on Kashmir. Other areas where India will come under pressure in the near future are Afghanistan and the nuclear issue.

Nevertheless, India must utilize the present advantageous international situation to build and expand relations with the US. As India consolidates relations with the US and broadens areas of cooperation, it will safeguard its strategic and territorial interests, including staying relevant in the larger Asian region and South Asia.

India can take initiatives in keeping the 'global commons', namely sea lanes of communication and over

flights, safe and open; in securing and policing cyberspace; and in the neutrality and disarmament of space. Cooperation would mean visibly enhancing cooperation with US and other navies in securing vital sea lanes in the South China Seas, Straits of Malacca and the Indian Ocean. India should strengthen the Andaman and Nicobar Tri-Command by augmenting air and sea power to facilitate long range aerial and sea patrols and adding a submarine base. Securing and policing cyberspace will yield multiple benefits. In addition to enhancing security of communications and essential services, it will facilitate the husbanding of resources and technology. The disclosure in mid-November that all US Federal civil and military internet traffic had been hijacked to China-based Chinese servers for an entire eighteen minutes represents an opportunity. Another area is science and technology and space. Cooperation in these areas would be of mutual benefit and put India on a higher plane of research and development.

Deep seated suspicions in Beijing of US intentions could impact on the India-China relationship. The growing warmth in US-India relations has become a source of apprehension for Beijing and generated numerous critical references by China's authoritative official media and analysts. This was reflected during the tension in US-China relations this July when the US-ROK joint military

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exercises were staged. A Hong Kong-based Chinese language paper then observed '...the issue of China's territorial disputes with neighbouring countries will ignite the flames of war sooner or later. If a country must be chosen for sacrifice, India will be the first choice...India's long term occupation of southern Tibet (Arunachal Pradesh) is indeed worrying...If armed force is used to resolve border disputes, China must pick a county to target first, and it will definitely pick a big country, which means choosing between Japan and India...'. At least six other critical references to India were noticed in China's official

media between July-August 2010, when tensions remained high because of the US-ROK exercises. Earlier references to Japan and India had added that China's relationship with both these countries have limits imposed by history.

It is in India's strategic interest to consolidate and expand its relationship with the US. Its physical proximity to China will be an important consideration as will the challenges anticipated to emerge over the next decade in India-China relations. India will need to recognize that in such situations the US will be a distant witness.



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