

MA International Relations in Historical Perspective

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One mountain, two tigers: an emerging Sino-Indian trade-security dilemma

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Abstract

Barring a brief period of postcolonial amity in the 1950s, the Sino-Indian relationship has largely been characterised by mutual suspicion and conflict. Diplomatic relations remained thin and economic interactions negligible. However since 2003, Beijing and New Delhi have forged a substantive trading relationship generating considerable optimism about resolving past disputes. Today, despite maintaining one of the largest 'South-South' trade relationships in the world, considerable asymmetries in bilateral trade have been exposed, adding a new source of friction to a long list of unresolved historical disputes. This thesis explores how growing Sino-Indian economic interdependence has shaped the past two decades of rapprochement. Using trade expectations theory and a systematic analysis of contemporary Indian political discourse, I demonstrate how the positive expectations of future trade that initially supported Sino-Indian rapprochement have now faded. This has manifested in increased bilateral tension over the past five years, in particular over Beijing's Belt Road Initiative, a dynamic that appears to conform to Copeland's trade-security dilemma.

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Introduction

Linked by the prosperous Himalayan trading routes of the ancient Silk Road, trade between India and China has existed since at least the early years of the Han dynasty,¹ with official intercourse established during the Later Han.² Sino-Indian trade continued through the early modern era,³ and by the late 1700s was flourishing, helping to finance colonial rule.⁴ Following their emergence as independent nation states in 1947 and 1949 respectively, and barring a brief period of postcolonial amity in the 1950s, economic interaction between India and China remained negligible until the turn of the 21st century. Ever since the collapse in diplomacy over the shared border and status of Tibet in the run up to the short but bloody 1962 war, bilateral trade was effectively precluded as relations between Asia's two most populous countries remained precarious, characterised by mutual suspicion, rivalry and conflict.

Relations only began to normalise following Rajiv Gandhi's visit to China in 1988, the first Indian Prime Minister to do so since his grandfather, Jawaharlal Nehru, in 1954. Deng Xiaoping told his Indian counterpart that if their respective countries fail to develop, "there will be no Asian century".⁵ In a speech in Beijing, Gandhi alluded to these ancient trade links in stating his belief that economic cooperation would help solve political conflict, and that

¹ Trade included the sale of Chinese silk textiles to India and Indian cotton to China, but also medicine, porcelain, aromatics, artefacts amongst other goods. See Dale, Stephen F. "Silk Road, Cotton Road Or.... Indo-Chinese Trade in Pre-European Times." *Modern Asian Studies*, vol. 43, no. 1, Cambridge University Press, 2009, pp. 79–88.

² Yu, Yingshi. *Trade and Expansion in Han China*. University of California Press, 1967, p. 154.

³ Particularly as the growth of maritime trade linked Chinese mainland to the Indian Ocean. See, Wade, Geoff. "Chinese Engagement with the Indian Ocean during the Song, Yuan, and Ming Dynasties (Tenth to Sixteenth Centuries)." *Trade, Circulation, and Flow in the Indian Ocean World*, edited by Michael Pearson, Palgrave Macmillan US, 2015, pp. 55–81.

⁴ By the late 1700s, the East India Company oversaw a triangular network where British manufactured goods, largely cotton textile products, were exported to India, Indian opium was exported to (and later smuggled into) China, and Chinese tea was exported to supply Britain's growing national obsession. See Chung, Tan. "The Britain-China-India Trade Triangle (1771-1840)." *The Indian Economic and Social History Review*, vol. 11, no. 4, SAGE Publications India, Jan. 1974, pp. 411–31.

⁵ Deng, Xiaoping, *A New International Order Should Be Established with the Five Principles of Peaceful Coexistence as Norms*, 21 December 1988, China.org.cn, www.china.org.cn/english/features/dengxiaoping/103340.htm. Accessed 29 March 2019.

India and China should ultimately reforge a partnership based on “cooperation in preference to rivalry, of interdependence in preference to beggaring the neighbour”.⁶

The relationship between economic interdependence and war is a central concern for historians and international relations theorists alike. In the liberal tradition, interdependence is broadly seen as a constraint on conflictual behaviour, summarised in the expression often attributed to Frédéric Bastiat ‘when goods do not cross borders, armies will’.⁷ Realists, on the other hand, contend that dependence amounts to vulnerability, an anathema for security-concerned states in an anarchic international system, and can thus lead to corrective and aggressive foreign policies. Dale Copeland’s model of trade expectations attempts to synthesise these conflicting paradigmatic assumptions by introducing expectations of the future benefits of trade as an additional variable. A more thorough review of this debate and of Copeland’s theory forms the basis of Chapter 1.

Given the volume of bilateral trade has until recently remained low, it is unsurprising most extant literature has focused instead on the geopolitical dimensions of the Sino-Indian relationship, both historical and contemporary. This fundamentally realist conception, which underappreciates the significance of geoeconomic factors in shaping the contours of the Sino-Indian relationship, will be discussed in greater detail in Chapter 2.

It was not until the 2003 visit of Atal Behari Vajpayee that Sino-Indian rapprochement would truly gather pace. The visit triggered a period of rapid trade growth, stability in bilateral relations, and liberal optimism that economic interdependence could resolve long-standing historical disputes. A growing body of scholarship has considered the impact of growing economic relations on Sino-Indian rapprochement. Here liberal views are easier to find. Chapter 3 summarises these views and shows how optimistic expectations of fast-growing trade underpinned Sino-Indian rapprochement.

⁶ From address at Tsinghua University, Beijing, on 21 December 1988 in “Prime Minister Rajiv Gandhi’s Visit to China.” *China Report*, vol. 25, no. 2, May 1989, pp. 187–200.

⁷ No actual record of this quote exists in Bastiat’s writings, however a variant - “If soldiers are not to cross international boundaries, goods must do so” - is included in a paper written by Otto Tod Mallery (See Mallery, Otto Tod. “Economic Union and Enduring Peace.” *The Annals of the American Academy of Political and Social Science*, vol. 216, 1941, pp. 125–134, p. 125.). For a discussion on attribution, see Snow, Nicholas. “If Goods Don’t Cross Borders... | Nicholas Snow.” Foundation for Economic Education, 26 October 2010, fee.org/resources/if-goods-dont-cross-borders/. Accessed 11 June 2019.

Three decades on from Deng's conversation with Rajiv Gandhi, few doubt that the Asian century has now dawned. China is now India's largest trading partner, and, whilst invocations of ancient friendship and optimistic visions of Sino-Indian economic cooperation remain a feature of diplomatic summits,⁸ profound sources of tension continue to cast a shadow over bilateral relations. Economic relations, previously a source of optimism and the foundation upon which rapprochement was built, are becoming a source of friction as imbalanced trade generates apprehension for India's future economic growth. Chapter 4 explores this widening imbalance and demonstrates how these trends have driven a negative view of the benefits of future bilateral trade with China.

Chapter 5 reviews how these negative expectations have manifested in vocal Indian opposition to Beijing's flagship foreign policy, the Belt Road Initiative (BRI). Since the election of Narendra Modi, Indian foreign policy is widely-seen to have realigned toward the US in a de facto policy of China containment. Whilst economic interdependence appeared initially to underpin Sino-Indian rapprochement, it is increasingly driving a perception of Indian vulnerability and causing bilateral conflict. Reconciling this incongruity is the central task of this thesis. Finally, Chapter 7 looks ahead, arguing that macroeconomic trends presage increasing Sino-Indian economic competition in the future.

Methodology

To demonstrate how growing economic interdependence has affected the relationship, I have conducted an analysis of the structure and direction of Sino-Indian trade since 2003 and a systematic review of Indian political discourse. Covering a spectrum of voices, I have drawn primary evidence from a variety of publicly-available sources to explore the differing trade

⁸ Ahead of his 2014 visit to New Delhi, President Xi Jinping echoed Deng's rallying call, calling upon "two engines of the Asian economy", China as the "world's factory" and India as the "world's back office", to foster an economic partnership to drive an "Asian century of prosperity". Modi echoed the optimistic tone with his speech, stating China and India could "reinforce each other's economic growth" and "give new direction and energy to the global economy". The visit took place just days after a reported incursion by People's Liberation Army troops at the contested border near Ladakh. See Xi, Jinping, "Towards an Asian Century of Prosperity." *The Hindu*, *The Hindu*, 17 September 2014, www.thehindu.com/opinion/op-ed/towards-an-asian-century-of-prosperity/article6416553.ece. Accessed 27 March 2019. and Modi, Narendra, "Press Statement by Prime Minister during the visit of President Xi Jinping of China to India", Ministry of External Affairs, Government of India, 18 September 2014, www.mea.gov.in/Speeches-Statements.htm?dtl/24014/. Accessed 27 March 2019.

expectations, biases and beliefs, across the press, parliament, government and academic commentators. Particular attention is played to discourse and rhetoric from political elites (executive and legislative), with supportive evidence from what we might call a wider policymaking establishment, that is think tanks, trade bodies and lobby groups, public intellectuals, academia, and the fourth estate, English-language Indian newspapers.

In assessing trade expectations, I have paid particular attention to the Ministry of Commerce, the Rajya Sabha Committee on Commerce and questions submitted to the Ministry of Commerce in the 16th Lok Sabha. Additional material is drawn from the Ministry of External Affairs. Whilst its brief is ostensibly limited to foreign policy, India's bilateral trade with China is nevertheless a matter of regular discussion.

• CHAPTER ONE •

Economic interdependence and trade expectations theory

Cognisance of the notion of global interdependence emerged in the aftermath of the first World War.⁹ Since then, interest in the relationship between economic interdependence and war has only grown, especially since international trade data has become more readily available and advances in computing power and statistical methods have enabled complex, large-N studies.¹⁰ Today, there are numerous approaches to conceptualising and measuring this relationship within the international relations discipline. Most however, still adhere to core assumptions from one side of the great paradigmatic debate between realism and liberalism.

Liberal approaches envisage deepening economic interdependence reducing the prospect of war. Whilst there are clearly nuances within the liberal approach, the fundamental assumption is that trade offers strong economic incentives and conflict carries significant opportunity costs (i.e. the inevitable disruption to trade).¹¹ As rational utility-maximisers, states that become economically independent have material incentives to avoid conflict. In essence, high trade pacifies international relations. Numerous empirical studies have addressed this causal

⁹ Jaap de Wilde distinguishes between *structural* and *cognitive* interdependence, that is to say the conditions of interdependence versus the awareness and internalisation of these conditions. Global interdependence has its origins during the age of European expansion in the 1500s, de Wilde argues, before gathering pace in the Industrial Revolution. Yet it is the end of the first World War and the formation of the League of nations that marks the true beginning of the era of interdependence, demonstrating “the world had become the ultimate unit of politics” and an attempt to develop a system of multinational governance. See de Wilde, Jaap, *Saved from Oblivion: Interdependence Theory in the First Half of the Twentieth Century. A Study on the Causality between War and Complex Interdependence*, Dartmouth Publishing, 1991. pp. 230-231.

¹⁰ See Pevehouse, Jon C. “Trade and Conflict: Does Measurement Make a Difference?” *Economic Interdependence and International Conflict: New Perspectives on an Enduring Debate*, edited by Edward Mansfield and Brian M. Pollins, University of Michigan Press, 2003, pp. 239–253.

¹¹ For example, Richard Rosencrance argues that whereas historically warfare and territorial expansion could offer a state the route to material riches, modern international relations are characterised by interdependence and the costs of modern warfare and the benefits from trade and investment disincentivise military conquest and imperial expansion. See Rosencrance, Richard N. *The Rise of the Trading State: Commerce and Conquest in the Modern World*, Basic Books, 1986.

relationship in historical context, adding conditional variables such as democracy, contiguity and size.¹²

Within the realist paradigm, in which a state's primary goal in the anarchic international system is to maximise its security, economic dependence is viewed as a vulnerability.¹³

Albert Hirschman offered an early insight into how states can exploit their dominant position in a bilateral trading relationship to enhance their relative national power.¹⁴ Neorealists such as Kenneth Waltz suggest states can feel insecure about the relative gains from mutually-beneficial cooperation rather than absolute gains, avoiding economic dependence on third parties. When faced with the possibility of mutually-profitable cooperation, states "are compelled to ask not "Will both of us gain?" but "Who will gain more?... [as] one state may use its disproportionate gain to implement a policy intended to damage or destroy the other."¹⁵ The stronger party in an asymmetrical trading dyad faces fewer restraints on coercive action than the weaker party. Robert Keohane and Joseph Nye's notion of complex interdependence builds on this idea, suggesting economic interdependence can lead to competition "even when large net benefits can be expected from cooperation".¹⁶ Katherine

¹² For example, Solomon Polachek demonstrates a causal negative relationship between trade and conflict showing that doubling the level of trade leads to a 20% reduction in hostilities. A later Polachek study conducted with John Robst and Yuan-Ching Chang includes additional variables to demonstrate that protectionist policies can increase the risk of conflict and that trade between larger countries reduces conflict more than trade with smaller countries. See Polachek, Solomon William. "Conflict and Trade." *The Journal of Conflict Resolution*, vol. 24, no. 1, 1980, pp. 55–78 and Polachek, Solomon William, John Robst and Yuan-Ching Chang. "Liberalism and Interdependence: Extending the Trade-Conflict Model." *Journal of Peace Research*, vol. 36, no. 4, SAGE Publications Ltd, July 1999, pp. 405–22.

Bruce Russett and John Oneal add the variables regime governance models and membership of international organisations to the economic significance of bilateral trade, statistically demonstrating that democracies maintain high levels of bilateral trade and are members in multilateral organisations are less likely to go to war than those that do not. See Russett, Bruce and John R. Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations*, W.W. Norton, 2001.

Oneal et al. demonstrate that economic interdependence significantly reduces the likelihood of conflict between contiguous states these having a higher incidence of conflict, often over territory and shared borders. See Oneal, John R., Frances H. Oneal, Zeev Maoz, and Bruce Russett. "The Liberal Peace: Interdependence, Democracy, and International Conflict, 1950-85." *Journal of Peace Research*, vol. 33, no. 1, 1996, pp. 11–28.

¹³ Offensive realism maintains that the inherently competitive nature of anarchic international system encourages power-maximising behaviour and the pursuit of hegemony. For example, regarding trade, the founder of offensive realism John Mearsheimer states: "Great powers must be forever vigilant and never subordinate survival to any other goal, including prosperity." See Mearsheimer, John J. *The Tragedy of Great Power Politics*. W.W. Norton, 2001, p. 371.

¹⁴ Hirschman, Albert, *National Power and the Structure of Foreign Trade*, University of California Press, 1945.

¹⁵ Waltz, Kenneth Neal. *Theory of International Politics*. Random House, 1979, p. 105.

¹⁶ Keohane, Robert Owen, and Joseph S. Nye. *Power and Interdependence: World Politics in Transition*. Little, Brown, 1977, pp. 10-11.

Barbieri finds economic interdependence increases the likelihood of militarised bilateral disputes, but does not lead to a higher incidence of outright war.¹⁷

Convincing arguments have been advanced to support both approaches. Copeland attempts to reconcile these apparently divergent understandings of interdependence with his theory of trade expectations. Copeland accepts the liberal position that economic interdependence can foster peace but rejects their assumption that only unit-level (i.e. state-specific) factors, such as nationalism, are responsible for conflict, with trade serving only as a restraint on such domestic pathologies.¹⁸ Copeland also rejects offensive realism¹⁹ for its failure to explain why states choose to enter interdependent dyads, suggesting this approach overplays the vulnerabilities that trade engenders and neglects the imperative nature of trade to a state's economic survival.²⁰

Instead he situates his model in the defensive realist notion of the security dilemma. Rather than focussing solely on the traditional military security dilemma, Copeland introduces the concept of the trade-security dilemma. A trade-security dilemma exists where a state is concerned about its access to trade and/or resources. Attempt to rectify this perceived vulnerability requires a projection of power to secure access to these resources, trade routes, investments etc. This may be perceived as an act of aggression by the other state in the dyad, thereby triggering a trade-security spiral.

The primary theoretical shortcoming of liberal and realist approaches to interdependence, Copeland argues, is their static nature, focussing on the effects of trade in the past and/or at present. Trade expectations adds a forward-looking, dynamic variable to help conceptualise state behaviour in a given dyad, focussing on actors' expectations of the future trading environment, rather than present or past gains. Specifically, positive expectations of future

¹⁷ Barbieri, Katherine. "Economic Interdependence: A Path to Peace or a Source of Interstate Conflict?" *Journal of Peace Research*, vol. 33, no. 1, 1996, pp. 29–49.

¹⁸ Copeland, p. 428.

¹⁹ Offensive realism maintains that the inherently competitive nature of anarchic international system encourages power-maximising behaviour and the pursuit of hegemony. For example, regarding trade, the founder of offensive realism John Mearsheimer states: "Great powers must be forever vigilant and never subordinate survival to any other goal, including prosperity." See Mearsheimer, John J. *The Tragedy of Great Power Politics*. W.W. Norton, 2001, p. 371.

²⁰ Copeland, pp. 8–9.

benefits from trade make leaders “incline to peace” and that “it does not matter whether past and current levels of commerce have been high if leaders believe they are going to be cut off tomorrow or in the near future.”²¹

Copeland’s outlines a feedback loop, whereby a state’s future expectations of trade influence its evaluation of its overall security situation. This in turn dictates the state’s behaviour (on a hardline - softline spectrum). Thus an optimistic assessment of future trade leads to benign behaviour whereas negative assessments of future trade makes a state feel pessimistic about their long-term security position, rendering it more likely to act in a hardline manner or initiate conflict in an effort to defend its perceived interests. Hardline behaviour is interpreted as aggressive by the other state in the dyad, in turn affecting its policy choices and hence a negative trade-security spiral can develop (see Figure 1). Given most trading relationships are asymmetrical, Copeland’s theory pays particular attention to the more dependent state in any given dyad, as they are more likely to initiate conflict in an effort to redress their perceived relative vulnerability.²²

²¹ Copeland, p. 16.

²² Copeland, p. 33.

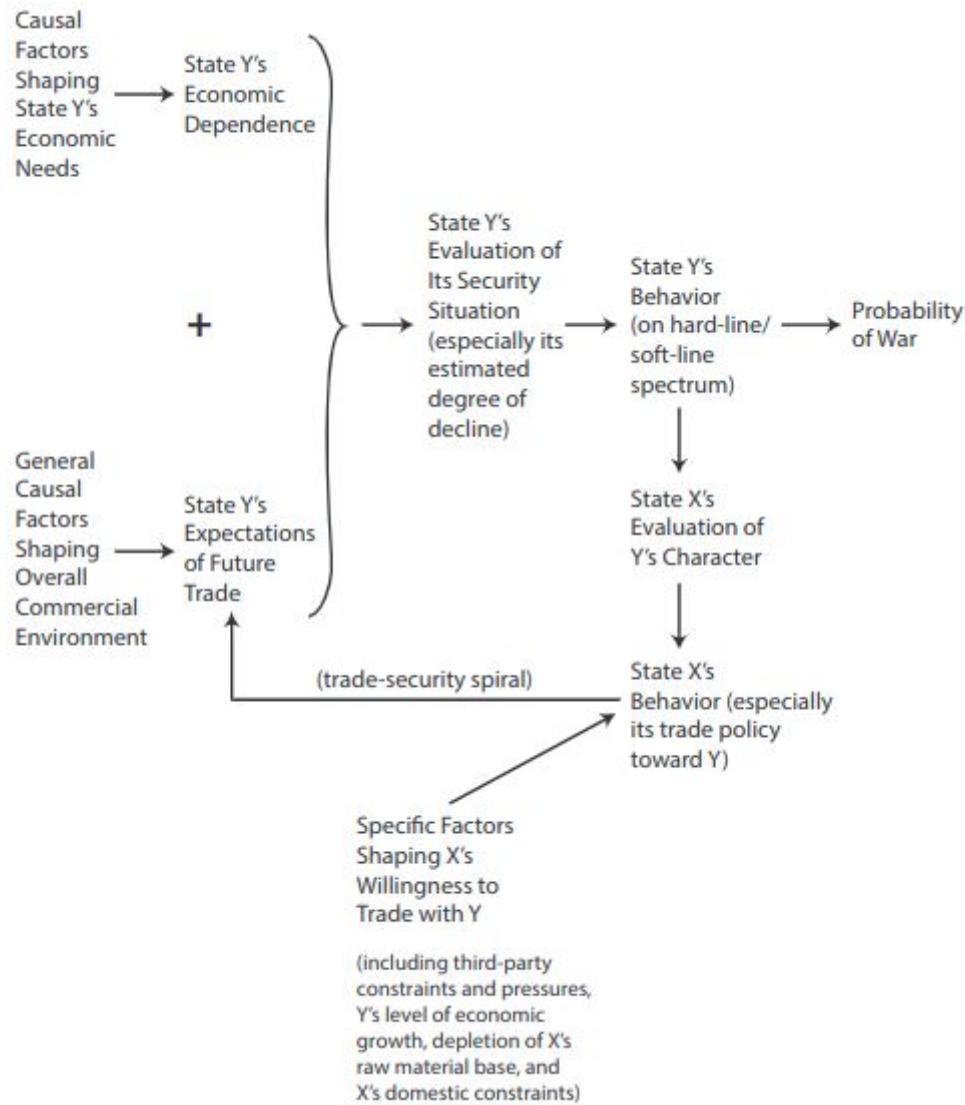


Figure 1. Copeland's trade expectations model.²³

Copeland's theory acknowledges additional exogenous factors can influence a state's expectations for future trade. Two are particularly pertinent for Sino-Indian case and therefore this thesis:

1. Rapid economic growth of the more dependent state may reduce the relative economic strength of the lesser dependent party causing it to look to restrict or contain the dependent state's economic growth with measures that are likely to risk a trade-security spiral.

²³ Copeland, p. 49.

2. Competing demand for depleting raw materials may lead to competition over foreign resources.²⁴

Trade expectations theory is not without its limitations however. Undoubtedly, measuring trade expectations is problematic due to their inherent subjectivity. Jack Snyder suggests a more objective foundation based on empirical trade data (trends and vulnerability) may offer more “crisply testable” evidence.²⁵ In light of this critique, I have sought to include both qualitative assessments of Indian trade expectations, as well as empirical data outlining the structure and direction of Sino-Indian trade.

²⁴ Copeland, pp. 45-46.

²⁵ Snyder, Jack. “Trade Expectations and Great Power Conflict—A Review Essay.” *International Security*, vol. 40, no. 3, MIT Press, Jan. 2016, pp. 179–96.

• CHAPTER TWO •

The geopolitical roots of rivalry

Competing paradigms

Academic study of India and China together has increased markedly since the turn of the 21st century.²⁶ Vincent Wang offers three contending paradigms to understanding Sino-Indian dyad - geopolitical, geoeconomic and geo-civilisational. For Wang, the geopolitical paradigm necessarily entails realist assumptions about the zero-sum logic of balance of power politics and overlapping spheres of influence that lead to mutual suspicion and a classic security dilemma. Viewed through a geoeconomic lens, interconnectivity and economic complementarity offer India and China the prospect of mutually-beneficial growth and the promise of a cooperative relationship. Finally, the geo-civilizational paradigm offers a reflectivist, rather than rationalist prism through which to understand Sino-Indian relations, where ancient cultural, spiritual and civilizational connections form the basis of the relationship, rather than material interests.²⁷

From their near-simultaneous birth as modern nation states in the mid-twentieth century, positive Sino-Indian diplomacy has indeed accentuated ancient cultural linkages and friendship. Jawaharlal Nehru's personal affection for China and its history²⁸ helped underpin

²⁶ Bibliometric analysis shows the volume of English-language scholarship on India and China has undergone marked growth: whereas the 1980s saw an average of 66 publications a year, from 2000 to today, an average of 546 articles and books are published annually. Data sourced from the *Worldcat.org* database, searching for articles and books with "China" and "India" or "Sino-Indian" in the title. Whilst the data includes works from other disciplines, the most popular categories over this period (1950 - present) are history, economics and political science. This revises and updates an earlier bibliometric analysis conducted by Arunabh Ghosh that showed a similar trend. See Ghosh, Arunabh. "Before 1962: The Case for 1950s China-India History." *The Journal of Asian Studies*, vol. 76, no. 3, Cambridge University Press, August 2017, pp. 697–727.

²⁷ Wang, Vincent Wei-Cheng. "'Chindia' or Rivalry? Rising China, Rising India, and Contending Perspectives on India-China Relations." *Asian Perspective*, vol. 35, no. 3, Lynne Rienner Publishers, 2011, pp. 437–69, pp. 460–462.

²⁸ Nehru's interest in ancient Chinese history is apparent in the letters he wrote to his daughter, Indira Ghandi, during his time in colonial prisons in the early 1930s. Throughout the letters, later published as a collection in *Glimpses of World History*, Nehru places China and India at the centre of Asian history, referring to China as "India's sister in ancient history" (p. 28) and as "the two cradles of ancient civilization" (p. 180). See Nehru, Jawaharlal. *Glimpses of World History: Being Further Letters to His Daughter, Written in Prison, and Containing a Rambling Account of History for Young People*. John Day Company, 1942.

the harmonious diplomacy of the early 1950s, encapsulated in the famous slogan “Hindi-Chini bhai-bhai” (India and China are brothers).²⁹ During the long period of diplomatic rapprochement, leaders of both countries frequently and consciously spoke of their countries’ deep civilisational ties and 2000 year old friendship.³⁰ The 2018 Wuhan summit was no exception, Modi likening China’s ancient riparian civilisations to those of the Indus valley,³¹ and Xi stating that India and China should work together for the revival of Eastern civilizations.³² Whilst these civilizational discourses may be useful at diplomatic summits, attempting to analyse contemporary Sino-Indian relations in this paradigm yields little insight.

Tansen Sen argues that the rhetoric of ancient Sino-Indian brotherhood, with its roots in the romantic solidarity of pan-Asianism, has offered leaders a convenient diplomatic tool for sidestepping contentious issues at summits, but has proven wholly insufficient for actually resolving material political disputes.³³ Furthermore, diplomatic statements invoking civilizational fraternity are unlikely to reflect the reality of foreign policy thinking in either Beijing or New Delhi. However, despite the rhetoric of fraternity, Wang argues that only a minority of analysts use the geo-civilizational paradigm. His analysis on the perspectives of political, security and economic elites in China and India, suggests that the vast majority view bilateral relations through the geopolitical, and a minority through the geoeconomic paradigm.³⁴ Consequently, this thesis will only address these two approaches. The remainder

²⁹ Malone, David M., and Rohan Mukherjee. “India and China: Conflict and Cooperation.” *Survival*, vol. 52, no. 1, Routledge, Mar. 2010, pp. 137–58, p. 138.

³⁰ For example, when asked about India-China relations by journalists in 2004, Chinese Premier Wen Jiabao stated that the two countries “enjoyed friendly relations lasted 2,000 years, or 99.9% of total time of our interactions...the conflicts between our two countries only lasted two years, or less than 0.01% of total time of our interactions. Even in the case of conflicts, we could always beat swords into ploughs.” See “Premier Wen Jiabao's Press Conference at the Conclusion of the Second Session of the 10th National People's Congress (NPC)”, Ministry of Foreign Affairs of the People's Republic of China, 15 March 2004.

www.fmprc.gov.cn/mfa_eng/topics_665678/lianghuizhuanti_665904/t80119.shtml. Accessed 29 March 2019.

³¹ Patronabis, Sutirtho. “History as PM Modi, Xi Jinping Meet in China’s Wuhan to Review Bilateral Ties.” *Hindustan Times*, 27 Apr 2018,

www.hindustantimes.com/india-news/history-as-pm-modi-xi-jinping-meet-in-china-s-wuhan-to-review-bilateral-ties/story-mS3humF5aSPSoxJVP2661H.html. Accessed 29 March 2019.

³² “Xi Jinping Meets with Prime Minister Narendra Modi of India”, Ministry of Foreign Affairs of the People's Republic of China, 27 April 2018. www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1556015.shtml. Accessed 29 March 2019.

³³ Sen, Tansen. “The Bhai-Bhai Lie: The False Narrative of Chinese-Indian Friendship.” *Foreign Affairs*, 11 July 2014, www.foreignaffairs.com/reviews/review-essay/bhai-bhai-lie. Accessed 29 March 2019.

³⁴ Through his fieldwork Wang estimates 85% of Chinese elites adopt the geopolitical paradigm, a minority adopting the geoeconomic paradigm with virtually none adhering to the geocivilizational paradigm. For Indian

of this chapter synthesises extant literature assessing geopolitical factors. Chapter 4 will assess geoeconomic relations.

An evolving security dilemma

For most of their modern histories, the contours of the Sino-Indian relationship have been shaped by a series of political disputes and the volume of trade between India and China during this period was negligible. Consequently, much of this increasingly rich body of literature predominantly assess both the historical and contemporary relationship through a geopolitical prism, seeing rivalry, conflict and mistrust. Understanding these causes of rivalry is vital because historical issues continue to reverberate today and their underlying causes are creating new conflicts today.

John Garver argues that there are two ‘taproots’ of Sino-Indian conflict: the clash of modern nationalisms and a fundamental security dilemma.³⁵ Indian nationalism sees its regional influence as rooted in ancient linguistic, religious and cultural influence spread across the subcontinent, the Himalayan kingdoms, and further afield, from Southeast Asia to Persia and Central Asia. Modern Chinese nationalism views its large historical sphere of influence as originating from the tributary system covering large portions of Asia.³⁶ These overlapping conceptions of spheres of influence are a source of friction. Malik argues that contemporary Han and Hindu nationalisms rest on the restoration of ancient civilisational glory and “the biggest obstacle to Sino-Indian amity is that both countries aspire to the same things at the same time on the same continental landmass and its adjoining waters.”³⁷ The combination of a power rivalry and national identity as remerging great civilizational powers is driving India and China to competition.³⁸

elites, the story is similar, with roughly 60% of elites seeing Sino-Indian relations through the geopolitical paradigm, 30% through geoeconomic, and 10% through the geocivilizational. See Wang, p. 462.

³⁵ Garver, John W. *Protracted Contest: Sino-Indian Rivalry In the Twentieth Century*. University of Washington Press, 2002, p.11.

³⁶ Ibid. pp. 11-16

³⁷ Malik, Mohan, *China and India: Great Power Rivals*. Lynne Rienner Publishers, 2011, p. 133, pp. 5-9.

³⁸ Malik, Mohan, “India-China Relations in the 21st Century: The Continuing Rivalry, *Securing India’s Future in the New Millennium*, edited by Brahma Chellaney. Orient Blackswan, 1999, pp. 337-391, p. 388.

Tibet illustrates this point well, holding both a strategic and cultural significance to both countries.³⁹ The annexation of Tibet in 1951 brought the Chinese into contact with India at the ambiguously demarcated colonial-era McMahon line,⁴⁰ amounting to the removal of New Delhi's long-standing Himalayan 'buffer'. Tibet was widely seen as sharing cultural and linguistic ancestry with ancient Indian civilizations. Modern Chinese nationalism, on the other hand, envisions the annexation of Tibet as the reclamation of former Chinese territory and essential for the unification of the so-called 'five races' of China.⁴¹ Beijing saw the resource-rich Tibet as under-developed and feudal,⁴² with Chinese historians presenting pre-1950s lama rule as cruel and despotic.⁴³ Even today Beijing claims the 'liberation' of Tibet ended a period of premodern serfdom, described as "bondage and abuse...resembling the Middle Ages".⁴⁴ Nehru's support for Tibetan autonomy in the 1950s was seen by Mao as a bourgeois effort to uphold an antiquated social system, reflecting the "reactionary class nature" of Indian elites.⁴⁵ Maoist repression in Tibet would eventually lead to the Spring 1959 uprising, resulting in the Indian government granting the Dalai Lama political refuge in Dharamshala, drawing Beijing's ire in doing so.⁴⁶ Today, whilst Tibet is no longer the locus of Sino-Indian tension it once was, the issue may well be revived as China seeks to control the Dalai Lama's succession.

³⁹ Dawa Norbu writes that for both New Delhi's secular political elite and the Hindu masses, religious reverence for the Himalayas played a significant part in Indian thinking about the boundary dispute and the 1962 war. Contemporary analyses are guilty of what Norbu "retrospective determinism", overplaying rationalist interpretations and underappreciating the role of religio-cultural sensitivities in Indian policymaking on the border issue. See Norbu, Dawa. *China's Tibet Policy*. Routledge, 2012, p. 432.

⁴⁰ Sidhu, Waheguru Pal Singh, and Jing Dong Yuan. *China and India: Cooperation Or Conflict?*, Lynne Rienner Publishers, 2003, p. 11.

⁴¹ Sidhu, p. 12.

⁴² Malik, *Great Power Rivals*, p. 133.

⁴³ John Powers contrasts keywords from competing Tibetan and Chinese histories of life before 1950, which Chinese sources describing as "barbaric", "oppressive" and "hell on earth". See Powers, John. *History As Propaganda: Tibetan Exiles versus the People's Republic of China*. Oxford University Press, 2004, pp. 18-20.

⁴⁴ "60 Years On, Democratic Reform Leads to a Modern Tibet", The State Council Information Office of the People's Republic of China, 28 March 2019.

english.scio.gov.cn/whitepapers/2019-03/28/content_74621128.htm. Accessed 8 April 2019.

⁴⁵ Garver, John W. *Protracted Contest*, pp. 37- 40.

⁴⁶ In Beijing this was viewed as a deeply provocative act, reneging on the promises of the 1954 Panchsheel agreement. Mao understood Indian support for Tibetan refugees, including public protests political criticism of China, evidence of New Delhi's interference in Chinese affairs and Indian expansionism. See Garver, John W., 'China's Decision for War with India in 1962', *New Directions in the Study of China's Foreign Policy* edited by Alastair Iain Johnston and Robert S. Ross, Stanford University Press, 2006, pp. 86-130, p. 93-94.

Tibet would soon expose the superficiality of the embryonic postcolonial Sino-Indian partnership, ultimately contributing to the outbreak of war in 1962. In the immediate postwar period, India's humiliating defeat drove New Delhi to double its defence budget,⁴⁷ increase domestic arms manufacturing the purchase of Soviet weaponry,⁴⁸ the deployment of ten mountain divisions along the border and increasing infrastructure around the border.⁴⁹ Tension would soon erupt again.⁵⁰ In the longer term, the war has left an indelible mark on Sino-Indian perceptions. Maxwell argues the "wounded memory of their country's humiliation" continues to drive New Delhi's "distrustful animus" toward Beijing.⁵¹ For Yang Lu, the war has left a "psychological hurdle" for India in its dealings with China, and an "enduring Indian perception that China is not to be trusted" that continues to inform public and media discourse about the border issue and anxiety over China's rise more broadly.⁵² Zhiquan Zhu agrees, stating that India is "yet to move beyond its victim mentality" and over its "1962 Complex".⁵³ Garver states that the war caused a radical shift in Indian opinion about China and the "realpolitik lessons of 1962 remain at the core of mainstream Indian thinking about China."⁵⁴

Contemporary Chinese and Indian national identity, Yang Lu suggests, is largely centered around their status as developing countries, leading to the prioritisation of domestic socioeconomic development. Contrary to realist views commonly-held by Western and Indian observers, Yang argues, Beijing views a prosperous India as positive for China's economic development, helping to counterbalance US influence in Asia.⁵⁵ Another factor driving cooperation for Yang is India and China's identity as rising powers. As

⁴⁷ Raju G. C. Thomas. "The Armed Services and the Indian Defense Budget." *Asian Survey*, vol. 20, no. 3, University of California Press, 1980, pp. 280–97, pp. 286–288.

⁴⁸ Marwah, Onkar. "India's Military Intervention in East Pakistan, 1971–1972." *Modern Asian Studies*, vol. 13, no. 4, Cambridge University Press, Oct. 1979, pp. 549–80, p. 554.

⁴⁹ Taylor Fravel, M. *Strong Borders, Secure Nation: Cooperation and Conflict in China's Territorial Disputes*. Princeton University Press, 2008, p. 197.

⁵⁰ Fighting occurred in 1967 at Nathu La and Cho La, where highly-trained and well-equipped Indian successfully repelling Chinese incursions, with fatalities in the low hundreds. Van Praagh, David. *Greater Game: India's Race with Destiny and China*. McGill-Queen's Press, 2003, p. 301.

⁵¹ Maxwell, Neville, "Forty Years of Folly: What Caused the Sino-Indian Border War and Why the Dispute Is Unresolved", *Critical Asian Studies*, vol. 35, no. 1, Routledge, Mar. 2003, pp. 99–112, p. 99.

⁵² Yang, Lu. *China-India Relations in the Contemporary World: Dynamics of National Identity and Interest*. Routledge, 2016, p. 114.

⁵³ Zhiquan, Zhu. "China-India Relations in the 21st Century: A Critical Inquiry." *Indian Journal of Asian Affairs*, vol. 24, no. 1/2, Manju Jain, 2011, pp. 1–16, p.6

⁵⁴ Garver, *Protracted Contest*, p. 29.

⁵⁵ Yang, p. 94.

status-conscious powers, neither wish to see their reputation damaged, proving a powerful normative restraint on conflictual behaviour.⁵⁶ Despite this, Yang concedes that on issues of security and regional influence, New Delhi and Beijing operate from a fundamentally realist conception of self-help and the balance of power, particularly regarding India's increasing alignment with the US and the issue of Indian hegemony in South Asia.⁵⁷

For many authors, the security dilemma remains just as pertinent today. Malik states: "Faced with exponential growth in China's power and influence, India feels the need to take counterbalancing measures and launch strategic initiatives to emerge as a great power, but these are perceived as challenging and threatening in China."⁵⁸ Today, a new front has opened in the Sino-Indian security dilemma, namely China's expanding influence in the Indian Ocean region. Indian efforts to restrict this expanding Chinese influence will necessarily challenge the security perceptions of China.⁵⁹ Added to this are the rapidly modernising naval capabilities of both India and China, and Beijing's need to keep trade 'choke' points open in the Indo-Pacific.⁶⁰

Malik states Beijing's strategy toward India can be understood as a policy of "encirclement", "envelopment" and "entanglement", denying it the peaceful environment in which to continue its development. By maintaining influence in India's neighbourhood and leaving the border dispute unresolved, Beijing keeps the threat of war across two fronts open, focussing New Delhi's attention and resources on security, thereby retarding its economic development.⁶¹ Historically, this policy took the form of diplomatic and military assistance to Pakistan, offering support in both the 1965 and 1971 Indo-Pakistani wars.⁶²

⁵⁶ Ibid, pp. 56-57.

⁵⁷ Ibid, p. 79

⁵⁸ Malik, *Great Power Rivals*, p. 110.

⁵⁹ Garver, *Protracted Contest*, p. 16.

⁶⁰ Raja Mohan, C. *Samudra Manthan: Sino-Indian Rivalry in the Indo-Pacific*. Brookings Institution Press, 2012, p.6.

⁶¹ Malik, *Great Power Rivals*, p. 108.

⁶² Pakistan had offered diplomatic support to Beijing's efforts to win representation at the United Nations. supported Beijing's attempts to win representation at the United Nations since the early 1960s, and ceded 5,000sq kilometers of Kashmiri territory to China in 1963. Most significantly, Beijing offered Islamabad considerable military and diplomatic assistance in the 1965 Indo-Pakistani war. See Kemenade, W. van "The Fragile Pakistani State: Ally of the United States and China", *Clingendael Institute*, 2008, www.clingendael.org/sites/default/files/pdfs/20080300_cdsp_paper_kemenade.pdf. Accessed 15 April 2019.

This policy continues with Beijing seeking to stymie India's rise and preclude its emergence as a regional hegemon, Iskander Rehman argues. He states that China's military and economic assistance to Pakistan, including recent BRI initiatives, are a source of deep concern in India. Beijing's strategy is to divert New Delhi's attention away from East Asia by keeping Pakistan as a "proxy deterrent" in India's neighbourhood.⁶³ Such views are widely held in the Indian defence establishment - the late K.K. Nayyar, former vice admiral in the Indian navy and founding president of the influential Observer Research Foundation think tank, sees India's "politico-military encirclement" in South Asia and the Indian Ocean. He articulates a fear that China will be "soft" towards India for the first two decades of the 21st century, during which time its military and economic power would exponentially increase, before the dragon will "bare its fangs".⁶⁴

In response, New Delhi has moved to a strategy of "counter-containment" with the support of Western powers.⁶⁵ Similarly, Scott argues both New Delhi and Beijing seek to constrain each other's rise through "mutual encirclement and alliances/proxies". He describes India's "contagement" strategy toward China - aligning with the US and Japan in seeking to restrict rising Chinese influence, yet also seeking to bilaterally engage and cooperate with Beijing, all whilst seeking to bolster its own influence in South Asia and the Indian Ocean.⁶⁶ Van Praagh suggests India's "race against destiny and China" is part of a great geopolitical 'game', as New Delhi's status as a large, pluralist democracy in Asia make it an increasingly useful US ally in containing rising Chinese power.⁶⁷ Malik argues New Delhi has embarked upon a 'multi-alignment' strategy to advance its own rise as a world power "weaving a web of mutually inseparable relationships" whilst seeking to avoid overt alignment. Strengthening the partnership with the US sits at the centre of this strategy, though it is balanced with closening ties to powers such as Russia, South Korea, Japan, Vietnam, Indonesia, and Australia.⁶⁸

⁶³ Rehman, Iskander. "Keeping the Dragon at Bay: India's Counter-Containment of China in Asia." *Asian Security*, vol. 5, no. 2, Routledge, June 2009, pp. 114–43.

⁶⁴ Nayyar, K.K., "China - Capability, Intentions and Security Threats", *Securing India's Future in the New Millennium*, edited by Brahma Chellaney. Orient Blackswan, 1999, pp. 392-414, p.409

⁶⁵ Rehman.

⁶⁶ Scott, David. "The Great Power 'Great Game' between India and China: 'The Logic of Geography'." *Geopolitics*, vol. 13, no. 1, Routledge, Feb. 2008, pp. 1–26.

⁶⁷ Van Praagh, David. *The Greater Game: India's Race with Destiny and China*. McGill-Queen's Press - MQUP, 2003.

⁶⁸ Malik, *Great Power Rivals*, p. 405.

Whilst remaining a foreign policy priority, China remains a secondary threat after Pakistan for India.⁶⁹ With a long history of Indo-Pakistani conflict, Islamabad remains a ‘bogeyman’ in the Indian popular imagination.⁷⁰ This is reflected in the amount of attention paid to the issue of Pakistani-supported terrorism in the 2019 Indian elections, in which China was conspicuously absent.⁷¹ Whilst popular politics may focus on Pakistan, the ‘China debate’ is more active in Indian policymaking circles than at any time since 1962, according to Malik, linked to wider themes such as India’s rising status and its regional and international role position.⁷²

In contrast, Chinese analysts dismissed India as a “peer competitor”, according to Jingdong Yuan, though they are now paying increased attention to New Delhi as its aspirations for great power status and its partnership with the US grow, particularly in the context of Indian military modernisation. Despite this increased attention, Beijing is relatively sanguine on the threat posed by India to its interests.⁷³ Similarly, Yang argues an emerging US-India partnership represents Beijing’s greatest area of concern.⁷⁴ Similarly, Zhiquan Zhu states Chinese strategic thinking does not recognise India as a global power or a “credible challenger” to its status.⁷⁵ Susan Shirk, an influential scholar on Chinese politics and former senior official in the US State Department, characterises such attitudes as “smug”.⁷⁶

⁶⁹ Sidhu and Yuan argue that domestic perceptions of China in India are characterised by indifference and that the main security threat in the Indian imagination remains Pakistan. Sidhu and Yuan, p. 110.

⁷⁰ 63% of Indians see Pakistan as a very serious threat according to Spring 2018 Pew Global Attitudes Survey. See Devlin, Kat, “A Sampling of Public Opinion in India”, *Pew Research Centre*, March 2019. www.pewresearch.org/global/2019/03/25/a-sampling-of-public-opinion-in-india/. Accessed 29 May 2019.

⁷¹ Deepu, Sebastian Edmond, “India Election: Modi, Gandhi and the Chinese Dragon in the Room.” *South China Morning Post*, 6 April 2019, www.scmp.com/week-asia/politics/article/3004922/india-election-modi-and-gandhi-ignore-chinese-dragon-roo m.

⁷² Malik, *Great Power Rivals*, p. 37.

⁷³ Jingdong, Yuan, “The Dragon and the Elephant: Chinese-Indian Relations in the 21st Century.” *The Washington Quarterly*, vol. 30, no. 3, Routledge, July 2007, pp. 131–44.

⁷⁴ Yang, p. 119.

⁷⁵ Zhiquan, Zhu. “China-India Relations in the 21st Century: A Critical Inquiry.” *Indian Journal of Asian Affairs*, vol. 24, no. 1/2, Manju Jain, 2011, pp. 1–16, p. 11.

⁷⁶ Shirk, Susan “One-Sided Rivalry: China’s Perceptions and Policies Toward India”, *The India- China Relationship: What the United States Needs to Know*, edited by Francine R. Frankel and Harry Harding. , Oxford University Press, 2004, pp. 75-102, p. 75.

Shaun Randol suggests Sino-Indian animosity is greatly exaggerated in Western scholarship, arguing Chinese elites have accepted India's rise and its great power aspirations and view India as a potential partner.⁷⁷ This seems somewhat optimistic. Garver suggests there is a deliberate Chinese strategy to censor public discussion framing India as a security threat in order not to push India closer to the US.⁷⁸ Ma Jiali believes popular and elite opinion in both countries points towards a cooperative future, as "more and more Chinese" are accepting India's rise and acknowledging that "denigrating or neglecting" India is unwise. This is mirrored in India where public and political establishment desire improved ties with China, according to Ma.⁷⁹ However, as Minxin Pei argues, there is a "latent hostility" toward India at the mass level in China. Analysis of India's rise in Chinese academia and policymaking elite is poor, overly focussed on India's role as a "strategic counterweight" in the US-led grand strategy of Chinese containment, and under-appreciative of India's achievements and ongoing economic rise.⁸⁰ As Chinese mass media has become increasingly commercialised, Yang claims it has become negative in its portrayal in India.⁸¹ Indeed, a recent English-language video produced by *Xinhua*, the Chinese state media outlet, drew significant criticism for its overtly racist stereotyping of Indians.⁸²

In conclusion, academic discourse has tended to portray a fundamentally rivalrous relationship riven with mutual suspicion. Renaud Egretteau summarises this realist conception of the dyad, concluding that the enduring rivalry is based on "competing ideological and strategic agendas, strong perceptual gaps and cultural mistrust, and above all on a territorial dispute that remains unsettled".⁸³ Tibet, the border dispute, the Sino-Pakistani entente, and many other sources of historical animosity that I do not have space to discuss here, continue

⁷⁷ Randol, Shaun. "How to Approach the Elephant: Chinese Perceptions of India in the Twenty-First Century." *Asian Affairs*, vol. 34, no. 4, Taylor & Francis, Ltd., 2008, pp. 211–26.

⁷⁸ Garver, John. "Asymmetrical Indian and Chinese Threat Perceptions." *Journal of Strategic Studies*, vol. 25, no. 4, Routledge, Dec. 2002, pp. 109–34.

⁷⁹ Ma Jiali, 'Is Competitive Partnership between China and India Viable?' in Zhang Yunling. *Making New Partnership : A Rising China and Its Neighbors*, Paths International, 2008, pp. 177 - 191, pp. 188-189..

⁸⁰ Minxin Pei, 'Dangerous Misperceptions: Chinese Views of India's Rise', *India in Transition*, Centre for Advanced Study of India, 23 May 2011. <https://casi.sas.upenn.edu/iit/pei>.

⁸¹ Yang, p. 97.

⁸² Patranobis, Sutirtho. "Doklam Standoff: China's Xinhua Agency Releases Racist Video Parodying Indians." *Hindustan Times*, 16 August 2017, www.hindustantimes.com/world-news/doklam-standoff-chinese-media-releases-racist-video-parodying-indians/story-eOCqrkLsrcueW7hA1zmrjO.html.

⁸³ Egretteau, Renaud. "The China–India Rivalry Reconceptualized." *Asian Journal of Political Science*, vol. 20, no. 1, Routledge, Apr. 2012, pp. 1–22, p. 18.

to reverberate today. Given substantive bilateral trade is only a relatively recent phenomenon, it is not surprising economic interactions barely feature in many of these assessments. Today, however, there is growing academic interest in trade and its impact on Sino-Indian relations, and these will be discussed in the next chapter.

• CHAPTER THREE •

Great expectations: trade and reconciliation

During the brief period of postcolonial amity, in spite of India and China following quasi-autarkic development models, there are indications that both sides understood the importance of trade. Kong Yuan, the leader of the 1954 trade delegation to India, understood commerce between the newly independent countries of Africa and Asia represented a tool to overcome the shared legacy of European imperialism.⁸⁴ His visit resulted in a trade agreement on 14 October 1954, listing all goods available to export and import.⁸⁵ Despite efforts to foster economic interaction in this period, the quantum of Sino-Indian trade remained low, representing only a few million dollars per annum.⁸⁶ Modest border trade would continue along the ancient Silk Road routes until the collapse in bilateral relations preceding the 1962 Sino-Indian War.⁸⁷ This chapter will review how growing economic interaction and optimistic expectations of future trade supported the process of Sino-Indian rapprochement.

Domestic economic development and early rapprochement (1976 - 2003)

Sino-Indian relations would begin their incremental journey to normalisation with the restoration of ambassadorial relations in August 1976. By the end of the decade, Vajpayee had visited Beijing, marking the first high-level bilateral since Zhou's trip to India in 1960. Arguably the most important prerequisite to Sino-Indian diplomatic rapprochement came with the death of Mao and China's subsequent economic 'opening up'.

⁸⁴ Ghosh, Arunabh. "Before 1962: The Case for 1950s China-India History." *The Journal of Asian Studies*, vol. 76, no. 3, Cambridge University Press, Aug. 2017, pp. 697–727, p. 713.

⁸⁵ "Trade Agreement Between The Republic Of India And The People's Republic Of China", Ministry of External Affairs, Government of India, 15 October 1954, mea.gov.in/bilateral-documents.htm?dtl/7721/Trade+Agreement. Accessed 13 June 2019.

⁸⁶ Bilateral trade data prior to the normalisation of Sino-Indian relations is extremely difficult to locate - consequently Arunabh Ghosh describes our understanding of Sino-Indian trade for much of the 20th century as "gloriously vague". He cites an unpublished UN report estimating total Chinese exports to South Asia at \$46m in 1953 rising to \$66 million in 1959, representing less 4% of total exports. India's corresponding figures are even smaller. See Ghosh p. 712.

⁸⁷ "Nathu La & The Sino-Indian Trade: Why The Lull?", Institute of Peace and Conflict Studies, 1 March 2012, Issue Brief 183. www.ipcs.org/issue_select.php?recNo=437. Accessed 27 March 2019.

Deng's consolidation of power in 1978 saw Beijing's domestic and foreign policy objectives fundamentally reassessed, departing from the ideological excesses of the Great Leap Forward and the Cultural Revolution in favour of a programme of pragmatic economic reform and privatisation, famously encapsulated in his mantra "it doesn't matter if a cat is black or white, as long as it catches mice".⁸⁸ Deng's economic modernisation and trade liberalisation reforms reorientated the Chinese economy towards exports, kickstarting its 'Great Leap Outward' and its rapid growth in international trade.⁸⁹

Meanwhile, New Delhi's attentions were beginning to focus inwards as economic problems saw India become engulfed in political turmoil in the late 1970s.⁹⁰ Ad hoc economic reform was enacted during the 1980s, but the end of the Cold War and China's extraordinary rise following its reopening eventually persuaded Indian policymakers to embark on systematic market liberalisation in the early 1990s.⁹¹ Becoming a member of the WTO in 1995, the process of reintegration with the global economy saw Indian commercial interests begin to play a larger role in New Delhi's foreign policy apparatus - the Ministry of Commerce, previously subordinate to the Ministry of Industry and the Ministry of External Affairs, increased its relative power and status.⁹² The 1980s and 1990s saw large GDP growth in both

⁸⁸ Quoted in *The Oxford Dictionary of Quotations*. Oxford University Press, 1999, p. 257

⁸⁹ The total value of China's international trade increased from \$206 billion in 1978 to \$4.1 trillion in 2017, an average annual increase of 14.1%. See Li, Kunwang and Wei Jiang, "China's foreign trade: Reform, performance and contribution to economic growth", in *China's 40 Years of Reform and Development: 1978-2018*, edited by Ross Garnaut, Ligang Song, Cai Fang, Australia National University Press, 2018, pp. 575-594, 581.

⁹⁰ Economic problems became particularly acute following the 1973 oil crisis. Civil unrest and labour strikes eventually led the Gandhi government to declare a state of emergency, implementing authoritarian measures to censor the press and the imprisonment of political opposition. The 1977 Indian general election saw 30 years of Congress rule come to an end as Gandhi lost to Morarji Desai of the Janata Party, an umbrella alliance comprising ideological rivalrous groups whose only shared ambition was to remove Gandhi from office. Desai ended the state of emergency and stressed the importance of domestic development, though he would last in office for a little over two years, tending his resignation amid factional infighting in July 1979. His deputy, Charan Singh, assumed office for a matter of months before Congress withdrew its support causing the government to fall, leading to Gandhi's reelection in 1980. For an excellent history of this period, see Prakash, Gyan. *Emergency Chronicles: Indira Gandhi and Democracy's Turning Point*. Princeton University Press, 2019.

⁹¹ Panagariya, Arvind, "India's Trade Reform", in *The India Policy Forum 2004: Vol. 1*, edited by Suman Bery, Barry P. Bosworth, and Arvind Panagariya, Brookings Institution Press, 2004, pp. 1-57.

⁹² See Sinha, Aseema. "Global Linkages and Domestic Politics: Trade Reform and Institution Building in India in Comparative Perspective." *Comparative Political Studies*, vol. 40, no. 10, SAGE Publications Inc, Oct. 2007, pp. 1183-210, pp. 192-193.

China and India, averaging 10% and 6% per annum respectively,⁹³ though this widely-held narrative is not without its critics.⁹⁴

Bilateral trade officially resumed in 1978, with the two countries going on to sign a Most Favoured Nation agreement in 1984.⁹⁵ However, Sino-Indian relations would remain thin throughout the 1980s with trade amounting to only a few million dollars annually.⁹⁶ Significantly, in 1988, Gandhi agreed to drop Indian demands that settlement of the border issue was a precondition for better diplomatic relations, thereby decoupling geopolitical disputes from potential economic cooperation.⁹⁷⁹⁸ Border trade was reopened in July 1992, with a second pass opened in 1994.⁹⁹ Whilst the volume of trade conducted via these two routes, Shipki La and Lipulekh La, remained economically insignificant,¹⁰⁰ it marked significant diplomatic progress and was the first time the border had been opened for trade in over three decades. In July 1994 both governments also agreed to avoid double taxation.¹⁰¹

However, growing rapprochement faced a significant hurdle in 1998 after New Delhi cited the threat of Chinese encirclement as the primary reason for conducting the Pokhran-II nuclear tests.¹⁰² Despite rhetorical anger from Beijing, the nuclear tests failed to

⁹³ Srinivasan, T. N. "China and India: Economic Performance, Competition and Cooperation: An Update." *Journal of Asian Economics*, vol. 15, no. 4, Aug. 2004, pp. 613–36, p. 613.

⁹⁴ Pranab Bardhan critiques the received wisdom around the role of globalisation in India and China's growth stories. Bardhan argues China's growth was not primarily export-driven but down to domestic investment and consumption. In India's case, Bardhan questions whether liberalisation has been the primary factor in India's economic growth and shows that the rate of poverty reduction did not accelerate during India's liberalisation in the 1990s. See Bardhan, Pranab. *Awakening Giants, Feet of Clay : Assessing the Economic Rise of China and India*. Princeton University Press, 2012.

⁹⁵ "Joint Report of the India-China Joint Study Group on Comprehensive Trade and Economic Cooperation", Joint Study Group, 11 April 2005. mea.gov.in/Uploads/PublicationDocs/6567_bilateral-documents-11-april-2005.pdf. Accessed 30 March 2019, p.8.

⁹⁶ Singh, Swaran. "China-India Bilateral Trade: Strong Fundamentals, Bright Future" *China Perspectives*, vol. 2005, no. 6, French Centre for Research on Contemporary China, December 2005, journals.openedition.org/chinaperspectives/2853. Accessed 27 March 2019.

⁹⁷ Garver, *Protracted Contest*, p. 221.

⁹⁸ Nadkarni, Vidya. *Strategic Partnerships in Asia: Balancing Without Alliances*. Routledge, 2010, p. 117.

⁹⁹ Zhu, Zhiquan. "China-India Relations in the 21st Century: A Critical Inquiry." *Indian Journal of Asian Affairs*, vol. 24, no. 1/2, Manju Jain, 2011, pp. 1–16, p.4.

¹⁰⁰ Mansingh, Surjit, "India-China Relations in the Context of Vajpayee's 2003 Visit", *The Sigur Center Asia Papers*, George Washington University, October 2005, p. 5.

¹⁰¹ Rajan, D.S., "India-China Relations Since 1988." *The New Asian Power Dynamic* edited by Maharajakrishna Rasgotra, SAGE Publications India, 2007, pp. 147 - 169, p. 150.

¹⁰² Burns, John F. "India's New Defense Chief Sees Chinese Military Threat." *The New York Times*, 5 May 1998, www.nytimes.com/1998/05/05/world/india-s-new-defense-chief-sees-chinese-military-threat.html Accessed 3 June 2019.

fundamentally disrupt the positive trajectory in bilateral relations. Clearly, both sides opted to prioritise future cooperation over conflict, in part perhaps motivated by the potential economic gain. However the nuclear test also demonstrated that the security threat from China continued to loom large in Indian security thinking.

‘Bhai bhai’ revived: growing trade and the promise of Chindia (2003 - 2014)

In 2003, Prime Minister Atal Bihari Vajpayee made a landmark visit to China. Widely seen as a watershed moment in Sino-Indian diplomacy, Vajpayee’s second visit (having visited in 1979 to end the freeze) saw the two governments sign a ‘Declaration on Principles for Relations and Comprehensive Cooperation’. The declaration stated that both countries “welcomed the positive momentum of bilateral trade and economic cooperation in recent years and shared the belief that continued expansion and intensification of India-China economic cooperation is essential for strengthening bilateral relations” and that both should exploit their “economic complementarities” going forward.¹⁰³ Significantly, amongst the agreements signed in 2003, the two countries agreed to open border trade on the Nathu La pass and its opening three years later was seen as marking a significant diplomatic victory.¹⁰⁴ Following Vajpayee’s visit, Chandrashekhar Dasgupta, formerly Indian ambassador to China, wrote that both countries were “according top priority to economic development” and that “burgeoning trade ties will create new bonds between India and China.”¹⁰⁵ Within a year of Vajpayee’s visit, bilateral trade had almost doubled to \$13.6 billion (see Figure 2).

¹⁰³ “Declaration on Principles for Relations and Comprehensive Cooperation Between the Republic of India and the People’s Republic of China”, Ministry of External Affairs, Government of India, 23 June 2003. www.mea.gov.in/in-focus-article.htm?7679/Declaration+on+Principles+for+Relations+and+Comprehensive+Cooperation+Between+the+Republic+of+India+and+the+Peoples+Republic+of+China. Accessed 30 March 2019.

¹⁰⁴ “Historic India-China link opens”, *BBC News*, 6 July 2006. news.bbc.co.uk/2/hi/south_asia/5150682.stm. Accessed 12 May 2019.

¹⁰⁵ Dasgupta, Chandrashekhar. “Recent Trends in India-China Relations.” *Observer Research Foundation*, www.orfonline.org/research/recent-trends-in-india-china-relations/. Accessed 5 June 2019.

Total value of Sino-Indian trade

At current USD (billions)

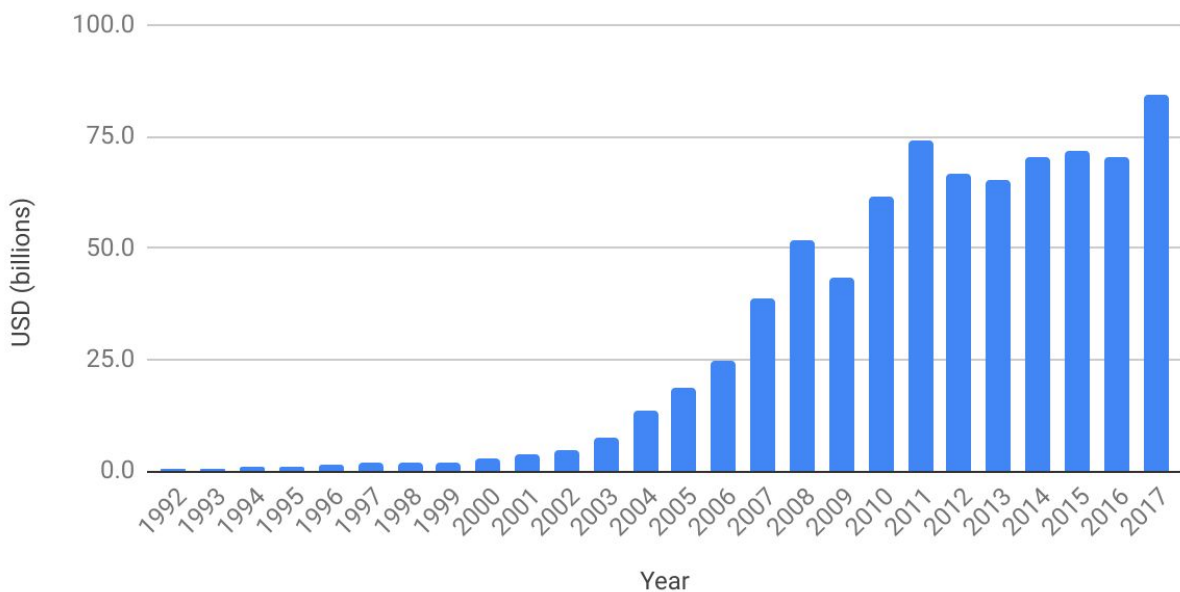


Figure 2. Total value of Sino-Indian trade, 1992-2017.¹⁰⁶

Amid this rapid growth in trade, Indian optimism about the potential for a cooperative relationship seemingly prevailed, sparking a period of intense diplomatic rapprochement. Annual reports from the Ministry of External Affairs are glowing regarding prospects for increasing economic interaction,¹⁰⁷ speaking of how the Indian government sees relations with China in a “positive spirit, seeking friendly, cooperative, good neighbourly and mutually beneficial relations”.¹⁰⁸ In 2006, the ‘Year of India-China friendship’, both sides restated their commitment to peacefully resolving the boundary question, acknowledging that “comprehensive economic engagement was a major thrust area” underpinning an emerging partnership.¹⁰⁹

¹⁰⁶ Commodity trade, total exports + imports. Source: UN Comtrade

¹⁰⁷ “Annual Report: 2003 - 2004”. Ministry of External Affairs, Government of India. p. 15-22. www.mea.gov.in/Uploads/PublicationDocs/165_Annual-Report-2003-2004.pdf. Accessed 5 June 2019.

¹⁰⁸ “Annual Report 2004 - 2005”. Ministry of External Affairs, Government of India. p. iii. www.mea.gov.in/Uploads/PublicationDocs/166_Annual-Report-2004-2005.pdf. Accessed 5 June 2019.

¹⁰⁹ “Annual Report 2006 – 2007”, Ministry of External Affairs, Government of India, pp. 8-9. www.mea.gov.in/Uploads/PublicationDocs/168_Annual-Report-2006-2007.pdf. Accessed 6 June 2019.

Likewise diplomatic summits were replete with a confidence that Sino-Indian relations were to continue this positive momentum. Both capitals realised the importance of economic cooperation to the wider bilateral relationship, prioritising commercial deals and trade targets during diplomatic visits.¹¹⁰ During Wen Jiabao's 2005 visit to India, a bilateral trade target set for 2008 was set at \$20bn,¹¹¹ one that was almost instantly surpassed. Wen spoke of the economic complementarities between the two nations, particularly between India's developed software industry and Chinese hardware industry.¹¹² This echoed comments made by Zhu Rongji from his visit three years prior: "We [China] are number one in hardware and you [India] are number one in software. If we put the hardware and software together, we can become the world's number one and make progress together."¹¹³

In an address in Beijing in January 2008, Prime Minister Manmohan Singh echoed this sentiment, stating "I look forward with optimism to the future and the role which India and China are destined to play in the transformation of Asia and the world. This optimism is based on my conviction that there is enough space for both India and China to grow and prosper while strengthening our cooperative engagement. History shows that our two great civilizations flourished for centuries, side by side, interacting and influencing each other."¹¹⁴ The following year Indian Foreign Minister S M Krishna echoed these comments: "India and China may be competitive in economic and trade areas, but they are not rivals. There is enough space for both India and China to grow."¹¹⁵

¹¹⁰ Yuan, p. 38.

¹¹¹ *Joint Statement of the Republic of India and the People's Republic of China*, Ministry of External Affairs, Government of India, 11 April 2005, mea.gov.in/Speeches-Statements.htm?dtl/2509/Joint_Statement_of_the_Republic_of_India_and_the_Peoples_Republic_of_China. Accessed 30 March 2019.

¹¹² Wen, Jiabao, "Premier Wen Jiabao Meets with Journalists, Talking about 3 Achievements of His Visit to India," 12 April 2005. www.fmprc.gov.cn/mfa_eng/topics_665678/wzlcfly_665842/t191621.shtml. Accessed 27 March 2019.

¹¹³ Raghavan, B. S., "Chinese Premier's visit -- Caution dilutes India's gains", *The Hindu Business Line*, 24 Jan. 2002. www.thehindubusinessline.com/2002/01/24/stories/2002012400040800.htm. Accessed 27 March 2019.

¹¹⁴ Sing, Manmohan, "India and China in the 21st Century", Chinese Academy of Social Sciences, Beijing, 15 January 2018, Address. www.mea.gov.in/outgoing-visit-detail.htm?1445/Speech+by+Prime+Minister+Dr+Manmohan+Singh+at+the+Chinese+Academy+of+Social+Sciences+Beijing. Accessed 30 March 2019.

¹¹⁵ Quoted in "India, China Not Rivals, but Partners: Krishna." *Deccan Herald*, 22 July 2009, www.deccanherald.com/content/15211/india-china-not-rivals-partners.html. Accessed 12 June 2019.

During Wen's second visit to India in 2010, accompanied by a delegation of 400 Chinese business leaders,¹¹⁶ he told reporters that "China and India are partners for co-operation, not rivals in competition. There is enough space in the world for the development of both China and India".¹¹⁷ The resulting joint communiqué agreed to raise the bilateral trade target to an ambitious \$100 billion by 2018,¹¹⁸ a target that, whilst not yet achieved, will soon be exceeded if current growth trends continue.

Beyond the rhetoric, encouraging cooperative steps were taken, for example in energy security policy. January 2006 saw the two countries sign memoranda on cooperation, with their state-owned oil companies jointly-bidding on projects in Syria, Iran and Sudan.¹¹⁹ In 2019, both countries agreed to set up a joint working group to reduce volatility in oil prices.¹²⁰ Multilateral fora have provided the real impetus for Sino-Indian cooperation. Nowhere have these efforts been more visible than in the ongoing Doha round of WTO talks, where they have jointly opposed the use of agricultural subsidies in the developed world.¹²¹ Regional fora such as ASEAN have also seen constructive Sino-Indian engagement on economic issues.¹²² Via ASEAN, ongoing discussions to form the world's largest trading block in Asia-Pacific, the Regional Comprehensive Economic Partnership (RCEP) holds considerable promise.¹²³

¹¹⁶ "China PM Begins India Trade Trip." *BBC News*, 15 December. 2010, www.bbc.com/news/world-south-asia-11997221. Accessed 30 March 2019.

¹¹⁷ Wee, Sui-Lee, and Abhijit Neogy. "Wen Says World Big Enough for India and China Growth." Reuters, 15 Dec. 2010, <https://www.reuters.com/article/us-india-china-idUSTRE6BE1BM20101215>.

¹¹⁸ Joint Communiqué of the Republic of India and the People's Republic of China 16 December 2010, Ministry of External Affairs, Government of India. mea.gov.in/bilateral-documents.htm?dtl/5158/Joint+Communiqu+of+the+Republic+of+India+and+the+Peoples+Republic+of+China. Accessed 12 June 2019.

¹¹⁹ Kumaraswamy, P. R. "India's Energy Cooperation with China: The Slippery Side." *China Report*, vol. 43, no. 3, SAGE Publications India, July 2007, pp. 349–52.

¹²⁰ Choudhary, Sanjeev. "India, China Set up Joint Working Group to Tackle Crude Volatility." *The Economic Times*, 30 Apr. 2019, <https://economictimes.indiatimes.com/industry/energy/oil-gas/india-china-set-up-joint-working-group-to-tackle-crude-volatility/articleshow/69120462.cms>. Accessed 12 June 2019.

¹²¹ "India, China Jointly Oppose Trade-Distorting Agricultural Subsidies at WTO." *Livemint*, 31 August 2017, www.livemint.com/Politics/GSY4EQ3f09o1FoM5EB1FqI/India-China-jointly-oppose-tradedistorting-agricultural-su.html. Accessed 4 June 2019.

¹²² Hong, Zhao. "India and China: Rivals or Partners in Southeast Asia?" *Contemporary Southeast Asia*, vol. 29, no. 1, Institute of Southeast Asian Studies (ISEAS), 2007, pp. 121–42.

¹²³ Ghosh, Nilanjan, et al. "China-India Relations in Economic Forums: Examining the Regional Comprehensive Economic Partnership." *Observer Research Foundation*, 8 August 2018. www.orfonline.org/research/43125-china-india-relations-in-economic-forums-examining-the-regional-comprehensive-economic-partnership/. Accessed 10 June 2019.

The notion of Sino-Indian economic complementarity gained currency in both political and academic discourse in the first decade of the 21st century. In an IMF book from 2006, Arvind Virmani, former Chief Economic Adviser to the Indian government and Indian representative at the IMF, argues the complementary structures of the Chinese and Indian economies means there is considerable room for continued growth in economic cooperation, arguing for the reduction in regulatory barriers to trade.¹²⁴ Nalin Surie, Indian ambassador to China, writes that economic cooperation with Beijing is the key to continued socioeconomic development in both China and India as well as the wider regional and global economy.¹²⁵ A range of economic studies supported this notion of complementarity, seeing a bright future for bilateral trade.¹²⁶ An IMF paper claimed China and India are not in significant competition for third-country export opportunities as their export baskets are largely different.¹²⁷

The prospect of China and India leveraging their economic complementarities to rise together was neatly summarised by Jairam Ramesh, Indian National Congress politician and former Minister of State for Commerce, in the term ‘Chindia’.¹²⁸ Widely used across media commentary, the concept became particularly associated with the economic complementarity between India’s services-driven economy, particularly its success in outsourcing and IT, and China’s manufacturing industry.¹²⁹ An April 2006 report from an Indian-government

¹²⁴ Virmani, Arvind, “India-China Economic Cooperation”, *China and India Learning from Each Other : Reforms and Policies for Sustained Growth*, edited by Jahangir Aziz, Steven Dunaway, and Eswar Prasad, International Monetary Fund, 2006, pp. 270-281.

www.imf.org/en/Publications/Books/Issues/2016/12/31/China-and-India-Learning-from-Each-Other-Reforms-and-Policies-for-Sustained-Growth-19006. Accessed 1 April 2019.

¹²⁵ Surie, Nalin, “Indian Economic Development and India-China Cooperation”, *China and India Learning from Each Other : Reforms and Policies for Sustained Growth*, edited by Jahangir Aziz, Steven Dunaway, and Eswar Prasad, International Monetary Fund, 2006, pp. 265-269.

www.imf.org/en/Publications/Books/Issues/2016/12/31/China-and-India-Learning-from-Each-Other-Reforms-and-Policies-for-Sustained-Growth-19006. Accessed 1 April 2019.

¹²⁶ See, for example, Bhattacharyay, Biswanath, and Prabir De. *Promotion of Trade and Investments between China and India: The Case of Southwest China and East and Northeast India*. no. 1508, Jan. 2005, and Qureshi, Mahvash Saeed, and Wan Guanghua. “Trade Expansion of China and India: Threat or Opportunity?” *The World Economy*, vol. 31, no. 10, Wiley Blackwell, 2008, pp. 1327–50, p. 1345.

¹²⁷ “Crouching Tiger, Hidden Dragon : What Are the Consequences of China’s WTO Entry for India’s Trade?”, *International Monetary Fund*, 1 May 2005, www.imf.org/en/Publications/WP/Issues/2016/12/31/Crouching-Tiger-Hidden-Dragon-What-Are-the-Consequences-of-Chinas-WTO-Entry-for-Indias-Trade-18211. Accessed 4 June 2019.

¹²⁸ Ramesh, Jairam. *Making Sense of Chindia: Reflections on China and India*. India Research Press, 2005.

¹²⁹ See for example, Iyengar, Partha, and Jamie Popkin, “The Exponential Power of ‘Chindia.’” *Bloomberg News*, Bloomberg, 6 September 2007, www.bloomberg.com/news/articles/2007-09-06/the-exponential-power-of-chindiabusinessweek-business-news-stock-market-and-financial-advice. Accessed 1 April 2019.

sponsored thinktank echoes this vision: “China is emerging as a critical link in the manufacturing chain while India’s potential for knowledge-based services and manufacturing is recognized. These complementarities...can be exploited for mutual gains.”¹³⁰

Writing in late 2013, on the eve of Modi’s election, Phunchok Stobdan, former diplomat and member of India’s National Security Council, summarised: “The India-China relations story at 2013 end had a more positive than negative tone”. Looking ahead, he notes that trade will continue to “drive the engine of relationship”, and, whilst noting the deficit challenge, concludes “2014 will bring to the surface greater opportunities for the leadership on both sides to embark on a road to solve the long festering India-China strategic dilemma for the common good.”¹³¹

With exponential growth in Sino-Indian economic interaction in the past two decades, a growing body of literature focuses on how economic cooperation and complementarity can underpin mutually-beneficial economic growth and development. More optimistically, some conclude that growing trade will help China and India build trust and overcome historical rivalries to build a mutually-prosperous partnership.

Zhang Yunling, director of the Chinese Academy of Social Sciences and foreign policy adviser to the Chinese government, concludes that booming trade has helped China - India relations reach “a stage of stability and mutual comfort never experienced even in the heydays of the “Hindi-Chini Bhai-Bhai””.¹³² This optimism is widely shared across Chinese academia. Li Li argues that the dominant perception is that India’s rise provides more opportunities than challenges for China, with potential for economic cooperation in Indian infrastructure projects, information technology, financial services and more. He argues the perception in China is that India represents a large market for Chinese exports and investment

¹³⁰ Bhat, T. P., Atulan Guha and Mahua Paul, “India and China in WTO: Building Complementarities and Competitiveness in the External Trade Sector”, *Institute for Studies in Industrial Development*, April 2006, pp. 236-238. Accessed at planningcommission.nic.in/reports/sereport/ser/stdy_indch.pdf. Accessed 19 May 2019.

¹³¹ Stobdan, Phunchok. “India-China Relations: Scenario 2014”, *Institute for Defence Studies and Analyses*. idsa.in/idsacomments/IndiaChinaRelationsScenario2014_pstobdan_301213. Accessed 5 June 2019.

¹³² Zhang, Yunling. *Making New Partnership : A Rising China and Its Neighbors*. Paths International, 2008, p. 197.

and ultimately even a “reliable ally in transforming the international economic order.”¹³³ Ma Jiali, director at the influential China Reform Forum, shares this view arguing that China and India’s economies are more complementary than competitive, likely leading to cooperative rather than confrontational diplomacy.¹³⁴

For some, economic relations hold positive prospects of building mutual trust and helping to resolve outstanding issues in the wider bilateral relationship. Ye Hailin argues that India and China have a shared interest in each others’ rise and in promoting each others’ influence to help reform the international order. Whilst acknowledging that few concrete steps have yet been taken, cooperative rhetoric is a sign that the Sino-Indian relationship is irreversibly destined to get “closer and more comprehensive.”¹³⁵ Zhang Li states that Beijing sees economic cooperation as the “backbone” of the bilateral relationship and the chief means with which to improve relations with New Delhi.¹³⁶

Whilst noting future challenges remain possible, Swaran Singh stated that bilateral trade had become the “strongest pillar” in Sino-Indian rapprochement.¹³⁷ Mohanty described increasing bilateral trade as a driver of cooperation as we move towards an era of “Panchsheel partners”.¹³⁸ Armadeep Athwal counters neorealist assessments of the Sino-Indian relationship by arguing emerging economic interdependence is strengthening relations and the growth in trade has been a “key catalyst” for improving the wider Sino-Indian political relationship.¹³⁹ Pieter Bottelier argues that a convergence of Chinese and Indian economic growth models is providing areas for cooperation, rejecting the realist, security-focussed assessment of

¹³³ Li, Li. “The Indian Growth Model: A Chinese Perspective”, *India and China in the Emerging Dynamics of East Asia*, edited by G.V.C Naidu, Mumin Chen, and Raviprasad Narayanan, Springer, 2015, pp. 59-73, p. 71.

¹³⁴ Jiali, Ma, ‘Is Competitive Partnership between China and India Viable?’ in *China - South Asian Relations : Making New Partnership: A Rising China and Its Neighbors*, edited by Ye Hailin et al.. Paths International, 2011, pp. 177-189

¹³⁵ Ye Hailin, ‘China and South Asian relations in a new perspective’ in *China - South Asian Relations : Making New Partnership: A Rising China and Its Neighbors*, edited by Ye Hailin et al.. Paths International, 2011, pp. 218-244, p. 238.

¹³⁶ Zhang, Li, “China-India Relations: Strategic Engagement and Challenges”. Center for Asian Studies, IFRI, September 2010, p. 13.

¹³⁷ Singh, Swaran. “China-India Bilateral Trade: Strong Fundamentals, Bright Future” *China Perspectives*, vol. 2005, no. 6, French Centre for Research on Contemporary China, December 2005, journals.openedition.org/chinaperspectives/2853. Accessed 27 March 2019, p. 1.

¹³⁸ Mohanty, Manoranjan. “Panchsheel Partners: A New Beginning.” *Economic and Political Weekly*, vol. 40, no. 17, Economic and Political Weekly, 2005, pp. 1671–75.

¹³⁹ Athwal, Amardeep. *China-India Relations: Contemporary Dynamics*. Routledge, 2007, pp. 97-109.

Sino-Indian relations as “mistaken and potentially dangerous”.¹⁴⁰ Even the arch-realist Robert Kaplan, acknowledging the rivalrous nature of Sino-Indian relations, claims that as globalisation has brought India and China closer together than ever before, “peaceful commerce [is] cushioning the impact of this new strategic geography”.¹⁴¹

However, not all voices are so optimistic. Shalendra Sharma argues that this commonly-held view is “overly optimistic” as the relationship remains precarious. Interdependence gives rise to competition as well as cooperation. He suggests that unit-level factors, namely nationalism, mutual suspicion and animosity from unresolved historical disputes will ultimately “trump economic interdependence”.¹⁴² Whilst accepting that “economic interests have been the key conductor of appeasement”, Holslag also believes that “economic drivers are too weak to reverse threat perceptions” and that “in the end trading states remain conquering states”.¹⁴³

¹⁴⁰ Bottelier, Pieter. “India’s Growth from China’s Perspective.” *Margin: The Journal of Applied Economic Research*, vol. 1, no. 1, SAGE Publications India, Mar. 2007, pp. 119–38, p. 132.

¹⁴¹ Kaplan, Robert D. *The Return of Marco Polo’s World: War, Strategy, and American Interests in the Twenty-First Century*. Random House, 2018, p. 31.

¹⁴² Sharma, Shalendra D., *China and India in the Age of Globalization*, Cambridge University Press, 2009, p. 166.

¹⁴³ Holslag, Jonathan, *China and India: Prospects for Peace*, Columbia University Press, 2010, pp. 169–172.

• CHAPTER FOUR •

Fading optimism: the Chinese trade threat

This chapter will show that as Sino-Indian economic interaction has deepened, disparities in bilateral trade have widened. The first section will show how the volume and structure of trade has given rise to a state of asymmetrical interdependence. The second section will then review how this imbalanced trading relationship has been perceived in Indian political discourse.

Growing asymmetries in Sino-Indian trade

Sino-Indian trade since the 2003 agreement saw China rise rapidly to become India's largest trading partner in 2014.¹⁴⁴ Beneath these impressive statistics, the picture is more complicated. Whereas Indian exports to China have nearly tripled in volume since 2003, Chinese exports to India have increased nearly 20 times. A 2019 Indian Ministry of Commerce report notes with concern that fewer than 5% of Indian exports are destined for China whereas 16.5% of Indian imports are Chinese in origin.¹⁴⁵ Essentially, Indian consumption of Chinese goods has propelled trade, with fewer goods flowing in the other direction. This disparity has seen India maintain a growing bilateral deficit with China, reaching nearly \$52bn as of 2017 (See Figure 3).

¹⁴⁴ "China Emerges as India's Top Trading Partner: Study." *The Times of India*, 2 March 2014, timesofindia.indiatimes.com/business/india-business/China-emerges-as-Indias-top-trading-partner-Study/articleshow/31268526.cms. Accessed 20 May 2019.

¹⁴⁵ "Statement of Activities 2018-19", Department of Commerce, Ministry of Commerce and Industry, Government of India, commerce.gov.in/writereaddata/uploadedfile/MOC_636850524269073529_Statement_of_Activities_2018-19.pdf. Accessed 11 June 2019, p.43.



Figure 3. Volume of exports in Sino-Indian bilateral trade, 1992 to 2017.¹⁴⁶

By volume alone, the Indian economy is now much more dependent on China than vice versa: the sum of bilateral trade representing over 3% of Indian GDP compared to less than 0.7% of China's GDP.¹⁴⁷ When factoring in the underlying structural imbalances in Sino-Indian trade, asymmetrical dependence is even clearer. Indian exports to China are dominated by primary and intermediary products, whereas Chinese exports to India consist mainly of commodities higher up the value chain such as capital and consumer goods (see Figure 4).

¹⁴⁶ Calculated with data sourced from UN Comtrade.

¹⁴⁷ UN Comtrade

Top 10 Indian exports to China	USD (millions)
Organic chemicals	\$1,690m
Ores, slag and ash	\$1,517m
Copper and articles thereof	\$1,377m
Cotton	\$1,154m
Mineral fuels, mineral oils; bituminous substances; mineral waxes	\$1,018m
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	\$666m
Salt; sulphur; earths, stone; plastering materials, lime and cement	\$651m
Electrical machinery and equipment and parts thereof	\$460m
Plastics and articles thereof	\$426m
Animal or vegetable fats and oils	\$420m
Top 10 Chinese Exports to India	USD (millions)
Electrical machinery and equipment and parts thereof	\$27,521m
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	\$12,805m
Organic chemicals	\$6,566m
Plastics and articles thereof	\$2,135m
Iron and steel	\$1,631m
Optical, photographic, cinematographic, measuring, medical instruments	\$1,597m
Iron or steel articles	\$1,375m
Vehicles; other than railway, and parts and accessories thereof	\$1,318m
Chemical products	\$1,243m
Fertilizers	\$1,106m

Figure 4. Top 10 bilaterally traded commodities by USD value, 2017.¹⁴⁸

This structural imbalance probably reflects macroeconomic differences between the two countries, namely their comparative advantages and respective factor endowments. India's lower level of industrial development has meant its producers struggle to compete with Chinese manufacturers - consequently, China is a global export powerhouse as compared

¹⁴⁸ UN Comtrade

with India's relatively lacklustre export performance.¹⁴⁹ These disparities are more pronounced the further up the manufacturing value chain - only 7% of Indian global exports are classed as 'high technology', as compared with 24% of Chinese exports.¹⁵⁰ However, it should be noted that Chinese industrial policy has expressly sought to support domestic high-tech manufacturing, drawing considerable criticism in India and the wider world.¹⁵¹

On the basis of current trends, the disparities in Sino-Indian trade look unlikely to recede in the near future without concerted intervention. The following section demonstrates that these trends are causing widespread apprehension in India about its trading relationship with China. Trade expectations turn negative

A systematic analysis of questions submitted in the 16th Lok Sabha,¹⁵² the lower house in India's bicameral legislature, reveals China looms large in Indian political thinking. Between April 2014 and February 2019, MPs submitted 258 questions regarding its northern neighbour, far more than any other country (See Figure 5). Of the questions regarding China, three quarters were directed to either the Ministry of External Affairs, Commerce or Defence. Whilst a relatively crude measure, it clearly indicates the priority accorded to China over any of India's partners or rivals in discussions of Indian foreign policy, defence and trade.

¹⁴⁹ Indian exports were worth an estimated c.\$299 billion in 2017 compared to \$2.2 trillion in China. See CIA World Factbook, 'Country Comparison: Exports', <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html>

¹⁵⁰ 'High technology' refers to products requiring significant research and development intensity including aerospace, computing, pharmaceuticals, scientific and electrical machinery products. Source: UN Comtrade.

¹⁵¹ In 2015, Chinese Premier Li Keqiang announced the "Made in China 2025" industrial policy with its overarching goal of transforming China into a high-tech manufacturing economy. The initiative, which has drawn criticism for its expressed intention to use state assistance to develop domestic industries, See "Made in China 2025: Global Ambitions Built on Local Protections", US Chamber of Commerce, 2017. www.uschamber.com/sites/default/files/final_made_in_china_2025_report_full.pdf. Accessed 9 June 2019.

¹⁵² Questions submitted during 'Question Hour', one of the Lok Sabha's highest profile means of exercising parliamentary scrutiny on government policy.

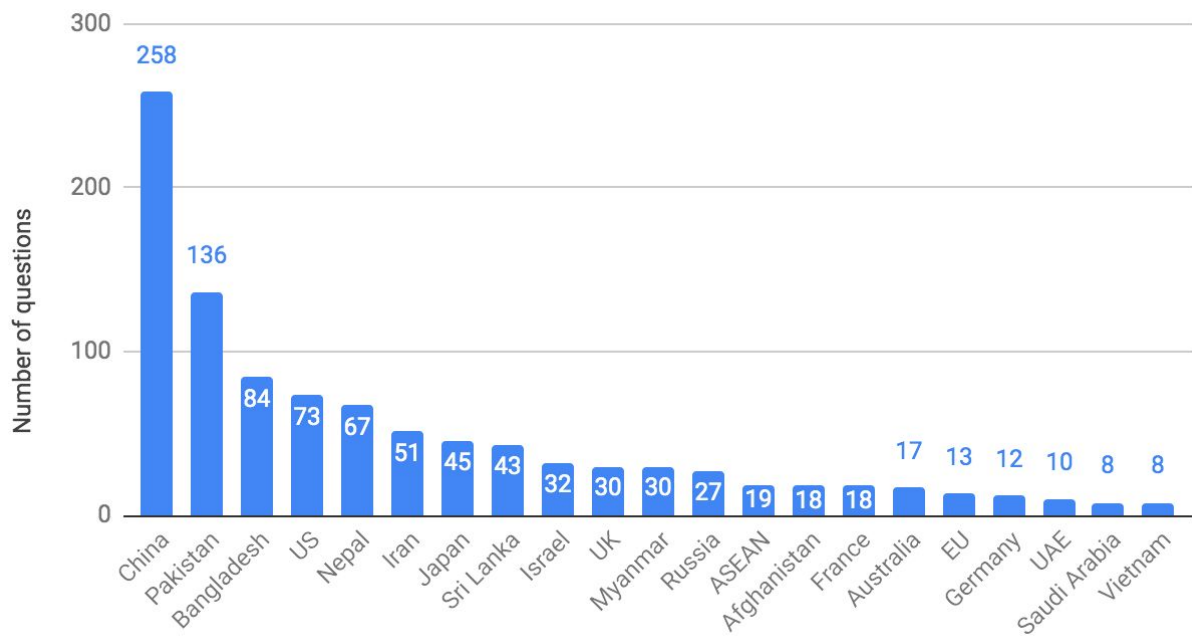


Figure 5. Volume of Lok Sabha questions regarding third countries, 2014 - 2019.¹⁵³

Of the 71 questions submitted to the Ministry of Commerce, very few celebrate past growth or push for further liberalisation of trade. Instead, the vast majority concern the trade imbalance, typically asking what corrective measures the government plans on taking. A number draw attention to restricted market access for Indian exporters, but most complain of Chinese imports in the Indian market. Some are surprisingly strident in tone, describing the “heavy losses in trade with China”,¹⁵⁴ warning of an “influx” of cheap Chinese goods “causing harm” to domestic traders,¹⁵⁵ fake consumer products,¹⁵⁶ “toxic contamination” caused by “cheap plastic goods from China”,¹⁵⁷ and asking what the government will do to “combat the over dumping of Chinese products in Indian market”.¹⁵⁸ Typically, tariffs and other import restrictions are suggested. Unsurprisingly Chinese solar panels appear to present

¹⁵³ Based on a search of all questions submitted between 7 April 2014 to 13 February 2019 with respective country names plus variations (e.g. “China”, “Chinese” or “Sino”) in the subject title.

¹⁵⁴ Question no. 1990: “Heavy Losses incurred in Trade with China”. 28 November 2016.

164.100.47.194/Loksabha/Questions/QResult15.aspx?qref=42582&lsno=16

¹⁵⁵ Question no. 3147: “Influx of Chinese Firecrackers”. 28 November 2016.

164.100.47.194/Loksabha/Questions/QResult15.aspx?qref=43923&lsno=16

¹⁵⁶ Question no. 1277: “Fake Products by Chinese Exporters”. 25 July 2016.

164.100.47.194/Loksabha/Questions/QResult15.aspx?qref=36700&lsno=16

¹⁵⁷ Question no. 2527: “Imports from China” 1 August 2016.

164.100.47.194/Loksabha/Questions/QResult15.aspx?qref=37977&lsno=16

¹⁵⁸ Question no. 345: “Trade Deficit between India and China”. 5 February 2018.

164.100.47.194/Loksabha/Questions/QResult15.aspx?qref=61804&lsno=16

a particular area of concern given they account for approximately 85% of the Indian market.

¹⁵⁹ Indian dependency on steel¹⁶⁰ and pharmaceutical ingredients is also deplored.^{161 162}

The Committee on Commerce in the upper house of parliament, the Rajya Sabha, warns of a “deluge” of poor quality Chinese imports “wiping out” key Indian industries, as well as the threat to Indian public health from toxic Chinese goods. It argues Chinese competitiveness is a product of an opaque system of state support and outright malpractice, recommending in turn the Indian government be more proactive in stepping up trade defence measures.¹⁶³ A 2019 Ministry of Commerce report seen by *The Financial Express* reportedly outlines plans to reduce Indian dependence on Chinese imports.¹⁶⁴

Such concerns extend beyond the realm of popular politics into the sober world of big business lobbying. Even the Director General of the Confederation of Indian Industry, an influential business association that advocates continued economic liberalisation,¹⁶⁵ penned a column suggesting in light of the unsustainable bilateral deficit, “liberal [trade] concessions to China could handicap India’s industrial growth”.¹⁶⁶ The CII lobbied the Indian government

¹⁵⁹ Das, Krishna N., and Sudarshan Varadhan. “Solar Energy Boom Turns to Bust for Indian Manufacturers.” *Reuters*, 5 June 2017, <https://in.reuters.com/article/india-solar-idINKBN18W0KV>.

¹⁶⁰ Question no. 7094: “Import of Chinese Steel”. 8 May 2015.

164.100.47.194/Loksabha/Questions/QResult15.aspx?qref=17361&lsno=16

¹⁶¹ Question no. 3328: “Import of APIs from China”. 12 December 2014.

164.100.47.194/Loksabha/Questions/QResult15.aspx?qref=9184&lsno=16

¹⁶² The Indian pharmaceutical industry is reliant on Chinese producers for 80 per cent of the active pharmaceutical ingredients (API) required in the manufacturing process. Kannan, Shilpa. “India ‘Too Reliant’ on China Drugs.” *BBC News*, 5 December 2014, www.bbc.com/news/business-30330898. Accessed 11 June 2019.

¹⁶³ “Impact of Chinese Goods on Indian Industry” 145th Report, Department Related Parliamentary Standing Committee on Commerce, Rajya Sabha, Parliament of India. 26 July 2018, p. 3.
http://164.100.47.5/committee_web/ReportFile/13/97/145_2018_7_13.pdf

¹⁶⁴ “Commerce Ministry Wants to Cut Import Dependence from China. Here’s Why.” *The Financial Express*, The Financial Express, 24 May 2019, www.financialexpress.com/economy/commerce-ministry-wants-to-cut-import-dependence-from-china-heres-why/1588469/. Accessed 28 May 2019.

¹⁶⁵ The CII played an influential role in promoting Rajiv Gandhi’s economic reform program in the early 1990s. See Mukherji, Rahul. “The State, Economic Growth, and Development in India.” *India Review*, vol. 8, no. 1, Routledge, Feb. 2009, pp. 81–106.

¹⁶⁶ Banerjee, Chandrajit, “Understanding China key to a better position”, *The Indian Express*, 27 August 2018. <https://cii.in/WebCMS/Upload/DGIE27AUG18.PDF>

successfully ahead of the introduction of duty on Chinese solar panels in 2018.¹⁶⁷ The Reserve Bank of India has also expressed concerns over the sustainability of the deficit.¹⁶⁸

As early as 2012, former Indian ambassador and negotiator on the boundary dispute, R. S. Kalha asked whether trade was likely to present an additional source of friction. Kalha writes that whereas trade had initially worked to stabilise relations, there is a sense in New Delhi that the economic relationship is “grossly unfair”, and that India was risking its acquiescence “to a China-dominated commercial and economic landscape in Asia”.¹⁶⁹ Even Shashi Tharoor, influential chairman of External Affairs Committee and former senior UN official, described the terms of bilateral provocatively as “virtually colonial”, accusing Beijing of “extracting raw materials from India” and “swamping Indian industries” with the export of manufactured goods.¹⁷⁰

To summarise, the optimism that greeted growing trade is clearly fading. In government, parliament and the press, the view that the benefits of trade with China have clearly not been equally shared is prevalent, and there is near unanimity that the Indian government must address this iniquity.

Beijing’s intransigence

Realising that trade will not rebalance itself without concerted intervention, Indian diplomats have been raising the issue of the bilateral trade deficit with their Chinese counterparts as

¹⁶⁷ “India’s Rise: Annual Report 2018-19”, Confederation of Indian Industry. <https://www.mycii.in/AGM/CIIAnnualReport2019.pdf>. p. 159.

¹⁶⁸ A 2014 empirical study prepared for the Reserve Bank of India discusses the sustainability of the rising deficit, emphasising Indian dependence on Chinese imports, and demonstrating that distortions in bilateral trade caused by hidden Chinese subsidies have seen relatively uncompetitive Chinese goods outsell alternatives. The report suggests India’s bilateral trade balance could be considerably improved if it were to restrict the importation of uncompetitive Chinese goods. Mohanty, S. K., “India-China Bilateral Trade Relationship” Research and Information System for Developing Countries (RIS), funded by Reserve Bank of India, July 2014, pp. 55-62. <https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/PRSICBT130613.pdf>. Accessed 28 May 2019.

¹⁶⁹ Kalha, R. S. *Sino-Indian Relations: Are Trade Issues Likely To Cause Even More Problems?* | Institute for Defence Studies and Analyses. December 24, 2012. idsa.in/idsacomments/SinoIndianRelations_RSKalha_241212. Accessed 10 May 2019.

¹⁷⁰ Tharoor, Shashi, “From Doklam to ‘Tibet’, China-India Ties Are Bedevilled. But We Share More than a Disputed Border.” *South China Morning Post*, 9 February 2019, www.scmp.com/week-asia/opinion/article/2185330/doklam-tibet-china-india-ties-are-bedevilled-we-share-more. Accessed 1 June 2019.

early as 2008.¹⁷¹ It was not until Wen Jiabao's 2010 visit to India that China officially acknowledged Indian concerns about the mounting trade imbalance. An ambitious bilateral trade target of \$100bn by 2015 was agreed and both governments committed to "appropriately handle economic and trade frictions and differences and jointly oppose protectionism in all forms."¹⁷² During the visit Wen promised China "takes seriously the trade imbalances between the two countries".¹⁷³

Three years later during Premier Li Keqiang's state visit to India in May 2013, with the trade imbalance having only worsened, both sides re-committed themselves to the \$100bn target and signed an MOU on the trade deficit.¹⁷⁴¹⁷⁵ During Xi's visit the following year, both countries again committed to address the rising bilateral trade imbalance.¹⁷⁶ With China seemingly doing little to redress the imbalance, Commerce Secretary Rajeev Kher warned in 2015 that: "If there is to be a future for an India-China bilateral trade relationship, then the worrying issue of the trade deficit has to be addressed."¹⁷⁷

¹⁷¹ After a series of positive reports on economic integration and rapprochement, the MEA's 2008-9 Annual Report makes first mention of the growing deficit: "The growth in the trade deficit with China is a matter of concern to Government, and this issue was flagged by both PM and EAM during their visits to China. Chinese Premier told PM that they have noted this concern and are working to address it." but states the two countries are interacting constructively to address it. See "Annual Report 2008 – 2009", Ministry of External Affairs, Government of India, www.mea.gov.in/Uploads/PublicationDocs/170_Annual-Report-2008-2009.pdf Accessed 12 June 2019.

¹⁷² "Joint Communiqué of the Republic of India and the People's Republic of China", Ministry of External Affairs, Government of India, 16 December 2010. mea.gov.in/bilateral-documents.htm?dtl/5158/Joint+Communiqu+of+the+Republic+of+India+and+the+Peoples+Republic+of+China. Accessed 12 June 2019.

¹⁷³ Wright, Tom. "How Much Are the China-India Deals Really Worth?" *WSJ*, wsj.com, 15 December 2010, <https://blogs.wsj.com/indiarealtime/2010/12/15/how-much-are-the-china-india-deals-really-worth/>.

¹⁷⁴ <http://pib.nic.in/newsite/PrintRelease.aspx?relid=96098>

¹⁷⁵ "Joint Statement on the State Visit of Chinese Premier Li Keqiang to India", Ministry of External Affairs, Ministry of External Affairs, Government of India, 20 May 2013. <https://mea.gov.in/bilateral-documents.htm?dtl/21723/Joint+Statement+on+the+State+Visit+of+Chinese++Li+Keqiang+to+India>. Accessed 1 June 2019.

¹⁷⁶ "List of Documents signed during the State Visit of Chinese President Xi Jinping to India, Press Information Bureau, Government of India, 18 September 2014, pib.nic.in/newsite/PrintRelease.aspx?relid=109787. Accessed 27 March 2019.

¹⁷⁷ Sen, Amiti. "Modi Expected to Push China to Narrow Trade Deficit with India." *The Hindu BusinessLine*, 24 April 2015, www.thehindubusinessline.com/news/modi-expected-to-push-china-to-narrow-trade-deficit-with-india/article7137709.ece. Accessed 28 May 2019.

Two years later, briefing the Lok Sabha's Committee on External Affairs in October 2017, Indian foreign secretary Vijay Keshav Gokhale admitted it had been "frustrating" discussing trade issues with China. He stated that having been ambassador China for five years prior:

"[Trade] was my number one issue and we made no progress. They would keep promising, but not do anything. They have millions of non-tariff barriers. They keep bringing up new ones. If you see the last ten years, trade deficit has grown; it has not come down."¹⁷⁸

At a follow up hearing in February 2018, Gokhale added that despite his efforts, very little promised Chinese investment in the Indian market had materialised and that "no serious efforts have been made [by China] to reduce the trade deficit".¹⁷⁹ The committee concludes that whilst trade has been a "stabilizing force" in the relationship, the deficit is now unsustainable, and the pattern of bilateral trade, specifically minimal Chinese investment combined with large scale exports, is "not healthy for the overall growth of India's economy". Urging the government to do more, it expresses disbelief with the government's powerlessness to "compel" Beijing to address its concerns vis-a-vis trade.¹⁸⁰ Gokhale's continued frustration suggests his successor as the Indian Ambassador to China, Vikram Misri, is unlikely to make good on bringing down the bilateral deficit, despite it being one of his publicly-stated priorities.¹⁸¹

These parliamentary hearings and the resultant report are conducted by Committee on External Affairs. The issue of bilateral trade was discussed concurrently with the Doklam incident, the wider border dispute and other sources of political disagreement. This surely signifies that New Delhi does not see its economic relationship with China as 'decoupled' from political disputes.

¹⁷⁸ Quoted in "Sino-India Relations Including Doklam, Border Situation and Cooperation in International Organisations" Committee on External Affairs (2017-18), Government of India, 4 September, 2018. http://164.100.47.193/lsscommittee/External%20Affairs/16_External_Affairs_22.pdf Accessed 9 June 2019. p. 44.

¹⁷⁹ Ibid, p. 44.

¹⁸⁰ Ibid, p. 46.

¹⁸¹ Xie, Wenting, and Bai Yunyi, "Cooperation Trumps Competition between China and India: Envoy", *Global Times*, 29 March 2019, www.globaltimes.cn/content/1142705.shtml. Accessed 11 May 2019.

Even the small recent drop in the bilateral trade deficit with China, the first time for a decade,¹⁸² a fact greeted with much enthusiasm by India's Commerce Minister,¹⁸³ has since been described as illusory by sections of the Indian press. An analysis by *Mint* claims that China is routing exports via Hong Kong to mask the actual size of the deficit.¹⁸⁴

Recoupling of trade and security

In recent years, nationalist anger at Pakistan has become conflated with the issue of Chinese trade. One popular perception is that trade with China is financing Pakistani-supported terrorism. For example, in October 2016, the Aurangabad Firecrackers Traders' Association called for traders only to sell Indian-made firecrackers during Diwali after mounting anger at China's support for Pakistan in light of terrorist attacks in Uri in Kashmir the previous month.¹⁸⁵ Boycotts were accompanied by protests across the country, with officials from Bharatiya Mazdoor Sangh, one of the largest trade unions in India and the labour wing of the Rashtriya Swayamsevak Sangh (RSS), the BJP's parent organisation, joining a protest burning Chinese-made goods in.¹⁸⁶ Swadeshi Jagran Manch (SJM), another wing of the RSS, circulated provocative propaganda on social media (see Figure 6) and burnt effigies of regional government ministers in Madhya Pradesh after they had invited Chinese companies to a business conference.¹⁸⁷

¹⁸² Dhasmana, Indivjal. "India Brings down Trade Deficit with China by \$10 Billion in 2019." *Business-Standard*, 11 April 2019, www.business-standard.com/article/economy-policy/india-brings-down-trade-deficit-with-china-by-10-billion-in-2019-119041101508_1.html. Accessed 7 May 2019.

¹⁸³ <https://twitter.com/sureshprabhu/status/1116533127789236224>

¹⁸⁴ Mishra, Asit Ranjan. "How China Seeks to Hide Extent of Trade Surplus with India." *Livemint*, 15 April 2019, www.livemint.com/politics/policy/how-china-hides-its-india-trade-surplus-1555269188994.html. Accessed 7 May 2019.

¹⁸⁵ Diggikar, Ranjana, "City witnesses dip in sale of Chinese goods: Traders", *Times of India*, 27 October 2016, timesofindia.indiatimes.com/city/aurangabad/City-witnesses-dip-in-sale-of-Chinese-goods-Traders/articleshow/55082966.cms. Accessed 29 May 2019.

¹⁸⁶ "Bharatiya Mazdoor Sangh Infuriated over China's Anti-India Stance." *Tribune News Service*, 13 October 2016, www.tribuneindia.com/news/community/bharatiya-mazdoor-sangh-infuriated-over-china-s-anti-india-stance/308668.html. Accessed 28 May 2019.

¹⁸⁷ "RSS-Linked Body Protests Invite to Chinese Firms." *Deccan Herald*, 19 Oct. 2016, <http://www.deccanherald.com/content/576668/rss-linked-body-protests-invite.html>.



Figure 6. Propaganda cartoon shared on Indian social media following the 2016 Uri attacks.

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Similar protests occurred in 2017, when the SJM called for a full boycott of Chinese goods.¹⁸⁹ Jabin T. Jacob was quick to point out the irony of Manoj Tiwari, a BJP politician and former celebrity singer-actor, having his Chinese-manufactured iPhone pickpocketed whilst at a rally in New Delhi.¹⁹⁰ In March 2019, following Beijing's veto at the UN Security council regarding the terrorist designation of Masood Azhar, leader of Pakistani militant group Jaish-e-Mohammed, Indian traders burned Chinese goods in over 1,500 locations.¹⁹¹ The Confederation of All Indian Traders (CAIT), claiming to represent over 70 million members, organised the protests, called for a full boycott of Chinese goods and for the Indian

¹⁸⁸ Retrieved from the official Swadeshi Jagran Manch Facebook page, 9 October 2016. www.facebook.com/swadeshijagranmanch/photos/a.201594936549734/1288594427849774/. Accessed 29 May 2019.

¹⁸⁹ Bali, Pawan. "RSS-Backed Body Starts War against Chinese Goods." *The Asian Age*, 24 July 2017, www.asianage.com/india/all-india/240717/rss-backed-body-starts-war-against-chinese-goods.html. Accessed 29 May 2019.

¹⁹⁰ Jabin, Jacob T. "From iPhones to cancer, the India-China relationship is full of irony", *South China Morning Post*, 19 November 2017. www.scmp.com/week-asia/opinion/article/2120435/iphones-cancer-india-china-relationship-full-irony. Accessed 29 May 2019.

¹⁹¹ Sridharan, Vasudevan, "An India-China trade war? Modi fans the flames of boycott calls" *South China Morning Post*, 16 April 2019. www.scmp.com/week-asia/geopolitics/article/3006341/india-china-trade-war-modi-fans-flames-boycott-calls. Accessed 28 May 2019.

government to take protectionist measures to help domestic producers.¹⁹² Small business owners represent an important electoral demographic in India,¹⁹³ so much so that when Modi was asked in a television interview about the boycott proposed by CAIT, he made supportive comments: “As far as public sentiment on Chinese goods is concerned, we should leave it to their sooj-bhooj [wisdom]. We, including the media, should guide the public.”¹⁹⁴ Within days the CAIT had declared its support for Modi, encouraging its members to vote for the BJP in the upcoming parliamentary elections.¹⁹⁵

Chinese investment in sensitive sectors like telecommunications, has prompted concern in New Delhi, primarily for security reasons.¹⁹⁶ After Huawei had grown its presence in India for several years, India imposed anti-dumping duties on the company in 2009, leading India’s state-owned telecommunications provider Bharat Sanchar Nigam Ltd (BSNL) to cancel a \$2bn contract with it shortly afterward.¹⁹⁷ In 2014, the Indian government launched an investigation into allegations that Huawei had hacked BSNL.¹⁹⁸ New Delhi is also attempting to restrict the degree to which Huawei participates in upcoming 5G telecommunications infrastructure.¹⁹⁹

¹⁹² Bundhun, Rebecca. “India May Need to Address Trade Imbalance with China.” *The National*, The National, 31 March 2019, <https://www.thenational.ae/business/economy/india-may-need-to-address-trade-imbalance-with-china-1.842974>. Accessed 28 May 2019.

¹⁹³ Mundy, Simon. “Indian small businesses wooed ahead of elections” *Financial Times*, 2 January 2019, www.ft.com/content/cf3976ae-0e88-11e9-a3aa-118c761d2745. Accessed 28 May 2019.

¹⁹⁴ “Should Chinese Goods be Boycotted Over Masood Azhar Stand? PM Modi Leaves it to Indians’ ‘Wisdom’”, *News18.com*, 19 April 2019, www.news18.com/news/india/should-chinese-goods-be-boycotted-over-masood-azhar-stand-pm-modi-leaves-it-to-wisdom-of-indians-2094955.html. Accessed 28 May 2019.

¹⁹⁵ “Confederation of All India Traders to Back BJP.” *The Hindu*, The Hindu, 21 April 2019, <https://www.thehindu.com/elections/lok-sabha-2019/confederation-of-all-india-traders-to-back-bjp/article26905479.ece>. Accessed 28 May 2019.

¹⁹⁶ Baru, Sanjaya, “Bilateral trade and global economy: An Indian perspective” in *China-India Relations | Cooperation and Conflict* Edited by Kanti Bajpai, Jing Huang and Kishore Mahbubani et al. Taylor & Francis, 2015, pp. 52-66, p. 58.

¹⁹⁷ Babu, Venkatesha. “Running Scared of Huawei.” *Livemint*, 17 February 2010, www.livemint.com/Home-Page/c5NDHgz2Y9icDOE1V2vWdl/Running-scared-of-Huawei.html. Accessed 4 June 2019.

¹⁹⁸ “India Investigates Report of Huawei Hacking State Carrier Network.” Reuters, 6 Feb. 2014, <https://www.reuters.com/article/us-india-huawei-hacking-idUSBREA150QK20140206>.

¹⁹⁹ “India Searching for a Way to Restrict Huawei in 5G.” *Nikkei Asian Review*, Nikkei Asian Review, 6 March 2019, asia.nikkei.com/Spotlight/5G-networks/India-searching-for-a-way-to-restrict-Huawei-in-5G2. Accessed 10 June 2019.

Concern has not been restricted to telecoms. Indian newspapers eagerly reported findings from a US cybersecurity firm that the Chinese state had been spying on India, and other nations in Southeast Asia, using advanced malware for nearly a decade.²⁰⁰ Such concerns persist. In 2019, *India.com* cited an intelligence report warning that China has been establishing businesses near Indian naval bases and bidding on nearby infrastructural projects to facilitate espionage.²⁰¹ Lobby groups have warned about the risks associated with allowing Chinese state-owned companies to bid for critical infrastructure such as power transmission.

Rising protectionism

In his keynote address at Davos in 2018, Modi listed protectionism and the retreat of globalization as one of the top three threats to peace and stability.²⁰² However, the gap between rhetoric and reality looms large - India has the highest average Most Favored Nation (MFN) applied tariff rate of any major world economy, according to US estimates.²⁰³ As part of the Modi government's 'Make in India' campaign, duties have been raised on an assortment of labour-intensive and manufacturing goods. Tariffs on textile products were doubled.²⁰⁴ In a bid to boost solar energy production, one of the Modi government's priorities,²⁰⁵ New Delhi has imposed a 25% tariff on solar cells and panels.²⁰⁶

²⁰⁰ "APT 30 and the Mechanics of a Long-Running Cyber Espionage Operation « APT 30 and the Mechanics of a Long-Running Cyber Espionage Operation." *FireEye*, https://www.fireeye.com/blog/threat-research/2015/04/apt_30_and_the_mecha.html. Accessed 10 June 2019.

²⁰¹ "China Establishing Businesses Near Indian Navy Bases to Keep an Eye on Them, Says Intelligence Report." *India.com*, 26 Mar. 2019, <https://www.india.com/news/world/china-trying-to-spy-on-indian-naval-bases-by-establishing-businesses-in-karnataka-odisha-coast-intelligence-3613051/>.

²⁰² Modi, Narendra, "Creating a Shared Future in a Fractured World", World Economic Forum Annual Meeting 2018, 23 January 2018, Davos, Switzerland. Keynote Address. Full text available at www.mea.gov.in/Speeches-Statements.htm?dtl/29378/Prime+Ministers+Keynote+Speech+at+Plenary+Session+of+World+Economic+Forum+Davos+January+23+2018. Accessed 9 May 2019.

²⁰³ "2019 National Trade Estimate Report on Foreign Trade Barriers", United States Trade Representative, Executive Office of the President of the United States, pp. 235-236. ustr.gov/sites/default/files/2019_National_Trade_Estimate_Report.pdf. Accessed 2 June 2019.

²⁰⁴ Jadhav, Rajendra, and Sudarshan Varadhan. "India Doubles Import Tax on Textile Products, May Hit China." *Reuters*, 7 August 2018, <https://www.reuters.com/article/us-india-textiles-idUSKBN1KS17F>.

²⁰⁵ "PM Modi Presents 10-Point Action Plan to Promote Solar Energy, Calls for Less-Risky Projects." *Hindustan Times*, 11 March 2018, www.hindustantimes.com/india-news/pm-modi-calls-for-concessional-less-risky-financing-for-solar-projects/story-ue0JqxkxGo8VHmKv8Z9NDK.html. Accessed 10 May 2019.

²⁰⁶ *Domestic Solar Power Industry*, Ministry of New and Renewable Energy, Press Information Bureau, Government of India, 9 August 2018. pib.nic.in/newsite/PrintRelease.aspx?relid=181697

In addition to targeted tariffs, China remains the largest source of anti-dumping investigations in India, with 214 conducted in 2017.²⁰⁷ Between 2008 and 2018, 59% of anti-dumping investigations conducted by the Indian government were against China, by far the largest source.²⁰⁸ With limited success in raising the deficit bilaterally, the Indian government has taken its complaints regarding China's trade policy to the WTO.²⁰⁹

Writing for the libertarian think tank the Cato institute, Swaminathan Aiyar, an influential economic journalist, suggests Modi is reversing a trend of economic liberalisation. He states that the RSS, SJM and BJP are "paranoid" about China's threat to domestic producers, and that protectionism is now being driven by India's fear of China rather than its historical opposition to Western multinationals.²¹⁰ This could be a worrying trend as the adoption of protectionist policies can lead to more aggressive foreign policies.²¹¹

As far back as December 2011, the Indian National Security Council concluded its trading relationship with China, specifically Indian dependence on Chinese imports, was a matter of serious concern.²¹² Clearly the issue of Chinese investment, as well as trade, has now become securitised. The liberal optimism that accompanied the rhetoric of 'Chindian' complementarity discussed in the previous chapter has been largely replaced by a pessimistic view of trade, apprehension about India's relative economic performance and calls for

²⁰⁷ Dave, Sachin, et al. "India Has Initiated 214 Anti-Dumping Probe against China: Commerce Minister." *The Economic Times*, 18 July 2018, economictimes.indiatimes.com/news/economy/policy/india-has-initiated-214-anti-dumping-probe-against-china-commerce-minister/articleshow/65039926.cms. Accessed 7 May 2019.

²⁰⁸ Calculated with data from the Directorate General of Trade Remedies, Ministry of Commerce and Industry. <http://www.dgtr.gov.in/anti-dumping-cases>.

²⁰⁹ Suneja, Kirtika. "India Raises Trade Deficit Issue with China at WTO." *The Economic Times*, 15 July 2018, economictimes.indiatimes.com/news/economy/policy/india-raises-trade-deficit-issue-with-china-at-wto/articleshow/65001201.cms. Accessed 5 June 2019.

²¹⁰ Aiyar, Swaminathan S., "India's New Protectionism Threatens Gains from Economic Reform", *Policy Analysis*, 18 October 2018, Number 851, Cato Institute. P. 9. <https://object.cato.org/sites/cato.org/files/pubs/pdf/pa-851-updated.pdf>.

²¹¹ Patrick McDonald has empirically demonstrated that protectionist interests lead to more assertive foreign policies. He states that in states where free-trading interests are dominant. Opportunities for cooperation with other states are more likely and when protectionist interests are influential, aggressive foreign policy decisions are more likely. See. McDonald, Patrick J. *The Invisible Hand of Peace : Capitalism, the War Machine, and International Relations Theory*. Cambridge University Press, 2009, p. 17.

²¹² Sen, Amiti. "India Worried over Rising Trade Gap with China; NSC Secretariat Sends out Note Detailing Concerns." *The Economic Times*, 9 December. 2011, economictimes.indiatimes.com/news/economy/foreign-trade/india-worried-over-rising-trade-gap-with-china-nsc-secretariat-sends-out-note-detailing-concerns/articleshow/11038964.cms. Accessed 9 May 2019.

protectionist policies. Current trends suggest the bilateral imbalance will only continue to widen, with parity unlikely to be restored without deliberate policy intervention. It should come as no surprise therefore that India has remained lukewarm on the idea of a Free Trade Agreement with China, a proposal Beijing has been keen to promote since 2004.²¹³ In conclusion, Indian political discourse has focussed its attention on China's supposedly assertive trade policies rather than on an inward critique of Indian uncompetitiveness. It has portrayed India as a victim of external forces and cast the bilateral trade deficit as one element in "a larger geostrategic dilemma."²¹⁴

²¹³ See "China Seeks FTA with India to Boost Trade Opportunities." *The Economic Times*, 28 April 2018, economictimes.indiatimes.com/news/economy/foreign-trade/china-seeks-fta-with-india-to-boost-trade-opportunities/articleshow/63951557.cms. Accessed 10 May 2019.

²¹⁴ Rajadhyaksha, Niranjana. "Opinion | India's Trade Deficit with China Has a Geostrategic Dimension." *Livemint*, 17 April 2019, www.livemint.com/opinion/online-views/opinion-india-s-trade-deficit-with-china-has-a-geostrategic-dimension-1555442346843.html. Accessed 7 May 2019.

• CHAPTER FIVE •

Standing up to the dragon: Modi and the Belt Road Initiative

Copeland's trade-security spiral outlines a feedback loop whereby negative expectations of future trade feed a state's evaluation of its overall security situation, which in turn feeds these expectations (See Chapter 1). Having demonstrated that the optimism that greeted growing trade in the early 2000s has now largely evaporated, this chapter will assess how negative trade expectations in India have fed apprehension about China's rising power status, and India's relative economic and military inferiority. Nowhere is this conflation of economic and security issues more apparent than in Indian opposition to China's flagship foreign economic policy, the BRI.

Indian perceptions of the Belt Road Initiative

Through a series of infrastructure and connectivity projects and comprising both an overland 'Silk Road Economic Belt' and a 'Maritime Silk Road' (MSR), the BRI proposes to connect the Chinese mainland to Eurasia and Africa. First announced in 2013, Beijing offers an optimistic and inclusive vision to the 70 plus countries participating in the BRI, claiming it will promote cross-border trade, stability, development and cultural exchange. According to official documentation, the BRI is founded on the Five Principles of Peaceful Coexistence first articulated by Zhou and Nehru in 1954.²¹⁵ Xi summarised Beijing's pitch in his opening speech at the 2017 Belt Road Forum for International Cooperation, promising the BRI will become a "road for peace".²¹⁶ The initiative is not without its detractors, however.

²¹⁵ "Vision And Actions On Jointly Building Silk Road Economic Belt And 21st-Century Maritime Silk Road-Belt and Road Portal", National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, eng.yidaiyilu.gov.cn/qwyw/qwfb/1084.htm. Accessed 23 January 2019.

²¹⁶ Xi, Jinping, "Work Together to Build the Silk Road Economic Belt and The 21st Century Maritime Silk Road", Opening Ceremony of The Belt and Road Forum for International Cooperation. 14 May 2017. www.xinhuanet.com/english/2017-05/14/c_136282982.htm. Accessed 2 June 2019.

Despite India's own considerable need for infrastructural investment,²¹⁷ its opposition was signalled in a speech at the 2016 Raisina Dialogue where Foreign secretary Subrahmanyam Jaishankar implicitly criticised the unilateralism of the BRI and acknowledged its geopolitical significance stating:

Connectivity itself has emerged as a theatre of present day geopolitics. When diplomats get agitated about lines on the map today, they are more likely to be discussing proposed road connections, rail lines, oil pipelines or maritime routes than contesting national boundaries. Who draws these lines; who agrees with them; what are the financial institutions to convert them into reality; what would be the modes of managing and implementing them once built – all these questions carry geopolitical significance. Naturally, every country tends to look at these questions from the view point of its own best interests.²¹⁸

New Delhi's opposition has since been formalised and India has boycotted each annual Belt Road Forum since 2017. Officially at least, Indian opposition is focussed on the China-Pakistan Economic Corridor (CPEC), one of the largest BRI investments to date with ongoing projects totalling \$62bn, roughly a fifth of Pakistani GDP.²¹⁹ Controversially for India, CPEC runs through Gilgit Baltistan, a region of Jammu and Kashmir occupied by Pakistan but claimed by India ever since Partition in 1947. Viewing it as a violation of its sovereignty and territorial integrity, the Indian government has conveyed its concerns to the Chinese government.²²⁰ In addition to the territorial affront, CPEC "has complicated Indian efforts to internationalize the issue of Pakistan-sponsored terrorism", according to Harsh

²¹⁷ Speaking at the third annual meeting of the Asian Infrastructure Investment Bank (AIIB) in 2018, Indian Finance Minister Piyush Goyal said that India needs \$4.5 trillion in investment to meet its infrastructural needs over the next decade. See "India Needs \$4.5 Trillion Infra Spending over next Decade: FM Piyush Goyal." *Business Standard*, 25 June 2018, www.business-standard.com/article/economy-policy/india-needs-4-5-trillion-infra-spending-over-next-decade-fm-piyush-goyal-118062501183_1.html. Accessed 12 June 2019.

²¹⁸ Jaishankar, Subrahmanyam, "Speech by Foreign Secretary at Raisina Dialogue in New Delhi Raisina Dialogue 2016, New Delhi, 2 March 2016. mea.gov.in/Speeches-Statements.htm?dtl/26433/Speech_by_Foreign_Secretary_at_Raisina_Dialogue_in_New_Delhi_March_2_2015. Accessed 12 June 2019.

²¹⁹ Kiani, Khaleeq. "With a New Chinese Loan, CPEC Is Now Worth \$51.5bn." *Dawn*, 30 September. 2016, dawn.com/news/1287040. Accessed 22 January 2019.

²²⁰ According to the Minister for External Affairs, M J Akbar in response to a 2017 question in the Lok Sabha. "Question no. 27355: Belt and Road Initiative of China". 10 August 2017. mea.gov.in/rajya-sabha.htm?dtl/28857/QUESTION_NO2735_BELT. Accessed 12 June 2019.

Pant.²²¹ Furthermore, the Gwadar port is situated next to the Strait of Hormuz, through which 60% of Indian oil imports pass.²²² and potential ‘dual-use’ to the Chinese navy is a source of considerable suspicion in New Delhi.²²³

Clearly, the BRI taps into wider geostrategic anxieties in India than just territorial integrity. CPEC represents a further deepening of the Sino-Pakistani alliance, exacerbating Indian anxiety of military encirclement and a two-front war. In 2017, General Bipin Rawat, head of the Indian Army warned that India must be prepared for a war with Pakistan on its western border and with its “northern adversary” China: “As far as the northern adversary (China) is concerned, the flexing of muscles has started... Salami slicing, taking over territory in a very gradual manner, testing our limits of threshold... something we have to be wary about and remain prepared for situations that could develop into conflicts.”²²⁴ Such statements are not limited to Indian military hawks. In July 2018, amid what it describes as deteriorating relations with both Pakistan and China, one of India’s most influential think tanks published its assessment of a ‘two-front’ war, concluding that New Delhi “may have to contemplate dramatic measures to bolster national security in the face of a two-front threat”.²²⁵

Beyond Pakistan, the MSR has seen significant Chinese investments in the Hambantota port in Sri Lanka, Chittagong port in Bangladesh and Kyaukpyu port in Myanmar, as well as a military base in Djibouti. These installations have been seen as a challenge to the security status quo in the Indian Ocean, a theory known as the ‘string of pearls’, a phrase coined by US consultancy in 2005. Chaudhuri states that the Sri Lankan government’s decision to permit Chinese nuclear-powered submarines to dock in Hambantota port in 2014,

²²¹ Pant, Harsh V., and Ritika Passi. “India’s Response to China’s Belt and Road Initiative: A Policy in Motion.” *Asia Policy*, vol. 24, no. 1, National Bureau of Asian Research, 2017, pp. 88–95, p.92.

²²² Huang, Kristin, and Teddy Ng. “China and Iran Carry out Naval Exercise near Strait of Hormuz as US Holds Drill with Qatar.” *South China Morning Post*, 19 June 2017, scmp.com/news/china/diplomacy-defence/article/2098898/china-and-iran-carry-out-naval-exercise-near-strait.

²²³ Mukherjee, Tuneer, “China’s Maritime Quest in the Indian Ocean: New Delhi’s Options.” *Observer Research Foundation*, 21 April 2018.

www.orfonline.org/research/china-maritime-quest-in-the-indian-ocean-new-delhi-options/. Accessed 12 June 2019.

²²⁴ “India Must Be Prepared for Conflict on Western and Northern Fronts: General Rawat.” *Business-Standard*, 6 Sept. 2017, business-standard.com/article/news-ani/india-must-be-prepared-for-conflict-on-western-and-northern-fronts-general-rawat-117090601319_1.html.

²²⁵ Rej, Abhijnan. “The Sobering Arithmetic of a Two-Front War | ORF.” *Observer Research Foundation*, orfonline.org/research/the-sobering-arithmetic-of-a-two-front-war/. Accessed 23 January 2019.

“confirmed New Delhi’s suspicions that the BRI was not a global public good but a financial instrument meant to suborn (sic) other governments to Beijing’s will, using a mix of investment, debt and bribery.”²²⁶ Sri Lanka’s decision to hand the port to China on a 99 year lease when it was unable to repay the loans only hardened this perception.²²⁷

Indian media discourse is increasingly framing Beijing’s activities in India’s “neighbourhood”²²⁸ as part of a strategy of “encirclement”.²²⁹ Parliamentary debates in New Delhi reflect similar concerns. In criticising the Modi government’s foreign policy towards China after the 2017 Doklam border incident, President of the Indian National Congress, and failed challenger for PM, Rahul Gandhi warned that India is “surrounded on all sides”.²³⁰

A large scale review of opinion pieces regarding the BRI published in the *Times of India* between 2014 and April 2019 is revealing. Dozens of articles make reference to the BRI, averaging roughly one per month. The frequency of BRI commentary rises sharply from 2017 and, with very few exceptions, the tone ranges from suspicion of the grandiose rhetoric surrounding the BRI, to apprehension and outright hostility. What is striking is the almost total absence of any commentary supportive of the BRI or of China in general. Opinion pieces oppose the BRI for a broad array of reasons, ranging from the Indian government’s official position that the BRI disregards India’s territorial integrity – “[CPEC] tramples on Indian sovereignty”²³¹, to the supposedly neocolonial terms of BRI funding: “this debt trap

²²⁶ Chaudhuri, Pramit Pal, “Why India Sees China’s Belt Road as a Geopolitical Threat | Rhodium Group.” *Rhodium Group*, 17 November 2017, rhg.com/research/india-sees-chinas-belt-road-geopolitical-threat/. Accessed 11 May 2019.

²²⁷ Sirilal, Ranga, and Shihar Aneez. “Sri Lanka Signs \$1.1 Billion China Port Deal amid Local, Foreign Concerns.” *Reuters*, 29 July 2017, www.reuters.com/article/us-sri-lanka-china-ports-idUSKBN1AE0CN. Accessed 12 June 2019.

²²⁸ “China to Build Port in Myanmar, Third in India’s Neighbourhood.” *The Economic Times*, 9 Nov. 2018, economictimes.indiatimes.com/news/defence/china-to-build-port-in-myanmar-third-in-indias-neighbourhood/articleshow/66555856.cms.

²²⁹ Dutta, Prabhaskar K. “Can China Really Encircle India with Its String of Pearls? The Great Game of Asia.” *India Today*, 15 June 2017, <https://www.indiatoday.in/india/story/china-encircle-india-string-of-pearls-982930-2017-06-15>.

²³⁰ The Pioneer. “Modi Should Have Raised China’s Move to Encircle India: Rahul.” *The Pioneer*, <https://www.dailypioneer.com/2018/top-stories/modi-should-have-raised-chinas-move-to-encircle-india-rahul.html>. Accessed 23 Jan. 2019.

²³¹ “After the Poll: Economic Reforms and Cultivating Friends Are Crucial for India’s Strategic Heft.” *Times of India*, Editorial, 24 April 2019, timesofindia.indiatimes.com/blogs/toi-editorials/after-the-poll-economic-reforms-and-cultivating-friends-are-crucial-for-indias-strategic-heft/. Accessed 1 June 2019.

will make borrowers Chinese puppets”.²³² Others see the BRI as a tool of “Chinese expansionism”²³³ as it encroaches into India’s traditional sphere of influence: “the overbearing presence of the Chinese in our [India’s] neighbourhood”.²³⁴ Finally, the oft-invoked ‘string of pearls’ theory, where strategically placed ports forming the Maritime Silk Road are seen to have a military use, is a considerable source of anxiety: “Chinese naval deployments [in IOR] appear to complement Beijing’s Belt and Road Initiative projects”.²³⁵ These facilities have enabled Beijing’s “strategic encirclement” of India,²³⁶ with its ultimate goal to prevent India from challenging Chinese regional hegemony: “China wants India to remain subservient to it in the region”.²³⁷

In response, most commentators implore Indian leaders to remain wary of the BRI. Abanti Bhattacharya proposes an alliance with Japan, Vietnam, Indonesia and the Philippines and the US, to “create a united front opposing such irredentism and challenging China’s selective use of history for territorial claims” - an oblique reference to China’s contentious maritime claims in the South China Sea. Others, such as the diplomatic editor of the *Times of India*, encourage Modi to “build up the Quad and the India-Japan-US trilateral. Keep up the opposition to Belt,

²³² Aiyar, S. A. “Why China Can’t Win the World with Easy Money.” *Times of India*, 23 September 2018, <https://timesofindia.indiatimes.com/blogs/Swaminomics/why-china-cant-win-the-world-with-easy-money/>. Accessed 1 June 2019.

²³³ “Stronger Indo-Japan Ties Are Crucial to Balance Chinese Ambition of Dominating Asia.” *Times of India*, Editorial. 30 October 2018, timesofindia.indiatimes.com/blogs/toi-editorials/stronger-indo-japan-ties-are-crucial-to-balance-chinese-ambition-of-dominating-asia/. Accessed 1 June 2018.

²³⁴ Sibal, Kapil. “Modi Gets Real on China: Wuhan Summit Demonstrated That a Weak Economy Gives India Few Cards to Deal.” *Times of India*, 21 May 2018, timesofindia.indiatimes.com/blogs/toi-edit-page/modi-gets-real-on-china-wuhan-summit-demonstrated-that-a-weak-economy-gives-india-few-cards-to-deal/. Accessed 1 June 2019.

²³⁵ Singh, Abhijit. “Decoding Chinese Submarine ‘sightings’ in South Asia – They’re Eroding New Delhi’s Strategic Primacy in Its Own Backyard.” *Times of India Blog*, 15 Nov. 2018, <https://timesofindia.indiatimes.com/blogs/toi-edit-page/decoding-chinese-submarine-sightings-in-south-asia-the-ire-eroding-new-delhis-strategic-primacy-in-its-own-backyard/>. Accessed 1 June 2019.

²³⁶ “Modi In Iran: Chabahar Port Deal Can Enable India to Break out of Strategic Encirclement.” *Times of India*, 24 May 2016, <https://timesofindia.indiatimes.com/blogs/toi-editorials/modi-in-iran-chabahar-port-deal-can-enable-india-to-break-out-of-strategic-encirclement/>. Accessed 1 June 2019.

²³⁷ “Belt And Road Forum: It Doesn’t Serve India’s Interests to Join This Chinese Party.” *Times of India*, 25 April 2019, timesofindia.indiatimes.com/blogs/toi-editorials/belt-and-road-forum-it-doesnt-serve-indias-interests-to-join-this-chinese-party/. Accessed 1 June 2019.

Road and CPEC”, in order to meet the challenge China poses “in the Indian Ocean, via Pakistan and through an economic model that keeps India on the losing side in trade”.²³⁸

In 2017 alone, the *Indian Express*, a reputable broadsheet not known for hyperbole, published four opinion pieces explicitly referring to Chinese “encirclement” of India.²³⁹ Brahma Chellaney, prominent commentator and former member of the Indian government’s Policy Advisory Group and adviser to India’s National Security Council, describes how “Chinese are financing their encirclement of India with the profits from their predatory trade”, likening Beijing’s modus operandi to the British financing the colonisation of India with Indian wealth.²⁴⁰ As he describes it, “geo-economic tools [are used] to achieve geopolitical objectives”.²⁴¹ It should be noted that India is not alone in its suspicions of the BRI and recent evidence suggests Beijing sees an overt military dimension to the BRI.²⁴²

Pramit Pal Chaudhuri, foreign editor of the *Hindustan Times* and a member of the Indian government’s National Security Advisory Board, states: “While India publicly cites the fact that CPEC runs through a part of Pakistani-held Kashmir that is claimed by New Delhi, India’s primary objection is an entrenched belief that BRI will fundamentally tilt the geopolitics of Asia in China’s favor.” He states that “Indian officials now openly call the

²³⁸ The ‘Quad’ refers to the Quadrilateral Security Dialogue, comprising the US, India, Japan and Australia. Bagchi, Indrani. “Play a Better Game: Here Are the Top Five National Security Challenges the next Government Must Tackle.” *Times of India*, 17 May 2019, timesofindia.indiatimes.com/blogs/Globespottings/play-a-better-game-here-are-the-top-five-national-security-challenges-the-next-government-must-tackle/. Accessed 11 June 2019.

²³⁹ According to a Google search for the term ‘encirclement’ in pages from 2017 within the opinion section of the *Indian Express* (<https://indianexpress.com/article/opinion/>) using appropriate boolean operators.

²⁴⁰ Chellaney. “China’s India Trade Funds Its Containment Strategy.” *The Hindustan Times*, 5 January 2018. Retrieved from Chellaney’s blog *Stagecraft and Statecraft* chellaney.net/2019/01/05/chinas-india-trade-funds-its-containment-strategy/. Accessed 1 June 2019.

²⁴¹ Chellaney, Brahma. “Belt And Roadblocks: India’s China Stance Vindicated.” *The Economic Times*, 29 October 2018, economictimes.indiatimes.com/news/defence/belt-and-roadblocks-indias-china-stance-vindicated/articleshow/66410247.cms. Accessed 1 June 2019.

²⁴² A recent *New York Times* investigative report alleges Beijing and Islamabad have agreed that Pakistan will build Chinese military jets and other military hardware and has explicitly designated these projects as falling under the BRI. See Abi-Habib, Maria. “China’s ‘Belt and Road’ Plan in Pakistan Takes a Military Turn.” *The New York Times*, 19 December 2018, www.nytimes.com/2018/12/19/world/asia/pakistan-china-belt-road-military.html. Accessed 11 May 2019.

BRI a “neo-colonial” project and see it largely as a cover for China to convert its financial muscle into political and military control.²⁴³

A 2019 report from the Committee on External Affairs voices its concern at what it sees as a policy of “veiled containment” of India. It contrasts India’s “overly cautious” attitude in dealing with Taiwan and Tibet with China’s failure to “exhibit the same deference” when dealing with India regarding its territorial complaints vis-a-vis CPEC. It describes Beijing’s recent policy towards India as “muscular” and advocates New Delhi cease its “conventionally deferential” approach to China, even suggesting the Indian government “should contemplate using all options including its relations with Taiwan, as part of such an approach.” Calling the BRI a “vehicle for Chinese hegemonic geo-political, financial and commercial interest” advocating continued boycott and using growing international opposition to the project to boost its alternative initiatives.²⁴⁴ Such criticism has not gone unnoticed in Beijing. The need to understand and address “perception problems” between China and India is recognised,²⁴⁵ and Xi himself has tried to assuage fears that the BRI represents a “plot”.²⁴⁶

²⁴³ Chaudhuri, Pramit Pal, “Why India Sees China’s Belt Road as a Geopolitical Threat | Rhodium Group.” *Rhodium Group*, 17 November 2017, rhg.com/research/india-sees-chinas-belt-road-geopolitical-threat/. Accessed 11 May 2019.

²⁴⁴ “Twenty Fifth Report: Action Taken by the Government on the Recommendations/Observations contained in the Twenty Second Report on the subject ‘Sino-India Relations including Doklam, border situation and cooperation in international organizations”, Committee on External Affairs, 16th Lok Sabha, February 2019. 164.100.47.193/lsscommittee/External%20Affairs/16_External_Affairs_25.pdf. Accessed 10 June 2019. p.2.

²⁴⁵ “Progress on BCIM May Change India’s Attitude”. 16 October 2018. www.globaltimes.cn/content/1123243.shtml. Accessed 23 February 2019.

²⁴⁶ “Xi Says Belt and Road Initiative Not an Intrigue of China”, Xinhua. 11 April 2018. www.xinhuanet.com/english/2018-04/11/c_137103588.htm. Accessed 24 February 2019

From nonalignment to China containment

The Modi government has been more assertive toward China than its recent predecessors and is widely-seen to have departed from decades of Indian foreign policy orthodoxy. Having previously been characterised as personalized, ad hoc, poorly coordinated and reactive,²⁴⁷ Indian strategic thinking has undergone a realist, nationalist shift, in part driven by the BJP's chauvinistic and revivalist ideology of *Hindutva*. Whilst paying lip service to the Nehruvian principle of nonalignment, Modi is in fact advancing a more explicit form of "coalition diplomacy" with US and regional states to contain the influence of China and Pakistan.²⁴⁸

Within 18 months of taking office, the Modi government had issued joint statements with the US,²⁴⁹ Japanese,²⁵⁰ Filipino,²⁵¹ and Vietnamese governments²⁵² highlighting New Delhi's commitment to freedom of navigation in the South China Sea. New Delhi has offered public support for Hanoi and Manila in their disputes with China.²⁵³ Clearly then, the Modi government has been relatively forthright in its alignment against China in Indo-Pacific maritime disputes, an alignment that has been coined part of a 'reverse string-of-pearls' strategy in an effort to contain Chinese power.²⁵⁴

²⁴⁷ Yang, p. 113.

²⁴⁸ Bajpai, Kanti. "Narendra Modi's Pakistan and China Policy: Assertive Bilateral Diplomacy, Active Coalition Diplomacy." *International Affairs*, vol. 93, no. 1, Narnia, Jan. 2017, pp. 69–91.

²⁴⁹ "US-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region". Ministry for External Affairs, Government of India, 25 January 2015. www.mea.gov.in/bilateral-documents.htm?dtl/24728/USIndia_Joint_Strategic_Vision_for_the_AsiaPacific_and_Indian_Ocean_Region. Accessed 1 June 2019.

²⁵⁰ "Joint Statement on India and Japan Vision 2025: Special Strategic and Global Partnership Working Together for Peace and Prosperity of the Indo-Pacific Region and the World", Ministry of External Affairs, Government of India. 12 December 2015. mea.gov.in/incoming-visit-detail.htm?26176/Joint+Statement+on+India+and+Japan+Vision+2025+Special+Strategic+and+Global+Partnership+Working+Together+for+Peace+and+Prosperity+of+the+IndoPacific+Region+and+the+WorldDecember+12+2015. Accessed 12 June 2019.

²⁵¹ "Joint Statement: Third India-Philippines Joint Commission on Bilateral Cooperation." Ministry of External Affairs, Government of India 14 October 2015. mea.gov.in/bilateral-documents.htm?dtl/25930. Accessed 11 June 2019.

²⁵² Modi, Narendra, "Media Statements by Prime Minister of India and Prime Minister of Vietnam", 28 October 2014, New Delhi. www.mea.gov.in/Speeches-Statements.htm?dtl/24143/Media_Statements_by_Prime_Minister_of_India_and_Prime_Minister_of_Vietnam_in_New_Delhi_October_28_2014. Accessed 20 May 2019.

²⁵³ Pant, Harsh V., "Delhi Dives in to the South China Sea Dispute - Policy Forum." *Policy Forum*, 23 Mar. 2016, <https://www.policyforum.net/delhi-dives-in-to-the-south-china-sea-dispute/>.

²⁵⁴ Srinivasan, Rajeev, "Modi's Overseas Ambitions: Vietnam and the Reverse 'string-of-Pearls' to Contain China." *Firstpost*, 31 October 2014,

Despite having met Xi six times during his first four years in office, Modi has made little progress on intractable issues such as the border. To this day, Beijing claims approximately 32,000 square miles in Arunachal Pradesh and India disputes approximately 17,000 square miles of Chinese territory in Aksai Chin.²⁵⁵ In 2017, a 70-day military standoff following Chinese road building around the disputed Doklam border, a strategically located so-called trijunction area between Tibet, the Indian state of Sikkim and Bhutan, had marked a significant escalation in tensions and hawkish commentary from both the Chinese²⁵⁶ and Indian press.²⁵⁷ In 2018 alone, PLA troops were reported to have made over 400 border incursions.²⁵⁸ Such tensions look unlikely to recede - Indian Army chief General Bipin Rawat has warned standoffs such as Doklam are likely to "increase in future".²⁵⁹

China's continued unwavering diplomatic support for Islamabad continues to periodically draw outrage in India. Disputes over water management of the Brahmaputra rivers are taking on new strategic significance.²⁶⁰ India's unexpected announcement of a successful anti-satellite missile test in March 2019²⁶¹ risks opening a new extraterrestrial front in

www.firstpost.com/world/modis-overseas-ambitions-vietnam-and-the-reverse-string-of-pearls-to-contain-china-1781389.html. Accessed 16 April 2019.

²⁵⁵ Radchenko, Sergey. "The Rise and Fall of Hindi Chini Bhai Bhai." *Foreign Policy*, Foreign Policy, 19 Sept. 2014, <https://foreignpolicy.com/2014/09/18/the-rise-and-fall-of-hindi-chini-bhai-bhai/>. Accessed 5 April 2019.

²⁵⁶ See, for example "India's Provocation Will Trigger All-out Confrontation on LAC", *Global Times*, 18 July 2017, <http://www.globaltimes.cn/content/1056783.shtml>. Accessed 4 April 2019.

²⁵⁷ Abdi, S. N. M., "Time for India to avenge 1962 humiliation", *The New Indian Express*, 24 July 2017, www.newindianexpress.com/opinions/2017/jul/24/time-for-india-to-avenge-1962-humiliation-1632602.html. Accessed 1 April 2019.

²⁵⁸ "Chinese Incursions into India Rose in 2017: Government Data." *The Economic Times*, 5 February 2018, <https://economictimes.indiatimes.com/news/defence/chinese-incursions-into-india-rose-in-2017-government-data/articleshow/62793038.cms>. Accessed 2 June 2019.

²⁵⁹ Dutta, Prabhaskar K. "Doklam Standoff: Why Indian Army Must Prepare to Beat Back More Chinese Incursions." *India Today*, 27 August 2017, www.indiatoday.in/india/story/general-bipin-rawat-doklam-india-china-indian-army-1032230-2017-08-27. Accessed 5 June 2019.

²⁶⁰ Mittra, Sonali. "The Future Trajectory of the Sino-Indian Water Relations." *Observer Research Foundation*, 2 May 2018. www.orfonline.org/expert-speak/future-trajectory-sino-indian-water-relations/. Accessed 10 June 2019.

²⁶¹ Modi, Narendra, "Speech by Prime Minister on Mission Shakti", 27 March 2019, New Delhi. www.mea.gov.in/Speeches-Statements.htm?dtl/31180/Speech_by_Prime_Minister_on_Mission_Shakti_Indias_AntiSatellite_Missile_test_conducted_on_27_March_2019. Accessed 10 June 2019.

Sino-Indian conflict.²⁶² All this could lead us to question whether China and India have entered a trade-security spiral as described by Copeland.

²⁶² The *Global Times* was critical of the tests, seeing it as part of an Indo-US axis aimed at Chiense containment. See “Anti-Satellite Test Shouldn’t Stir India’s Nationalism”, *Global Times*, 28 March 2019. www.globaltimes.cn/content/1143866.shtml. Accessed 10 June 2019.

• CHAPTER SIX •

Looking ahead: The Chindian chimera

The end of economic complementarity

The differences in the level of economic development between India and China gave rise to claims of economic complementarity. This view is fundamentally static. If both India and China are to continue their economic development, as their identities as rising powers necessitates, economic complementarity will diminish. Huang argues that similar factor endowments and economic development strategies mean China and India will tend to economic competition, rather than cooperation: “The idea that China and India are complementary because they have different domains of economic competence ignores the fact that both countries view their current industry/service composition as transitory. Each wants to rebalance the composition of their economy.”²⁶³ Holslag summarises this view, stating that the “Ricardian miracle will soon turn out to be a mirage.”²⁶⁴ We may already be witnessing nascent signs of India’s challenge to China’s preeminent position as ‘the world’s factory’ as recent trends in Chinese wage growth have eroded its labour cost advantage - a factor Foxconn cited in its recent decision to shift iPhone production from China to India.²⁶⁵

India’s atypical development path has seen it remain relatively under-industrialised compared with countries of a similar development level,²⁶⁶ having ‘leapfrogged’ the industrial stage and experienced significant services-led growth.²⁶⁷ Manufacturing represents only 14% of Indian

²⁶³ Huang, Yasheng. “The Myth of Economic Complementarity in Sino-Indian Relations” *Journal of International Affairs*, vol. 64, no. 2, Journal of International Affairs Editorial Board, 2011, pp. 111–24, p. 115.

²⁶⁴ Holslag, *Prospects for Peace*, p. 168.

²⁶⁵ Wu, Debby, and Saritha Rai. “Mass Production of iPhones to Start in India.” *Bloomberg*, 15 April 2019, www.bloomberg.com/news/articles/2019-04-15/foxconn-is-poised-to-begin-mass-production-of-iphones-in-india. Accessed 1 June 2019.

²⁶⁶ In classical development economics, structural change theory posits developing countries undergo a sectoral shift from agricultural production to secondary sector, industrial-led growth as it offers increased productivity (as outlined by the Lewis model - see Lewis, W. Arthur. “Economic Development with Unlimited Supplies of Labour.” *The Manchester School*, vol. 22, no. 2, May 1954, pp. 139–91).

²⁶⁷ Services currently represent approximately 48% of Indian GDP. Source: World Bank.

GDP, half of its equivalent in China,²⁶⁸ and nearly half of the Indian workforce remains in agriculture as compared to approximately a quarter of Chinese workers.²⁶⁹

Accelerating India's industrialisation is widely seen to be the key to continued economic development. The Institute for Human Development's 2016 National Employment Report outlines the significant demographic challenge facing India. It concludes that manufacturing-led growth is "necessary and imperative" to generate 16 million "new and better" jobs the country needs annually,²⁷⁰ a challenge likely to only become more acute as industrial labour growth is undermined by robotic automation.²⁷¹ In addition to employment, New Delhi has for years recognised the need to boost export-driven manufacturing to ensure the sustainability of India's balance of payments,²⁷² and continues to do so today.²⁷³ Such aspiration saw the Modi government introduce its flagship 'Make in India' campaign in September 2014 to boost growth and "transform India into a global design and manufacturing hub."²⁷⁴ Accelerating India's infrastructural and industrial development sits at the core of this strategy, with the Modi administration updating the National Steel Policy in 2017, setting a target to boost production by three times over the next decade.²⁷⁵ The urgency and perceived threat from Chinese trade is evident in a 2018 Rajya Sabha report which claims: "At a time when there is an urgent need to stimulate our manufacturing sector...Chinese imports have thrown a spanner in the wheel of India's economic progress per se and industrial manufacturing in particular."²⁷⁶

²⁶⁸ World Bank.

²⁶⁹ 44% to 27%, according to International Labour Organisation modeled estimates available via the World Bank. data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=IN-CN

²⁷⁰ Ghose, Ajit K., *India Employment Report 2016: Challenges and the Imperative of Manufacturing-Led Growth*, Institute for Human Development, Oxford University Press, 2016, p. xx-xxv.

²⁷¹ BBC News. "Robots to 'Take 800 Million Jobs by 2030.'" *BBC News*, 29 November 2017, www.bbc.com/news/world-us-canada-42170100. Accessed 2 June 2019.

²⁷² For example, see the Ministry of Commerce's "Report of the Working Group on 'Boosting India's Manufacturing Exports': Twelfth Five Year Plan (2012-17)", Ministry of Commerce & Industry, Department of Commerce, September 2011. planningcommission.gov.in/aboutus/committee/wrkgrp12/wg_mfg.pdf.

²⁷³ The Indian government's in-house think tank highlights boosting exports as a critical factor in successful development. "India: Three Year Action Agenda, 2017-18 to 2019-2020", NITI Aayog, Government of India, 2017. p. 33. niti.gov.in/writereaddata/files/coop/IndiaActionPlan.pdf. Accessed 2 June 2019.

²⁷⁴ "About - Make In India". <http://www.makeinindia.com/about>. Accessed 8 June 2019.

²⁷⁵ "Cabinet approves National Steel Policy 2017 - New Policy - A reflect of long term Vision", Government of India, 3 May 2017, pib.nic.in/newsite/PrintRelease.aspx?relid=161491. Accessed 5 May 2019.

²⁷⁶ "Impact of Chinese Goods on Indian Industry" 145th Report, Department Related Parliamentary Standing Committee on Commerce, Rajya Sabha, Parliament of India. 26 July 2018, p. 3. http://164.100.47.5/committee_web/ReportFile/13/97/145_2018_7_13.pdf. Accessed 7 May 2019.

India is effectively dependent on China for the capital goods it needs to continue industrialising.²⁷⁷ One Indian chamber of commerce report points out that between 2001 and 2016 Indian importation of capital goods from China more than doubled.²⁷⁸ India's dependence on China for the goods it needs to address its infrastructural and manufacturing deficit is what Hu Shisheng, director of the state-run China Institutes of Contemporary International Relations, terms "one-way complementarity".²⁷⁹ Indeed, Jingdong Yuan states "cheap Chinese imports are viewed by some in India as a "slow killer," a threat to India's manufacturing industry."²⁸⁰ Likewise Holslag states that India is becoming aware that "the division of labor is in fact a *hierarchy* of labor", whereby China continues to generate jobs and earn export revenue whilst India remains unable to achieve its industrial ambitions as China "impedes India in stimulating labor-intensive productivity".²⁸¹

As India moves towards a manufacturing-driven economic model, China has already substantially eroded India's comparative advantage in services and IT. China's services industry has undergone rapid growth in recent years, with the tertiary sector becoming the single largest contributor to GDP.²⁸² Swaran Singh rightly states that China aspires "to match India's success as an exporter of software and Taiwan's as an exporter of hardware."²⁸³ This is typified by the booming Indian smartphone market. Chinese competitiveness coupled with rising Indian demand for consumer electronics has seen India import \$14.7bn in telephones and cellphones from China in 2017, a figure that dwarfs India's respective top 10 exports to China combined. Chinese brands make up two thirds of the Indian smartphone market as of

²⁷⁷ In a December 2017 Lok Sabha session, Chhotu Ram Chaudhary, the Minister of State for Commerce and Industry acknowledged as much, stating the trade deficit is primarily due Indian dependence on Chinese manufactured goods to meet the demand of growing telecoms and power industry. "Trade between India and China" Unstarred Question No. 450. Answered on 18 December 2017.

164.100.47.190/loksabhaquestions/annex/13/AU450.pdf. Accessed 5 May 2019.

²⁷⁸ "India - China Trade Relationship: The Trade Giants of Past, Present and Future" PHD Research Bureau, PHD Chamber of Commerce and Industry, January 2008, pp. 7-8.

www.phdcci.in/wp-content/uploads/2018/11/India-China-Trade-Relationship_The-Trade-Giants-of-Past-Present-and-Future.pdf. Accessed 3 June 2019.

²⁷⁹ Hu, Shisheng, "Competitive cooperation in trade: A Chinese perspective" in *China-India Relations | Cooperation and Conflict* Edited by Kanti Bajpai, Jing Huang and Kishore Mahbubani et al. Taylor & Francis, 2015, pp. 67-90, p. 71.

²⁸⁰ Yuan, Jingdong. "Sino-Indian Economic Ties since 1988: Progress, Problems, and Prospects for Future Development." *Journal of Current Chinese Affairs*, vol. 45, no. 3, SAGE Publications, Dec. 2016, pp. 31-71, p. 54.

²⁸¹ Holslag, pp. 76-77.

²⁸² The Chinese tertiary sector represents 51.6% of GDP as of 2017. Source: World Bank.

²⁸³ Singh, Swaran. "China-India Bilateral Trade:" *China Perspectives*, vol. 2005, no. 6, French Centre for Research on Contemporary China, Dec. 2005, <http://journals.openedition.org/chinaperspectives/2853>.

2019, with Xiaomi, Vivo, Realme and Oppo, four of the top five manufacturers.²⁸⁴ However appealing the metaphors of China as the world's manufacturer and India as the software developer may be, the reality today is that the apps are likely to be 'Made in China' as much as the handsets they run on.²⁸⁵ Following a stream of criticism in the press over everything from privacy concerns²⁸⁶ to hosting vulgar and even illegal content,²⁸⁷ TikTok, an extremely popular Chinese social media app with over 120 million Indian users, has been banned by Indian courts.²⁸⁸ Furthermore, the 'Made in China 2025' initiative also puts particular focus on IT and pharmaceutical industries,²⁸⁹ two of India's most prized industries.

²⁸⁴ Jain, Anshika, "Chinese Brands Capture a Record 66% of the Indian Smartphone Market in Q1 2019", *Counterpoint Research*, 26 April 2019.

www.counterpointresearch.com/chinese-brands-capture-record-66-indian-smartphone-market-q1-2019/. Accessed 28 May 2019.

²⁸⁵ In 2018, five out of the top 10 and 44 out of the top 100 apps on Google's Playstore in India were developed by Chinese companies. See Chen, Xu, et al. "The Chinese Takeover of Indian App Ecosystem." *FactorDaily*, 2 Januar 2019, factordaily.com/the-chinese-takeover-of-indian-app-ecosystem/. Accessed 30 May 2019.

²⁸⁶ Sangani, Priyanka, and Danish Khan. "Chinese Apps Seek Excessive Information from Users: Survey." *The Economic Times*, 22 January 2019, economictimes.indiatimes.com/tech/internet/chinese-apps-seeking-way-more-information-than-needed-survey/articleshow/67633562.cms. Accessed 1 June 2019.

²⁸⁷ Christopher, Nilesh, et al. "TikTok, TikTok! A Chinese Bomb in Indian App Space." *The Economic Times*, 30 November 2018, economictimes.indiatimes.com/tech/internet/tiktok-tiktok-a-chinese-bomb-in-indian-app-space/articleshow/66874532.cms. Accessed 1 June 2019.

²⁸⁸ Parkin, Benjamin, "TikTok: India Bans Video Sharing App." *The Guardian*, 16 April 2019, www.theguardian.com/world/2019/apr/17/tiktok-india-bans-video-sharing-app. Accessed 30 May 2019.

²⁸⁹ Zachary Torrey, "China Prepares for Big Pharma." *The Diplomat*, thediplomat.com/2018/03/china-prepares-for-big-pharma/. Accessed 11 June 2019.

Increasing competition for resources

As India seeks to accelerate its industrial development, it is also likely to come into competition with China over access to foreign resources. In a prescient article from 2008, Jean-Francois Huchet notes that Indian exports to China, dominated by agricultural and mineral resources, are needed to supply the domestic demand generated by Indian industry. Consequently, he expects future calls for protectionist measures, such as those implemented in 2008 on iron ore, likely to grow. Huchet argues the increasingly imbalanced trading relationship will likely lead to “tensions and conflicts” as Indian attempts to insulate domestic industries from Chinese competition will clash with Beijing’s appetite for greater market access for its exports.²⁹⁰

Furthermore India’s Draft National Energy Policy calculates that its demand for energy will increase by up to 3.2 times from 2017 levels.²⁹¹ 2015 estimates calculate India as the largest contributor to growth in energy demand and, given it is home to nearly a fifth of the planet’s population with a rapidly urbanising population, all whilst representing only a small fraction of global energy use, this demand is likely to rise significantly.²⁹² This is unsurprising given an estimated 300 million Indians are without access to electricity.²⁹³ With imports satisfying 82% of Indian crude oil demand and 44.4% natural gas demand,²⁹⁴ increasing dependence on imported hydrocarbons will likely lead to a degree of competition with China, the second largest consumer of oil globally. Despite instances of energy cooperation discussed in the previous section, Beijing and New Delhi look set to compete for foreign oil supplies.²⁹⁵ As J Nandakumar summarises, energy security concerns will necessarily lead both countries to

²⁹⁰ Huchet, Jean-François. “Between Geostategic Rivalry and Economic Competition.” *China Perspectives*, vol. 2008, no. 3, French Centre for Research on Contemporary China, July 2008, pp. 50–67, p. 63.

²⁹¹ “Draft National Energy Policy” NITI Aayog, Government of India, 27 June 2017, niti.gov.in/writereaddata/files/new_initiatives/NEP-ID_27.06.2017.pdf. Accessed 6 May 2019. P. 7.

²⁹² Ahmad, Omair, “IEA Looks to India as the Biggest Driver of Global Energy Demand.” *The Third Pole*, 1 December 2015, thethirdpole.net/en/2015/12/01/iea-looks-to-india-as-the-biggest-driver-of-global-energy-demand/. Accessed 6 May 2019.

²⁹³ “The Three Year Action Agenda”, Niti Ayog, Government of India, 2017. <https://niti.gov.in/writereaddata/files/coop/IndiaActionPlan.pdf>. Accessed 6 May 2019. p. 97.

²⁹⁴ “Annual Report 2017-18”, Ministry of Petroleum and Natural Gas, Government of India, 2018. petroleum.nic.in/sites/default/files/APR_E_1718.pdf. Accessed 11 June 2019.

²⁹⁵ Sharma, p. 169, Huchet, pp. 64–64.

focus on securing their own oil supplies, “rather than sacrificing the individual interest by sharing each barrel of oil reserve acquired overseas.”²⁹⁶

Competition over energy resources is becoming interwoven with sovereignty disputes. In 2012, India’s state-owned Oil and Natural Gas Corporation (ONGC) was drawn into territorial disputes in the South China Sea as China put a petroleum block which it owned up for bidding in an attempt to challenge Hanoi’s claims.²⁹⁷ India’s decision to ignore Chinese diplomatic démarches were, according to Harsh Pant, evidence of New Delhi’s newfound assertiveness.²⁹⁸

In sum, Sino-Indian economic relations look set to become more competitive. Unresolved geopolitical issues, the linking of economic and geostrategic issues, and India’s drive for continued industrialisation exacerbate existing conflicts and present new challenges.

²⁹⁶ Nandakumar, J. “Sino-Indian Cooperation in the Search for Overseas Petroleum Resources: Prospects and Implications for India.” *International Journal of Energy Sector Management*, vol. 1, no. 1, Jan. 2007, pp. 84–95.

²⁹⁷ “China Puts Indian Oil Block up for Auction”, *Indian Express*. 17 July 2012.

archive.indianexpress.com/news/china-puts-indian-oil-block-up-for-auction/975480/0. Accessed 14 June 2019.

²⁹⁸ Pant, Harsh V. “China on the Horizon: India’s ‘Look East’ Policy Gathers Momentum.” *Orbis*, vol. 57, no. 3, June 2013, pp. 453–66.

Conclusion

We have seen that, with the exception of a short period of amity in the early to mid 1950s, mutual suspicion and rivalry has characterised Sino-Indian relations for most of the latter half of the 20th century. Chapter 2 reviewed both systemic, (an evolving security dilemma), and unit-level factors (nationalism) that have been offered to explain the rivalry past and present. It is hard to deny the salience of these geopolitical factors in the Sino-Indian relationship.

In light of these historical disputes, the decision to forge a meaningful 21st century trade relationship might seem unexpected. The decision to decouple political disputes from the wider relationship in 2003 marked a turning point. This agreement clearly shows the priority placed on trade, mutual economic growth and the fostering of interdependence. Chapter 3 demonstrated that palpable optimism about the future benefits of trade supported the rapprochement process. Economic cooperation and trade were cast as a “bright spot” in an otherwise conflictual relationship,²⁹⁹ as a stabilising force,³⁰⁰ and even as a foundation upon which a cooperative partnership could be forged. There is near universal scholarly consensus that the growth in trade promoted stability.

However, as the trading relationship has matured, disparities have been exposed. Today, Sino-Indian trade is deeply lopsided. Growing concern about the asymmetrical nature of the trading relationship is now fuelling Indian suspicion and hostility towards China in general. My qualitative analysis of Indian political discourse in Chapter 4 shows that early optimism about trade has given way to suspicion and negative perceptions of Chinese aims and ambitions. For many in India, the winds of trade seem only to have filled Chinese sails.

²⁹⁹ Jingdong, Yuan. “Sino–Indian Economic Ties since 1988: Progress, Problems, and Prospects for Future Development.” *Journal of Current Chinese Affairs*, vol. 45, no. 3, SAGE Publications, Dec. 2016, pp. 31–71 , p.32.

³⁰⁰ Patil, Reshma. “How India and China Can Bridge Barriers to Cement Sino-Indian Ties.” *The Economic Times*, 16 September 2014, economictimes.indiatimes.com/opinion/et-commentary/how-india-and-china-can-bridge-barriers-to-cement-sino-indian-ties/articleshow/42571662.cms. Accessed 30 March 2019.

The trajectory of Sino-Indian relations over the past two decades conforms to, and confounds, both realist and liberal assumptions about economic interdependence. As I have argued, trade expectations theory can help us to make sense of this: the promise of Sino-Indian economic interdependence promoted rapprochement and optimistic visions of a new era of bilateral cooperation. A more nuanced assessment has revealed that as the economic relationship has matured, expectations have soured and a host of competitive challenges have been exposed. This has only exacerbated existing rivalry and suspicion.

Since the election of Narendra Modi in 2014, there is a strong case that Sino-Indian relations have even deteriorated, in spite of growing trade. Rather than subscribing to the Ricardian view that China's dominant economic position is the product of its relative competitiveness, the Indian establishment views Chinese gains as the product of predatory trade policies. More seriously, trade is now seen as an arm of China's economic statecraft, a ploy to expand its neocolonial influence and stymie India's rise.

Clearly, growing economic interdependence has not provided the panacea some hoped for. Minimal progress has been made on the long standing border differences and there are still occasional military clashes. The Chinese alliance with Pakistan is also a source of considerable Indian resentment. Historical animosities have not been assuaged by rapid economic development and growing trade links. Rapprochement could only last as long as the leadership in both countries felt as though they stood to continue benefiting.

Finally, and most important of all, New Delhi has been vocal in its opposition to the Belt Road Initiative, Beijing's flagship foreign policy. In response India has attempted to build counterbalancing alliances with new partners, and its foreign policy is widely viewed as endorsing a China containment policy. In this sense, whereas the precursor for rapprochement was the decoupling of the 'low politics' of trade and investment from the 'high politics' of greater strategic rivalry, we are beginning to witness the confluence, or recoupling, of geoeconomic and geopolitical disputes. Indian ships conduct joint 'freedom-of-navigation'

exercises with Western powers in the South China Sea³⁰¹ to defend their interests,³⁰² and a sustained Chinese naval presence in the Indian Ocean,³⁰³ to protect Chinese assets.³⁰⁴

This dynamic is predicated by the feedback loop of Copeland's trade-security spiral. As New Delhi China policy becomes more assertive, particularly with regards to its opposition to the BRI, its actions will likely be perceived as aggressive in Beijing, risking potential retaliatory action. With hindsight, the decoupling of economic and political issues in 2003 could never succeed. Without resolution of historical disputes, growing Sino-Indian interdependence was unlikely to foster trust in the long term. The recent recoupling of trade with security issues illustrates this, perhaps demonstrating that the two spheres can never be fully disentangled - or certainly not for any length of time.

Given the likely importance of this dyad over the course of the next century, a fuller understanding of these conflictual dynamics are necessary. A deeper appreciation of the role of economic interdependence to Sino-Indian relations requires additional variables to be incorporated. For example, whilst Copeland's model requires an assessment of only one actor in a dyad, a more balanced evaluation would also need to incorporate the expectations of China as this will inarguably play a vital role in shaping the bilateral relationship. Whilst beyond the scope of this thesis, its findings have implications for understanding the future direction of the Sino-Indian relationship.

³⁰¹ Ankit Panda, The Diplomat. "US, India, Japan, Philippine Navies Demonstrate Joint Presence in South China Sea." *The Diplomat*, thediplomat.com/2019/05/us-india-japan-philippine-navies-demonstrate-joint-presence-in-south-china-sea/. Accessed 14 May 2019.

³⁰² Pant, Harsh V., "Understanding India's Interest in the South China Sea: Getting into the Seaweeds", *Center for Strategic and International Studies*, 18 December 2012. www.csis.org/analysis/understanding-india%E2%80%99s-interest-south-china-sea-getting-seaweeds. Accessed 14 May 2019.

³⁰³ Some estimates suggest this permanent presence averages four to six surface ships plus an unknown number of submarines. See Brewster, David. "China May Only Seek a Limited Naval Role in the Indian Ocean." *The Interpreter*, 11 February 2019, www.lowyinstitute.org/the-interpreter/china-may-only-seek-limited-naval-role-indian-ocean. Accessed 13 May 2019.

³⁰⁴ For example, China has invested hundreds of millions of dollars in infrastructure, tourism and real estate in the Maldives. See Bhandari, Amit and Chandni Jindal, "Chinese Investments in the Maldives", *Gateway House*, 7 February 2018, www.gatewayhouse.in/wp-content/uploads/2018/02/GH_MaldivesMapA3-0803.png. Accessed 12 May 2019.

Nobody doubts that the Asian century has dawned. Both countries continue to grow at a rapid pace,³⁰⁵ collectively accounting for more than a quarter of global GDP.³⁰⁶ The Eastward shift in the balance of economic and political power continues apace. Developments in the bilateral relationship between these two reemerging great powers, whether cooperative or conflictual, will have profound repercussions for Asia and the wider world. Whether India and China can simultaneously expand their economic and political power whilst maintaining peaceful relations will likely shape the Asian century.

³⁰⁵ Since 1999, China has experienced annual GDP growth (at current USD) averaging 9.2%, having slowed in recent years. Indian GDP has grown at an average of 7.15% per annum in the same period and is now becoming one of the fastest growing economies in the world. Source: UN Comtrade.

³⁰⁶ China accounted for 19.18% and India for 7.98% of World GDP (PPP). Sourced from IMF World Economic Outlook, October 2018. <https://www.imf.org/external/datamapper/datasets/WEO>

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