China’s Global Influence: Perspectives and Recommendations

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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 Minster Narendra Modi and General Secretary Xi. 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.

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.” 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.

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-


tary power that has a legitimate role beyond South Asia. New Delhi is also concerned the growing closeness of Russia and China could have negative consequences for India’s interests. 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.

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.” 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. In the absence of greater military and economic power, however, such concerns


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


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


13 Author interviews with Pakistani journalists, 2017 through 2019.


about Pakistan’s ability to meet Chinese expectations.\textsuperscript{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.\textsuperscript{17} Security of the corridor, especially in restive Balochistan,\textsuperscript{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.\textsuperscript{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.\textsuperscript{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,’” \textit{South China Morning Post}, 3 January 2019.


and commercially from its investments in Pakistan, but it has no desire to become the sole guarantor of Pakistan’s economic well-being. 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. 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.

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-


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 prospects 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.” 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. 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. The Sir 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.

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). Dhaka, however, has thus far man-


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.\(^\text{30}\) 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.\(^\text{31}\) 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)\(^\text{32}\) initiative.

**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-

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\(^{32}\) 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.

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 has 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.