

# Strategic Analysis Paper

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## Will China “Wedge” India and the US?

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### Key Points

- Pakistan would benefit economically from a rapprochement with India but the Kashmir issue will continue to be a key stumbling block. It may thus be very difficult for Islamabad to “sell” the benefits of a better relationship with India to the Pakistani public.
- Despite concerns over extremism potentially emanating from Pakistan, China is unlikely to abandon Islamabad and will continue its economic, nuclear and military support for Pakistan while also seeking to cultivate India.
- While the Modi Government will seek to boost India’s economic and, possibly, political, relationship with China, Sino-Indian relations will continue to be ambiguous and, at times, troubled.
- Although it will not be easy, given India’s longstanding sense of strategic independence, New Delhi will work to maintain the US-India relationship.

### Summary

Commentators have generally assumed that the Obama Administration’s wrong-footedness over Modi’s US visa, along with the latter’s pragmatic approach to Chinese investment in Gujarat, signal a new tilt by the BJP away from the United States and towards China. Neville Maxwell, for instance, writing in the *Times of India*, urges India to seize the opportunity offered by Modi’s election to achieve a border breakthrough with China,<sup>1</sup> while Liu Zongyi,

<sup>1</sup> Maxwell, N., ‘What Modi can do with China’, *Times of India*, 3 June 2014.

of the Shanghai Institute of International Studies, has hailed Modi as 'India's Nixon' and characterised his pragmatic approach to the conduct of business and foreign relations as 'very close to Chinese practices'.<sup>2</sup>

India would certainly favour a thaw in relations with China so that it can get on with the urgent tasks of infrastructure development and the economic uplift of its people, including with Chinese investment, in an otherwise less-than-vigorous international investment climate.

If we take a long-term view, however, we can discern a number of wildcards that may complicate relations between India and China.

### Analysis

The more astute observers of Indian security policy in New Delhi will be concerned that China's profession of friendship is a tactical move in the wider strategic game of China's rise as an East Asian and Pacific power. They would assess that China is adopting the classic divide and rule tactic of picking off its competitors one-by-one. In other words, once China is truly powerful in East Asia and the Pacific, it will turn its attention to its border and other claims against India from a position of strength. Meanwhile, it will try to keep India on a saccharin drip feed.

That realisation may not stop the Modi Government attempting to 'play both ends against the middle', especially since this approach has been a classic feature of Indian foreign policy for many decades. Under this scenario, India would seek the best deal it can from China, both economically and in terms of a possible border settlement, while attempting to maintain its hedge against a possible difficult rise of China with powers such as the US and Japan. But that is a complicated game. Can we assume that India's security policy is integrated and sophisticated enough to carry it off?

A second wild card is Pakistan. The Pakistan-China relationship has, until recently, appeared to all intents and purposes to be "rusty on". So long as the India-Pakistan relationship remains as troubled as it has been in the years following the November 2008 attacks on Mumbai, it would be difficult for India to set aside its differences with Pakistan. Equally, so long as Beijing continues to proffer economic and strategic support to Pakistan, the relationship between China and India would consequently be negatively affected.

There are two possibilities for breaking this logjam: first, Beijing may assess that China has more to gain by friendship with India and thus distances itself from Pakistan; or secondly, India and Pakistan may be able to repair their relationship, thus potentially freeing up relations between India and China. Let's look at the second possibility first.

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<sup>2</sup> Liu, Z., 'Modi ready to do business with China', *Global Times*, 19 May 2014.

Although Modi has made an important overture to Pakistan by inviting Prime Minister Nawaz Sharif to his swearing in, essentially the ball will be in Pakistan's court in terms of any significant rapprochement with India.

Certainly, there are those in Pakistan, including perhaps Sharif himself, who would favour such a deal. But the question is: are they able to carry the divided and troubled country with them?

Extremists in Pakistan such as Lashkar-e-Taiba, the perpetrators of the Mumbai terrorist attacks of 2008, stridently condemned Sharif's decision to go to New Delhi. The attack on the Indian consulate in Herat on 23 May could also be interpreted as an attempt to derail any rapprochement. Extremists in Pakistan will be working overtime to forestall attempts to improve relations, including through significant terrorist attacks on India or its interests.

To achieve a meaningful improvement in relations, Pakistan would need to agree to India's approach, which is to set aside the Kashmir issue while other matters, such as trade, are dealt with first. But Kashmir remains a fundamental commitment for religiously conservative Pakistanis and the army's attitude to setting the issue aside is unclear. The economy, already struggling at the time Sharif entered office, has not moved ahead since. The moribund energy sector remains paralysed. The country is still wracked by violence and highly divided. What the political leadership may want may prove difficult to deliver.

This raises the other possibility: that China may choose to trade its relationship with Pakistan for better one with India.

William Dalrymple maintains that Chinese concern about connections between Uighur separatists and extremists in Pakistan is already causing Beijing to reconsider its relationship with Pakistan and seek common cause with India (and also, he maintains, the US) against the extremist threat.<sup>3</sup>

A far more likely scenario is that China will seek to "run with the hares and hunt with the hounds" when it comes to Pakistan and India. China does not like to be seen to be abandoning old friends. Pakistan offers important strategic options in relation to China's vital oil sea lanes of communication into the Persian Gulf and future interests in Afghanistan. Friendship with Pakistan provides a possible lever in relation to India and the Chinese border claims, which are significant to its position in Tibet and, increasingly, in terms of competition over water resources. Rather than abandoning Pakistan, China is likely to continue its economic, nuclear and military support while also seeking to cultivate India.

For its part, New Delhi may consider that it can put Chinese support for Pakistan aside while it attempts to improve relations with Beijing. But, should relations between India and Pakistan again deteriorate, perhaps as a result of a new terrorist attack, China will be forced to choose between the two, just as it chose to support Pakistan in 2008, being one of the very few countries to do so.

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<sup>3</sup> Dalrymple, W., 'Afghanistan: as China forges new alliances, a new Great Game has begun', *Guardian*, 19 March 2014.

The final wildcard is economic relations between the two Asian giants. It will be no easy matter to separate economic and security relations between China and India, no matter how much the Modi Government may wish to do so.

What India really needs from a cashed-up China is investment and technical support in infrastructure development. Under the previous government, however, that was limited by strategic considerations, such as the large number of state-owned enterprises investing out of China; ongoing concerns about Chinese investment in strategic sectors like ports, space technology, and IT; evidence of serious Chinese cyber-attacks on India; and concern about Chinese investment in sensitive regions like the Indian north-east.

Moreover, while bilateral trade has burgeoned to over \$70 billion, it is overwhelmingly in China's favour. This has had a negative impact on Indian business, with Chinese goods flooding bazaars throughout India and South Asia. For a potential labour-intensive economy such as India's, that is seeking to give jobs to its youth bulge and to those leaving agriculture for the cities, this problem is challenging.

India's response has been not just to limit Chinese investment as detailed above, but also to raise a whole raft of non-tariff barriers, especially anti-dumping provisions under World Trade Organisation rules. Modi is close to business and will have an incentive to continue this thrust to limit Chinese economic opportunity and rectify the trade imbalance.

So, assume that the will is there on the part of the Modi Government to boost the economic relationship and, perhaps, also the political relationship between India and China, but be prepared for more of the same; that is, an ambiguous, and at times troubled relationship.

Meanwhile, cooler heads in New Delhi will work assiduously to keep the current hedge between the US and India alive. The road back for Washington will not be easy, keeping in mind that India has always seen itself as being, essentially, strategically independent. In this reassertion of its position, Washington will be assisted by the highly influential Indian diaspora, numbering 1.5 million and naturally inclined to support a pragmatic Modi Government. Moreover, and again taking a long-term view, any change of administration in Washington in 2016 could offer a significant charge under the logjam caused by US treatment of Modi over his visa.

Finally, of course, there is no guarantee that China won't "shoot itself in the foot" when it comes to its activities in East Asia. New Delhi will be watching China's approach to its friend Vietnam especially carefully. It is also increasingly close to Abe's Japan, also subject to increasingly strident Chinese claims. Chinese "gamesmanship" in East Asia is one thing, but overt military activity would be another. It would send a very negative message concerning China's long-term intentions, even to Modi's new disposition in New Delhi.

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