



China's Global Influence: Perspectives and Recommendations



Edited by
Scott D. McDonald
Michael C. Burgoyne

4

China and South Asia

John H. Gill¹

1 The views and recommendations expressed in this chapter are those of the author and do not necessarily reflect the policy or position of the Near East South Asia Center for Strategic Studies, US Department of Defense, or US Government.

The People's Republic of China's (PRC) interest in and influence on South Asia and the Indian Ocean has grown significantly over the past ten to fifteen years, prompting policy shifts by regional countries as they endeavor to adapt to this new feature in their geopolitical environment. China's involvement south of the Himalayas, of course, is not new. It long maintained, for example, a wary if often dismissively patronizing attitude towards India, having defeated it decisively in a brief 1962 border war and having dramatically outpaced it in economic terms since the 1980s. Pakistan, on the other hand, has been a close junior ally, almost a client state, if at times one who's risk-acceptant behavior has created awkward situations for Beijing. The so-called "smaller" states (Bangladesh, with a population of 164 million, can only be termed "smaller" given its adjacency to India) have also garnered a modicum of attention from China's policy makers, albeit peripheral to larger concerns. The increase in China's economic, military, and diplomatic resources and capabilities, however, has brought an increased focus on its southern neighbors. Moreover, the expansive, sometimes aggressive, ambitions of the Xi Jinping regime have resulted in a steady rise in China's economic engagement, as well as its physical military presence in the region. South Asia and the Indian Ocean do not sit at the top tier of Beijing's regional policy priorities—those spots remain reserved for East and Southeast Asia—but the region's prominence has increased considerably as compared to the past. A significant Chinese role from Nepal to the Maldives is now an enduring geopolitical fact. This chapter will examine regional responses to China's increased presence in South Asia and offer suggestions for the role the United States (US) can play given this shifting context.

Historically, China's presence in South Asia has evoked a range of responses from its regional neighbors. These have ranged from eager, almost unquestioning embrace as in Pakistan's case, to a combination of confrontation and cooperation à la India, with the smaller states generally trying to use Beijing as a balancer in their bilateral relations with New Delhi and sometimes in their ties to large external powers, especially the US. None of these historical regional responses have been static, however, and all are now under stress as China's power and presence expands.

India, with its own aspirations for regional leadership and global influence, is the only South Asian state that views itself as a peer and competitor with China. The resulting relationship between the two Asian giants is fraught with important and abiding issues. Problems notwithstanding, bilateral relations have experienced "perceptible improvement"

since the April 2018 Wuhan summit between Prime Minister Narendra Modi and General Secretary Xi.² The two leaders met four times during 2018, pledging to enhance communications, reduce border frictions, address one another's commercial concerns, and oppose "protectionism and unilateralism," among other actions. They also initiated cooperative programs in Afghanistan and revived defense interactions with an India visit by Chinese Defense Minister Wei Fenghe in August 2018 and a renewal of army-to-army counterterrorism exercises in December of that year.³ Senior Indian officials have spoken of Sino-Indian relations as a stabilizing factor in an uncertain world and assert "the two countries must not allow their differences to become disputes."⁴ Standing in stark contrast to the 73-day Doklam border confrontation in the summer of 2017, these recent developments demonstrate that New Delhi and Beijing can cooperate on important issues, especially in what both see as an era of global disorder. India's interest in maintaining good relations with the PRC are likely reinforced by deep doubts about US commitment and consistency.⁵

Genuine areas of policy convergence and expressions of bilateral *bonhomie*, however, do not erase the many fundamental strategic differences between India and China. These include the world's longest disputed border (2,520 miles), China's opposition to India's entry into the Nuclear Suppliers Group, Indian objections to the China-Pakistan Economic Corridor (CPEC), and China's concerns about India's ties to the US, Japan, and Australia. Many Indians suspect China's recent accommodative behavior is more tactical than strategic and question whether China even accepts the rise of India as an economic and mili-

2 "Modi, Xi Say Perceptible Improvement in India-China Relations Post-Wuhan Summit," *Hindu*, 1 December 2018.

3 "India, China Agree to Expand Military Ties after Defense Talks," *Reuters*, 24 August 2018; "India, China Come Together to Train Afghan Diplomats," *Economic Times*, 15 October 2018; Ankit Panda, "India, China Resume Annual 'Hand-in-Hand' Military Exercise After One-Year Gap," *Diplomat*, 11 December 2018.

4 Sutirtho Patranobis, "Sino-Indian Ties a Stabilising Factor in an Uncertain World: China," *Hindustan Times*, 4 January 2019; "China Willing to Enhance Coordination with India on Global Affairs," *Quint*, 4 January 2019.

5 C. Raja Mohan, "Two Discourses on Strategic Autonomy," *Indian Express*, 18 September 2018; N. Sathiyamoorthy, "Global Policeman: How Should India Read Trump's Declaration for the Indo-Pacific," *Observer Research Foundation*, 31 December 2018; Rajeswari Pillai Rajagopalan, "Will India's Trump Fears Ease with the New US Asia Reassurance Initiative Act?" *Diplomat*, 5 January 2019. Indian concerns include the possible US withdrawal from Afghanistan leading to a "victory" of sorts for the Taliban and Pakistan with a consequent direct threat to Indian national security from Pakistan-supported terrorists (for example: Nyska Chandran, "US Troop Withdrawals in Afghanistan Are a Major Headache for India," *CNBC News*, 28 December 2018).

tary power that has a legitimate role beyond South Asia.⁶ New Delhi is also concerned the growing closeness of Russia and China could have negative consequences for India's interests.⁷ Improving Sino-Russian relations do not endanger India's long-standing arms supply connection to Russia, but could limit New Delhi's ability to rely on Moscow as a balancer against pressure from Beijing. Most troubling for India is China's strong support of Pakistan—which many Indians now view as indisputable Sino-Pakistani collusion against India—and China's expanding intrusions into the Indian Ocean, creating contests for influence between New Delhi and Beijing on India's immediate periphery.⁸

India's response has been a hedging strategy that seeks to maximize its flexibility at the lowest possible cost in an environment characterized by an assertive China and doubts about American reliability. Modi's keynote speech at the annual Shangri-La Dialogue in June 2018 thus praised "the extraordinary breadth" of the US-India relationship and the shared vision of "an open, stable, secure, and prosperous Indo-Pacific Region." At the same time, he avoided any criticism of China, electing instead to highlight "that strong and stable relations between our two nations are an important factor for global peace and progress."⁹ Some Indian commentators view such careful wording and other actions by New Delhi as a reversal of the "policy of self-assertion" evident during the summer 2017 border crisis and some call for a "greater counter-presence" in the western Pacific to pressure China.¹⁰ In the absence of greater military and economic power, however, such concerns

6 Xu Cheng, "India and China Needed Wuhan, but It Will Not Be Enough," *Print*, 28 December 2018; Sushant Sareen, "China Changes Its Tone and Tenor on India—for Now," *Observer Research Foundation* commentary, 3 January 2019.

7 Ajai Shukla, "India and Russia May Be Partners, but Can They Find Common Ground on China?" *South China Morning Post*, 12 October 2018.

8 China removed one major irritant in May 2019 by agreeing to the designation of Masood Azhar, leader of the Pakistan-based Jaish-e-Mohammed terrorist organization, as an international terrorist in the UN Security Council: <https://www.un.org/securitycouncil/content/mohammad-masood-azhar-alvi>, accessed on 21 May 2019.

9 Narendra Modi, "Keynote Speech at the Shangri-La Dialogue," 1 June 2018, accessed on 7 January 2019, at <https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018>.

10 Ali Ahmed, "Decoding the Logic behind the Shelving of India's Mountain Strike Corps," *Wire*, 22 July 2018; Abhijit Singh, "Decoding Chinese Submarine 'Sightings' in South Asia," *Observer Research Foundation*, 15 November 2018; "India 'Overtly Cautious' about China's Sensitivities, but Beijing Does Not Reciprocate: Parliamentary Panel," *Economic Times*, 17 December 2018; Brahma Chellaney, "China's Unconventional War Is Inflicting Greater Damage on India," *Hindustan Times*, 5 January 2019.

are unlikely to alter the hedging course India has selected for the near to medium term.¹¹

Unlike India, Pakistan has embraced China as a strategic balancer against India, as an alternative to the US, and as an economic lifeline. Pakistan's historically close ties to China have deepened in recent years, especially in the wake of the inauguration of CPEC in 2015. China has been Pakistan's primary arms supplier since the 1990s, provided crucial support to Pakistan's nuclear and missile programs, and often shields Pakistan diplomatically, as it does in blocking India's entry into the Nuclear Suppliers Group and as it did for many years by repeatedly vetoing the designation of Jaish-e-Mohammad leader Masood Azhar as a global terrorist under UNSCR 1267. In addition to CPEC, China is Pakistan's largest trading partner and, reportedly, a source of critical recent loans to help Pakistan stay afloat in its debt and foreign exchange crisis. Considered nearly sacrosanct in Pakistani leadership circles, the China relationship is extolled with phrases such as "sweeter than honey" and "higher than the Himalayas."¹² This extravagantly favorable image of China has been nourished by the Pakistan military since at least 2002 in conjunction with unrelentingly negative views of the US. Consequently, China enjoys a high degree of popularity and trust within the armed forces and society at large.

Although the Pakistan government actively discourages criticism of China,¹³ questions about the uncritical acceptance of Chinese assistance and investment have arisen periodically and taken new emphasis under the government of Prime Minister Imran Khan.¹⁴ The opacity of terms in the CPEC projects and other Chinese loans (reportedly USD2 to USD4 billion since spring 2018) is a special cause of concern, raising fears of Pakistan being caught in a debt trap.¹⁵ There are also doubts

11 John H. Gill, "Challenges for India's Military Strategy: Matching Capabilities to Ambitions?" in Ashley J. Tellis, Alison Szalwinski, and Michael Wills, eds., *Strategic Asia 2017-18: Power, Ideas, and Military Strategy in the Asia-Pacific* (Seattle: National Bureau of Asian Research, 2017); Richard A. Bitzinger, "The Chinese People's Liberation Army in Transition: Implications for Indian Defence," in *Defence Primer 2018: An Indian Military in Transformation?* Pushan Das and Harsh V. Pant, eds. (New Delhi: Observer Research Foundation, 2018).

12 "Massive Chinese Investment Is a Boon for Pakistan," *Economist*, 9 September 2017; Shafiqat Ali, "US Pressurises Pakistan to Hide Its Afghan Defeat: Dastgir," *Nation*, 1 June 2018.

13 Author interviews with Pakistani journalists, 2017 through 2019.

14 Adnan Aamir, "Why Pakistan Is Backing Away from Chinese-Funded Infrastructure Projects," *South China Morning Post*, 19 October 2018; Khurram Husain, "CPEC on the Pivotal," *Express Tribune*, 13 December 2018.

15 Farhan Bokhari and Kiran Stacey, "Pakistan Turns to China to Avoid Foreign Currency Crisis," *Financial Times*, 23 May 2018; Haroon Janjua, "Pakistan Secures Further US\$2B in Funding

about Pakistan's ability to meet Chinese expectations.¹⁶ With bilateral trade already heavily tilted in China's favor, businessmen complain that inexpensive Chinese products undermine local manufacturers, farmers fear exploitation (e.g., unfair pricing, displacement of small farmers), and many in the politically and economically crucial province of Balochistan believe they are being excluded from CPEC's potential benefits.¹⁷ Security of the corridor, especially in restive Balochistan,¹⁸ is an additional worry. In the first place, Baloch separatists with long-nurtured grievances have seized upon CPEC as an opportunity to pressure the Pakistani state by conducting terror attacks and kidnappings that target Chinese. Additionally, with tens of thousands of Chinese workers now in Pakistan, there are signs that societal frictions between Chinese communities and local Pakistanis could have an adverse impact on bilateral relations.¹⁹ Meanwhile, Indians and other outsiders suspect the port of Gwadar on the Arabian Sea has more value as a potential Chinese naval base than as a commercial entrepôt.²⁰

These problems, extant and potential, will not alter Pakistan's reliance on China as the central pillar of its foreign policy, especially in the security realm. Islamabad will endeavor to limit Sino-Indian rapprochement and use Beijing as a lever in its dealings with Washington without totally alienating the US. It will also attempt to retain China's support in international forums—the International Monetary Fund (IMF) and the Financial Action Task Force (FATF) being the most important over the near term. For its part, China certainly hopes to gain strategically

from China to 'Avoid Economic Crisis,'" *South China Morning Post*, 3 January 2019.

16 Saad Khan, "Can Pakistan Pay CPEC Loans?" *Express Tribune*, 14 December 2017; Umair Jamal, "What Pakistan's Decision to Pull Out of a Mega Dam Project Tells Us about the Future of CPEC," *Diplomat*, 11 January 2018; Shahbaz Rana, "Pakistan Receives \$9.2b in Foreign Loans, but Reserves Still Plunge," *Express Tribune*, 19 May 2018; Moneed Ahmad Barlas, "The Mysterious Corridor," *Daily Times*, 6 June 2018; Shahbaz Rana, "8th JCC Meeting: 'Missing Paperwork' Delays CPEC Mass Transit Schemes," *Express Tribune*, 9 January 2019.

17 Shaid Iqbal, "Trade Imbalance Tilts Further in Beijing's Favour," *Dawn*, 6 August 2017; Mihir Sharma, "For Pakistan, China's an Expensive Date," *Bloomberg*, 22 May 2018; Aamir Shafaat Khan, "Eid for the Chinese, Say Manufacturers," *Dawn*, 3 June 2018; Aamir Shah, "Pakistani Farmers Fearful as China Eyes Agricultural Sector," *Arab News*, 17 December 2018; F. M. Shakil, "Balochistan Shocked over Its Poor Share in CPEC Projects," *Asia Times*, 17 December 2018.

18 Adnan Aamir, "Terrorist Attacks Show Pakistan's Need to Reassure China on Security," *Nikkei Asian Review*, 21 August 2018; Abdul Basit, "Attacks on Chinese Nationals and Interests in Pakistan Are Likely to Continue. Here's Why," *South China Morning Post*, 27 November 2018.

19 Saher Baloch, "The Pakistani Brides Being Trafficked to China," *BBC*, 15 May 2019.

20 Frédéric Grare, "Along the Road: Gwadar and China's Power Projection," *Carnegie Endowment for International Peace*, 31 July 2018; Maria Abi-Habib, "China's 'Belt and Road' Plan in Pakistan Takes a Military Turn," *New York Times*, 19 December 2018.

and commercially from its investments in Pakistan, but it has no desire to become the sole guarantor of Pakistan's economic well-being.²¹ Nor does Beijing wish to be responsible for Pakistan's security. Similarly, China does not want "to be maneuvered into the middle of US-Pakistan tensions" or see a complete breakdown in US-Pakistan relations.²² Poor US-Pakistan relations endanger China's goal of sustaining a stable and economically viable Pakistan on its southern border as Washington can pressure Islamabad through international institutions (such as the IMF and FATF) and can contribute to Pakistan's international isolation. Beijing does not want to be forced into the awkward position of taking sides between Washington and Islamabad, especially when it could be perceived as supporting a state that sponsors terrorism. Equally important, China is concerned about radicalism emanating from Pakistan, the potential for seepage into Xinjiang, and the overall stability of its junior partner. It hopes that CPEC and close engagement with the Pakistan military will incentivize responsible behavior, promote stability, and minimize the extremist threat to China's southwestern regions.²³

The other countries of South Asia have tried to respond to China's growing presence by walking a careful line between New Delhi and Beijing, while using Washington and the EU as alternative sources of support. Although India enjoys immutable geographic advantages, as well as a rich network of historical, cultural, and commercial links, China brings unparalleled economic clout and asks no uncomfortable questions of authoritarian regimes. India also suffers from its status as South Asia's major power; many of its smaller neighbors perceive New Delhi as perpetually arrogant and overbearing. Even if partly distorted, China can appear wealthy, distant, and relatively benign in this narrative.

Sri Lanka, for example, has a difficult history with India particularly Indian involvement with Tamil militants in the 1980s, its complex role in Sri Lanka's painful civil war, continuing accusations of interference in Sri Lankan domestic politics, and disputes over fishing rights. In contrast, China appears as a helpful outsider that provides assistance without imposing politically difficult conditions. Sri Lanka's former President, Mahinda Rajapaksa, for example, took advantage of China's interests in the Indian Ocean by offering land for a port facility at Ham-

21 Reyna Chang, "Andrew Small on China-Pakistan Relations," *Asia Experts Forum*, Claremont-McKenna College, 25 December 2018.

22 "Asia's New Geopolitics: An Interview with Andrew Small," *Business Recorder*, 11 June 2018.

23 Andrew Small, "Buyer's Remorse: Pakistan's Elections and the Precarious Future of the China-Pakistan Economic Corridor," *War on the Rocks*, 27 July 2018.

bantota on the country's southern coast. By no coincidence, this was also Rajapaksa's home district and political base. The port and associated airport, cricket stadium, and other facilities are not entirely without prospects²⁴ but the complex has so far proven a notorious white elephant. The unsustainable level of debt was a key factor in Rajapaksa's defeat in Sri Lanka's 2015 elections (his opponent was widely seen as India's preferred candidate among Sri Lankans). Ultimately, unable to pay the associated debts, Sri Lanka granted China a 99-year lease on the area in 2017 exciting global concerns that Beijing was indulging in "debt diplomacy."²⁵ China was also featured in the political turmoil during late 2018 when Rajapaksa attempted an unconstitutional return to power with Beijing's behind-the-scenes backing.²⁶ Beijing's sometimes questionable role in Sri Lanka's domestic politics notwithstanding, Colombo's debt problems are in many respects more the result of a "middle-income trap" rather than a Chinese "debt trap." That is, as Sri Lanka transitions from low-income to middle-income status, it no longer qualifies for the concessional loans from international institutions (e.g., Asian Development Bank) that have traditionally provided most of its development funding.²⁷ The Sri Lanka situation is thus more "a data point rather than a trend," but it represents a cautionary tale that has echoed across the region when discussion turns to dealings with China.²⁸

As with Sri Lanka, the other countries of South Asia seek to chart courses between India and China with the hope and expectation that they will receive support for their efforts from the US and Europe. Bangladesh, for example, has also been an arena of Sino-Indian rivalry, again relating to transit and seaports with potential military utility, especially Chittagong (Chattogram).²⁹ Dhaka, however, has thus far man-

24 Nilanthi Samaranyake, "Hambantota: Critical Node in the Asia-Africa Growth Corridor?" *Observer Research Foundation*, 1 January 2019.

25 Maria Abi-Habib, "How China Got Sri Lanka to Cough Up a Port," *New York Times*, 25 June 2018; "China's Empire of Money is Reshaping Global Trade," *Bloomberg News*, 1 August 2018; "Sri Lanka Struggles to Repay Foreign Debt: PM," *Agence France Presse*, 10 January 2019.

26 Bharath Gopalaswamy, "Sri Lanka's Political Shake-Up Is a Win for China," *Foreign Policy*, 29 October 2018; "Sri Lanka Turmoil Points to China's Increasing Role," *Financial Times*, 15 November 2018.

27 For a nuanced and thoughtful assessment, see Nilanthi Samaranyake, "China's Engagement with Smaller South Asian Countries," *US Institute of Peace*, Special Report No. 446, April 2019.

28 "Asia's New Geopolitics," *Business Recorder*, 11 June 2018.

29 Forrest Cookson and Tom Felix Joehnk, "China and India's Geopolitical Tug of War for Bangladesh," *East Asia Forum*, 11 April 2018; Shakil Bin Mushtaq, "The Battle for Bangladesh: India vs China," *Diplomat*, 29 June 2018; Kiran Stacey, "Chinese Investment in Bangladesh Rings India Alarm Bells," *Financial Times*, 6 August 2018.

aged to navigate a careful path between its two giant Asian neighbors despite its close military ties with Beijing. India has even invited China to participate in Bangladesh-centered regional transportation infrastructure projects following the April 2018 Wuhan summit.³⁰ Such cooperation suggests a middle way may be possible in South Asia, though each country will chart its own path.

Similar contests, each with its own unique characteristics, are playing out in Nepal, Bhutan, and the Maldives as China employs its financial resources and disregard for liberal international norms to expand its influence in countries that India has previously regarded as its privileged preserves.³¹ Like Sri Lanka and Bangladesh, these three countries endeavor to retain their own sovereign autonomy by tacking between India and China, despite the highly politicized environment created by Beijing's One Belt, One Road (OBOR; 一带一路)³² initiative.³³

RECOMMENDATIONS

Despite the many complications and challenges presented by China's expansion into South Asia, the region presents a wealth of opportunities for the US. Reviewing China's growing presence in South Asia from the perspectives of regional countries allows us to draw several conclusions and offer relevant recommendations:

- Support alternatives to the "Chinese model." Efforts to construct an overtly anti-China front are unlikely to prosper. The US can best advance its interests by being actively and visibly present and engaged on a routine basis. The quiet but growing skepticism about OBOR provides openings for the US to offer viable alternatives to Chinese loans and projects. US efforts should take a nuanced approach, recognizing the varia-

30 "China Hails Move for NE Trade," *Telegraph*, 18 August 2018; Khalid ibn Muneer, "Dhaka Bringing Beijing and New Delhi Closer," *Asia Times*, 30 August 2018.

31 Rajeswari Pillai Rajagopalan, "Should Rising China-Nepal Military Ties Worry India?" *Observer Research Foundation*, 22 August 2018; Gunjan Singh, "Nepal's Shift from India to China: Will It Work?" *Asia Times*, 20 September 2018; Ajai Shukla, "Doklam a Year On: Bhutan More Worried about India than China?" *This Week in Asia*, 18 August 2018; Suhasini Haider, "Sovereignty and Sensitivity: On India-Bhutan Relations," *Hindu*, 20 August 2018; Ajai Shukla, "In the Maldives, India's Modi Sees the Glint of a Chinese Pearl," *This Week in Asia*, 24 November 2018; Viraj Solanki, "A Watershed for Indian Ocean Security Cooperation?" commentary, *International Institute for Strategic Studies*, 21 December 2018; Mike Ives, "Maldives Election Results Empower a Critic of China," *New York Times*, 8 April 2019.

32 The Editors have chosen to conform to the "One Belt, One Road" formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

33 Andrew Small, "The Backlash to Belt and Road: A South Asian Battle over Chinese Economic Power," *Foreign Affairs*, 16 February 2018.

tions among the region's states and remaining attuned to their concerns while promoting common values and addressing common security concerns. Maintaining the traditional US support for development and liberal values will be especially useful in countering trends towards exploitative economics and autocratic governance. By contrast, when the US appears not to be present and engaged with the region, perceptions of the US as unreliable and inconsistent create fissures that China can exploit to divide the US and its friends in South Asia.

- Steady, strong course with India. Building on the foundation established over the past twenty years, the US can continue to work with India as a key partner in South Asia and the larger Indian Ocean region. Overcoming past differences and building a strong relationship with India will require nuance and patience. The US will have to prioritize interests and make some compromises. The mid- to long-term strategic interest in a strong, deep partnership with India, for instance, will have to be balanced against concerns about short-term trade deficits. There can be no compromise, however, on fundamental values and the dangers posed by illiberal political trends. Working with India can help strengthen such values across the region and actively demonstrate American commitment.
- Keep pressure on Pakistan, work with China where possible. Pakistan represents one of America's greatest foreign policy conundrums, but it would be a mistake to view American and Chinese relations with Pakistan as a repeat of US-Soviet competition during the Cold War when one might "win" or "lose" a third country. Nor does this relationship necessitate any compromise on US counterterrorism goals in general or on specific objectives in Afghanistan. Washington has room to maneuver as Beijing has no interest in seeing US-Pakistan relations collapse or to have all Pakistan's manifold problems laid at its door. Moreover, the US and China share several significant objectives vis-à-vis Pakistan, such as preventing India-Pakistan confrontations, moderating Pakistan's behavior, resolving Afghanistan peacefully, and eradicating Pakistan-based terror organizations. The February 2019 India-Pakistan crisis only reaffirms the dangers inherent in Pakistan-based terror groups and the need to work with others, including Beijing, to curtail the threat these groups present.

- Sustained, tailored attention to the “smaller” countries. The other states of South Asia seldom loom large on Washington’s radar screen, but a relatively low level of sustained, sincere policy attention, appropriately resourced, will generate valuable economic, political, and security benefits for the US not only in bilateral relations with these states but in the larger context of South Asia. Continued promotion of common values and sustainable development best serve US interests and provide clear evidence of an enduring American commitment to a peaceful, stable South Asia with the larger context of the Indo-Pacific.