

ISAS Working Paper

No. 253 – 20 January 2017

Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
http://southasiandiaspora.org



Recent Trends in India's China Policy: The imperative for Greater Room to Manoeuvre

Subrata Kumar Mitra and Srikanth Thaliyakkattil¹

Does a sense of inadvertent appeasement underpin the recent China policy of the Government of India? Since Mr. Narendra Modi became Prime Minister of India, China has consistently adopted positions that oscillate between benign indifference, and the plainly hostile, with regard to India's national interest. The efforts by the Indian government have not visibly succeeded in influencing Chinese policy which comes across as obstructive and uncooperative on issues vital for India. India's economic engagement with China is skewed in favor of China. Under the Modi government this situation has become worse, reflecting, perhaps, a long-term trend based on structural factors. On the basis of available evidence it can be argued that the pattern of India's increasing economic engagement with China has contributed to strengthening China's position in its relation with India, while constraining India's strategic and diplomatic options. The paper concludes that India might be able to increase the country's

¹ Professor Subrata Kumar Mitra is Director at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS) and Visiting Professor of Research, NUS. He can be contacted at isasmskr@nus.edu.sg. Dr Srikanth Thaliyakkattil is a Visiting Research Fellow at ISAS. He can be contacted at isasst@nus.edu.sg. The authors would like to acknowledge the helpful comments of Dr Iftekhar Chowdhury and Mr P S Suryanarayana for their comments on an earlier draft. The authors bear full responsibility for the facts cited and opinions expressed in this paper, an earlier version of which was presented by Dr Srikanth Thaliyakkattil at the workshop on 'China and South Asia', organised by ISAS in association with the Regional Centre for Strategic Studies (RCSS) in Colombo (Sri Lanka) on 5 and 6 December 2016.

room to maneuver vis-à-vis China by selective and calibrated disengagement with China, combined with a concentrated focus on the United States and Japan.

Since the border war of 1962 when India-China relations reached their nadir, the volume of trade, high level visits and tourism between the two countries have grown.² However, a brief look at the trend that underpins this relationship points towards a growing asymmetry, to the disadvantage of India. China, in occupation of areas claimed by the Government of India as part of India, directly impacts on India's territorial integrity. Chinese support of Pakistan – the “all weather friend” – exacerbates cross-border terrorism in India, deeply affecting India's internal security. The Chinese strategy of targeted exports of manufactured goods to India stymies the country's efforts to develop the manufacturing sector of the economy. These are alarming signs. Not surprisingly, one can understand why Prime Minister Narendra Modi, since his appointment as Prime Minister of India, has set India's China policy as one of his most important foreign policy priorities. With a strong political mandate at home, and his ‘strong man’ image, he is widely perceived as the leader who can bring positive changes to India – China relations.

The challenge that India under Modi faces is to find a solution to the persisting territorial issue, decrease the continuing tensions at the border with China which ties up considerable resources, forces, and in consequence, puts a brake on developmental investments. Under his leadership, India is also expected to find a solution to increasing trade deficit with China. The nature of trade itself closely resembles a colonial trade pattern, and contributes to the stifling of the growth of manufacturing in India. Finally, one of the important issues directly affecting everyday life in India is terrorism, and china's support to Pakistan has encouraged Pakistan to continue to use cross-border terrorism as a tool of state policy against India. The task faced by the government under Modi is to persuade China not to support terrorism aimed at India.

We argue in this paper that no convincing evidence exists to the effect that the Modi government has so far succeeded in meeting these targets. India recently failed to dissuade China from going against what India considers the country's legitimate national interests on

² For a detailed review of the India's China policy before Modi became Prime Minister of India, refer to Subrata Kumar Mitra, “Rivals Sometimes, Friends Always? Puzzles, Paradoxes and Possibilities in Sino-Indian Relations”, *ISAS Working Paper*, No. 241, 11 October 2016.

the issue of terrorism.³ In the absence of any convincing arguments put forward by the relevant ministries of the Government of India, one can think of the pattern of India-China trade and increasing Indian economic engagement with China as comparable to a colonial trade pattern where the satellites provide raw material and the colonisers send out manufacturing goods. This makes Indian national interests an appendage to Chinese economic interests. In fact, despite Prime Minister Modi's economic diplomacy with China, it can be argued that China appears more hostile to Indian interests than ever. The need for a strategy to enhance India's room to manoeuvre vis-à-vis China has never been greater.

The Border Issue: The 'New Normal'

Borders between states are the outcome of military power, diplomacy, and consensus among stakeholders. National boundaries are one of the basic identifier of a nation, and, particularly for post-colonial states whose nation-building follows and does not precede state-formation, among the most sensitive indicators of their statehood. India's perception of its boundary with China and China's perception of its boundary with India are largely different from one another, and both refer to historical "evidence" to support their claims. The differences in perceptions of India and China on boundary issue and how to resolve it was the major factor which led to the 1962 India-China war. The war ended in a humiliating and traumatic defeat of India. It was also a personal defeat for India's first Prime Minister Jawaharlal Nehru's policy towards China, which, in retrospect appears to have been a policy of appeasement of China.

The Indian narrative depicts China as a 'backstabber' who betrayed the trust and goodwill of Nehru.⁴ The Chinese narrative depicts Nehru as a leader who continued British imperialist

³ Pakistan, host to people India considers as leaders of anti-India terrorism, endorsed the block that China has imposed on India's campaign at the United Nations Security Council to blacklist a Pakistan-based terror group chief. The Ministry of Foreign Affairs (MoFA) of Pakistan termed "politically motivated" India's campaign to impose a ban on Masood Azhar of Jaish-e-Mohammed and said the Indian proposal at the 1267 counter-terror committee of the U.N. Security Council had "no merit". The strongly worded statement is significant as it came on the eve of the first anniversary of the Pathankot attack of January 2, 2016. It was in the aftermath of the attack that India intensified its global campaign targeting Azhar. The Ministry of External Affairs of India did not respond to the statement even though it had described the Chinese block which prevented the 1267 committee from taking up the Indian proposal as "surprising". "We will continue to push forward with resolute determination through the use of all options available with us to bring perpetrators of terrorist violence to justice," the MEA spokesperson had stated about China's obstruction. See, the Hindu, "Pak. endorses China's block on Masood Azhar" Jan 1, 2017.

⁴ Just after the 1962 India-China war, the common narrative referred Chinese aggression as backstabbing or betrayal of trust, after the war Nehru himself many times articulated this view, for instance according to Nehru's own words "Perhaps, there are not many instances in history where one country, that is India, has

policies and supported by imperialist powers who tried to take away Chinese territory with military power.⁵ Both sides disagree with each other's narrative, and depict one's own country as righteous, and victim of aggression of the other party.

From Jawaharlal Nehru's first Indian government, all the Indian governments consistently defended the Indian perception of the boundary and perceived any compromise on it as impinging on its sovereignty. Over time, Indian views on the borders have hardened. The Indian government under the leadership of Modi has sent out signals to that effect. Indian government on May 5, 2016 proposed a law where 'wrong depiction of maps', particularly the borders of the country, can lead to a fine of up to ₹100 crore (roughly 213358552 S\$) and 7 years in prison. According to the government note on the purpose of the draft of the bill, "The Geospatial Information Regulation Bill, 2016", is "To regulate the acquisition, dissemination, publication and distribution of geospatial information of India which is likely to affect the security, sovereignty and integrity of India".⁶

Modi government's emphasis was to stabilize the border issue and focus on economic issues. However, the evidence since Modi became the prime Minister of India shows that China's policy was to keep the border issue alive and tense, and at the same time increase the economic engagement with India.

Initial hopes of the Indian government under Modi to have a constructive relation with China focused on economic relations than the security relations came under severe challenge when

gone out of her way to be friendly and co-operative with the Chinese government and people and to plead their cause in the councils of the world, and then for the Chinese government to return evil for good and even go to the extent of committing aggression and invade our sacred land" see Jawaharlal Nehru's Speeches September 1957- April 1963, Vol.4, (New Delhi: Publication Division, Ministry of Information and Broadcasting, Government of India, August 1964): 227. This view is currently evolved and added to the betrayal and backstabbing narrative is the incompetency of Nehru narrative, for one of the scholarly articulation of "Nehru's incompetency" narrative, see Arun Shourie, *Self-Deception: India's China Policies Origins, Premises, and Lessons* (New Delhi: Harpercollins, 2013).

⁵ The Chinese narrative of 1962 India-China war also evolved over time, initially attributing the war to India's capitalist economy's failure which led Nehru to divert the people's attention and Nehru's own imperialist intentions, example see, Sun Peijun 孙培钧, "Yindu Jingji Zou Xiang Junshi hua" 印度经济走向军事化 [Indian economy is moving towards militarization], Shi Jie Zhi Shi 世界知识 021 (1963): 34-36. However, over the years the narrative tend to emphasis on the hand of Soviet and American "imperialisms", and even the modern Chinese literature also tend to search for the great power factor in the 1962 India-China war, see, C Dai, "Indian Diplomatic Policy, Relations among Big Powers and the Sino-Indian Border Conflict of 1962," *Social Sciences in China* 2 (2003): 144-152; Fa Linjing 法临婧, "1959-1962 nian zhong yin chongtu yuanyin qian xi" 1959~1962年中印冲突原因浅析 [A brief analysis of the reasons for India-China war 1959-1962], *Ke Ji Feng 科技风* 18 (2015): 211-211; Liu hongliang 刘红良, "Bian Jie bian yi, ren zhi cha yi yu zhong yin bian jie zhan zheng" 边界变移、认知差异与中印边界战争 [Perceptual Differences and China-India border war], *nan ya yanjiu likan 南亚研究季刊* 4(2015): 30-37.

⁶ *Government of India, Ministry of Home Affairs*, http://mha.nic.in/sites/upload_files/mha/files/GeospatialBill_05052016_eve.pdf.

Chinese troops intruded in to Indian Territory during Chinese president Xi Jinping's first official visit to India. The incursions started on September 10, 2014 when Chinese President Xi Jinping embarked on his four- nation tour of Tajikistan, the Maldives, Sri Lanka and India, and peaked on September 17 coinciding with his arrival in India when 1,000 PLA soldiers supported by helicopters made three simultaneous incursions in close proximity in Ladakh region of India. They did not back off even after Prime Minister Modi spoke with President Xi Jinping and he assured that the PLA would be instructed appropriately.⁷

The displeasure and shock of this incident was reflected in Modi's statement to Xi Jinping that, "If a small strand of hair gets into your eye, it's impossible for you to drive," and "Similarly, even small incidents can affect a relationship," he said, referring to the then ongoing Chinese incursion into Indian territory in the Ladakh region.⁸ At the end of the Xi Jinping's visit to India, addressing the joint media gathering Modi tried to soothe the concerns of Indian public and media by saying "I raised our serious concern over repeated incidents along the border. We agreed that peace and tranquillity in the border region constitutes an essential foundation for mutual trust and confidence, and for realizing the full potential of our relationship. This is an important understanding, which should be observed diligently".⁹ However Modi's words proved to have had little effect on bringing the border issue to a satisfactory solution from India's point of view.

The indication that the approach of the Chinese government to the border issue would be intransigent to the new Indian government under Modi was evident even before the visit of Xi Jinping to India. For instance, in June, 2014, "the day Indian Vice-President Hamid Ansari flew to Beijing to join celebrations marking the 60th anniversary of Panchasheela, the five principles of peaceful coexistence, a new map unveiled by Chinese authorities highlighted the country's claim on Indian territory, including the whole of Arunachal Pradesh and parts of Jammu and Kashmir".¹⁰ This action of China can also considered as a rejection of India's demand, which was made by the External Affairs Minister Sushma Swaraj to respect India's

⁷ Pravin Sawhney, "Understanding the Chinese DNA", *The Pioneer*, September 25, 2014. The timing of the incursion – to coincide with the visit of the Chinese President to India – cannot be entirely coincidental.

⁸ Elizabeth Roche, "Frenemy", *MintAsia*, September 26, 2014.

⁹ Ibid.

¹⁰ "China unveils map annexing Indian territory on 60th anniversary of Panchasheela Treaty", *Dailymail*, June 29, <http://www.dailymail.co.uk/indiahome/indianews/article-2673491/China-unveils-map-annexing-Indian-territory-60th-anniversary-Pancsheel.html#ixzz4QiV7Vxcr>.

territorial integrity by pointing out that while the new government under Modi supports Beijing's 'One China' policy, it would also expect China to adopt a 'One India' policy.¹¹

The incidents since Xi Jinping's visit to India shows that China is not interested in adding salience to Indian concerns. Modi's requests and statements on the importance of solving the border issue for building an India- China relationship based on trust and mutual respect appear to have gone unheeded in China.

The Chinese have been active in developing transport and infrastructure along the border areas, which are continuously changing their significance in terms of infrastructure and military deployment. Such changes in the Chinese side of the "border" are viewed with concern in India. For instance in November 2015, the news of China's deployment of advanced radars and drones in its border areas under an integrated round-the- clock frontier monitoring system to check infiltration and drug trafficking on the Indian border in Tibet,¹² as well as the reports of Chinese military drills and Chinese military deployment of advanced fighter aircraft in the Indi-Tibetan border regions are received with alarm in India.¹³

The Chinese infrastructure development in otherwise non-disputed border areas have put pressure on Indian security forces and political establishment. India, in reaction, has been expanding deployment along the border areas with potential for military standoff. One example of this is the Indian State of Himachal Pradesh, which shares nearly 190km boundary with China. There are nearly 6,000 ITBP (Indo -Tibetan Border Police) men guarding the borders between China and Himachal Pradesh. The rapidly increasing infrastructure building activities in the Chinese side of the border are a source of concern for the Indian establishment, especially the infrastructure projects like the airfield at Lupsuk in China controlled border area, which is nearly 190 km from last border point Kaurik in Indian Side.¹⁴

Another area which is becoming more active in terms of Chinese activities is along the Line of Actual Control (LAC) in the Indian State of Uttarakhand. According to the media reports from India, in July, 2016 Chinese troops transgressed the border by land and air in Chamoli district of Uttarakhand. According to the Indian media reports "the Chinese troops stationed themselves in a "demilitarised zone" and Chinese helicopters flew in Indian airspace for more

¹¹ Pranab Dhal Samanta, "One China? What about One India policy: Sushma Swaraj to Wang Yi", *Indian Express*, June 12, 2014.

¹² "China deploys radars, drones on borders to curb infiltration", *The Hindu*, November 6, 2015.

¹³ Prabin Kalita, "China: Military deployment along border non-aggressive", *The Times of India*, September 8, 2016.

¹⁴ "ITBP deploys women at border posts along China", *Hindustan Times*, August 30, 2016.

than five minutes”. Indian Defence minister Manohar Parrikar in Lok Sabha had also said that People's Liberation Army (PLA) soldiers had entered to a distance of 200 metres in Barhoti area of Uttarakhand inside the Indian territory on July 22, 2016. This prompted the Indian security establishment to review security along the Uttarakhand's 350km border with Tibet area of China. Uttarakhand Chief Minister Harish Rawat described the increasing Chinese activities along the border and Chinese transgression to Indian side of the border as "something to worry about", ¹⁵ and he wrote a letter to the central government to strengthen security along Indo-Nepal, India-Tibet and Indo-China international borders. In his letter, Rawat pressed for installation of CCTV cameras and emphasized the need to check migration from villages adjoining the China border and suggested some measures like jobs to local residents in paramilitary forces. ¹⁶ The intrusions in these border areas are not widely reported earlier. So, a semblance of peace was maintained. But the problem has persisted. For instance, in 2013, the then “Uttarakhand chief minister Vijay Bahuguna told in an internal security meeting in Delhi that China made 37 incursion attempts between 2007-2012 in Barahoti” area of Uttarakhand.¹⁷

Indian leadership also view that the insecure borders, especially with China, contributes to limiting its economic growth. According to the Indian Minister of State for Home Hansraj Ahir's words, "China and Pakistan will not let us claim our own properties. We could not claim our share of the waters of the Brahmaputra river as we delayed utilising it. Mineral reserves in border areas must be utilised which we are unable to do due to the insecure borders." "If we succeed in making use of these minerals and natural resources, I do not think our country will remain poor," indicating that China will not let India utilise its resources until the country takes steps to secure borders effectively.¹⁸

China's increasing assertive activities in the border regions are corroborated by the Deputy Assistant Secretary for East Asia Abraham M. Denmark, who, based on the U.S defence department's report on China's military activity stated that U.S “have noticed an increase in capability and force posture by the Chinese military in areas close to the border with India”.¹⁹

¹⁵ “China says verifying reports on Uttarakhand 'incursion'”, *Hindustan Times*, July 28, 2016.

¹⁶ Darshan Kunwar, “U'khand seeks Centre's help for hi-tech security on int'l borders with China, Nepal”, *The Times of India*, August 24, 2016.

¹⁷ Anupam Trivedi, “Chinese incursions: 10 things to know about Uttarakhand's Barahoti border”, *Hindustan Times*, July 28, 2016.

¹⁸ “Aggressive border policy in Ladakh and Arunachal?”, *DNA*, October 14, 2016.

¹⁹ Deputy Assistant Secretary for East Asia Abraham M. Denmark Holds a Press Briefing in the Pentagon Briefing Room, U.S Department of Defense, News Transcript, Deputy Assistant Secretary of Defense for East Asia Abraham M. Denmark, May 13, 2016. <http://www.defense.gov/News/Transcripts/Transcript-View/Article/759664/deputy-assistant-secretary-for-east-asia-abraham-m-denmark-holds-a-press-briefi>.

The above mentioned incursions in Uttarakhand happened after the visit of the Indian Home Minister Rajnath Singh in November 2015, the first Home Minister to visit China in 10 years. During his visit he voiced India's concern over the recurring incidents of incursions by Chinese troops. Ironically, since his visit, instead of declining, all the evidence shows that incursions have increased.²⁰ After Rajnath Singh's failed attempt, in April, 2016 while visiting China defence minister Manohar Parrikar raised the issue of demarcating the LAC during his meetings with Chinese leadership, saying it could go a long way in reducing tension along the border and cutting down transgressions by border patrols. This was also the same month in which National Security Adviser AK Doval went to China for the 19th session of "Special Representatives" talk on the boundary issue.²¹ However China sidestepped the issue, and Chinese official statements only reiterated the commitment to the continuation of the talk, showing that China is not interested in the immediate demarcation of the border, thus also indirectly indicating that the border transgression will be a 'new normal' in India-China relations.

In order to deter China, India has stepped up its own border area development and military deployments. For instance, in 2016 August, the Indian cabinet committee on security, chaired by Prime Minister Narendra Modi, cleared the raising of a new regiment to be equipped with an advanced version of the BrahMos developed for mountain warfare to be deployed in Arunachal Pradesh, which is claimed by China.²² India, on July 2016 also deployed T-72 tanks on the heights of Ladakh bordering China.²³ However this has had little impact on the power equation in the border areas, and no impact on Chinese behaviour on "transgressions" across the LAC -western (Ladakh), middle (Uttarakhand, Himachal) and eastern (Sikkim, Arunachal) which have continued unabated with 350 such transgressions in 2015, and over 200 such incidents being recorded till November 2016.²⁴

India also protested in vain against China's plans to construct an economic corridor - China Pakistan Economic Corridor (CPEC) - through India claimed territory of Pakistan Occupied

²⁰ "Rajnath conveys concerns over LAC incursions to Li," *The Pioneer*, November 20, 2015.

²¹ "China to sidestep LAC mapping in border talks with NSA Doval" , *Hindustan Times*, April 19, 2016.

²² "China warns India against deploying BrahMos missile in Arunachal Pradesh", *Hindustan Times*, August 22, 2016 Monday.

²³ Dinakar Peri, "Third regiment of T-72 tanks to be moved to Ladakh soon", *The Hindu*, July 19, 2016, <http://www.thehindu.com/news/national/third-regiment-of-t72-tanks-to-be-moved-to-ladakh-soon/article8867212.ece>.

²⁴ "On Arunachal Pradesh, New Delhi must tell Beijing to mind its own business", *Hindustan Times*, October 26, 2016; "Army chief General Dalbir Suhag reviews LAC situation", *The Economic Times*, November 11, 2016.

Kashmir (POK). Referring to the Chinese violation of Indian claimed territories, Indian foreign minister Sushma Swaraj said that the CPEC was "not acceptable" to India.²⁵ India also informed United Nations General Assembly that "India's reservations about the proposed China-Pakistan Economic Corridor stem from the fact that it passes through Indian territory illegally occupied by Pakistan for many years", apparently, with no impact.²⁶

Membership of the Nuclear Suppliers Group (NSG): India's efforts and Chinese Hurdles

On September 30 2014 the Prime Minister of India Narendra Modi and the President of the United States of America Barack Obama met in Washington, marking their first bilateral summit. In the joint statement American President Obama supported Indian efforts to join Nuclear Suppliers Group (NSG). One can gather this from the statement: "As a critical step in strengthening global non-proliferation and export control regimes, the President and Prime Minister committed to continue work towards India's phased entry into the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), the Wassenaar Arrangement and the Australia Group. The President affirmed that India meets MTCR requirements and is ready for membership in the NSG. He supported India's early application and eventual membership in all four regimes".²⁷ During the Obama's visit to India on January 2015, the India –U.S joint statement reiterated American government's commitment to India's entry in to NSG.²⁸ Again on June 7, 2016, The Prime Minister of India Narendra Modi and the President of the United States of America Barack Obama met in the White House for their third major bilateral summit, and in the joint statement "President Obama welcomed India's application to join the Nuclear Suppliers Group (NSG), and re-affirmed that India is ready for membership. The United States called on NSG Participating Governments to support India's application when it comes up at the NSG Plenary later this month" (June, 2016).²⁹ One might, thus, ask: what happened to the Indian efforts to enter in to NSG in between September 2014 and June,

²⁵ "Poll salvos fly across border", *The Telegraph*, June 2, 2015.

²⁶ "US-Pakistan joint statement: what India should watch out for", *The Hindu*, October 23, 2015.

²⁷ *The White House*, Office of the Press Secretary, U.S.-India Joint Statement, September 30, 2014, <https://www.whitehouse.gov/the-press-office/2014/09/30/us-india-joint-statement>.

²⁸ "Joint Statement during the visit of President of USA to India– "Shared Effort; Progress for All"", Press Information Bureau, *Government of India*, Prime Minister's Office, January 25,2015, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=114955>.

²⁹ *The White House*, Office of the Press Secretary, JOINT STATEMENT: The United States and India: Enduring Global Partners in the 21st Century, June 07, 2016, <https://www.whitehouse.gov/the-press-office/2016/06/07/joint-statement-united-states-and-india-enduring-global-partners-21st>.

2016? With the support from the President of the United States, the Indian efforts seemed destined to succeed, and above all entering NSG as a member state was also one of the top foreign policy priorities for the Modi government.³⁰

Even though India got a waiver to engage in global nuclear commerce in 2008, joining the NSG as a member state is considered as very important by the Indian government, because with the NSG membership India will be the part of the NSG decision making process.³¹ India, since 2010, has been seeking full membership to four export control regimes –NSG, MTCR, the Australia Group and the Wassenaar Arrangement. The Modi government focused on joining MTCR and NSG, and successfully joined MTCR in June 2016. However, an Indian effort to join NSG was, and is, primarily blocked by China. The first indications of China’s opposition was evident when Obama visited India in January 2015, and supported India’s bid for NSG, in response to the U.S support to India to join NSG, the Chinese foreign ministry spokeswoman Hua Chunying issued a cautionary remark, saying that China “believe that such (an) inclusion should be conducive to the integrity and effectiveness of the regime and decision should be made on consensus”.³² China’s main objection was that India is not a signatory of nuclear Non Proliferation Treaty (NPT). If India is given membership then other non NPT signatory countries like Pakistan will clamour for the same. However, NPT is not a mandatory requirement and redundant in the face of the specific exemption granted to India by the NSG in 2008.

The Indian government took all efforts to enter in to NSG. We learn: “the diplomatic push has been led by Prime Minister Narendra Modi and President Pranab Mukherjee who between them toured eight countries, besides foreign minister Sushma Swaraj, who called up her counterparts in 23 countries seeking their backing for India”.³³ President Mukherjee on a visit to China in May 2016, argued that “If India has to fulfil its international climate change targets and scale down dependence on fossil fuels, nuclear energy becomes an important part of India's future energy calculus. To attract investments, India needs a stable environment with no dramatic changes in NSG rules. If India is part of the rule-making body, it can ensure this”.³⁴ Mukherjee requested Chinese president Xi Jinping's "personal attention" in ensuring India’s entry to NSG.

³⁰ Dipanjan Roy Chaudhury, “PM Modi to seek US President Barack Obama's help for entry in Nuclear Suppliers Group”, *The Economic Times*, January 2, 2015.

³¹ Elizabeth Roche, “Day of reckoning for India’s NSG membership”, *Live Mint*, 2016, June 24, 2016.

³² “China red-flags India's entry into Nuclear Suppliers Group, may push for Pakistan”, *The Economic Times*, January 28, 2015.

³³ Elizabeth Roche, “Day of reckoning for India’s NSG membership”, *Live Mint*, 2016, June 24, 2016.

³⁴ *Ibid.*

In June 2016, when Indian Prime Minister Modi met with Chinese president Xi Jinping in the Uzbek capital Tashkent on the side-lines of the Shanghai Cooperation Organisation, he urged Chinese president to make a “fair and objective assessment” of India’s application to become a member of Nuclear Suppliers Group (NSG). Indian foreign secretary S. Jaishankar also visited Beijing in June, 2016 to once again to persuade China.³⁵ It was an unprecedented personal effort from the top leadership ever seen in the recent Indian history to persuade a country (China) on any international issue. However in the end China maintained its position and India failed to enter NSG. The NSG issue was a clear signal that China is not in the same side of India, and it is hostile to the rise of India.

China’s Support to Pakistan-based Terrorist Networks

On 28th September 2001, United Nations Security Council adopted a resolution condemning September 11 terrorist attacks on United States. The resolution also called up on all states to take extensive measures to eliminate terrorism and its support systems.³⁶ “Less than three days after the adoption of the resolution, on October 1, 2001 the Legislative Assembly building in Srinagar, in the Indian state of Jammu and Kashmir, was attacked. Masood Azhar, leader of the terrorist group Jaish-e-Mohammed (JeM), claimed that his group had perpetrated this act”.³⁷ In the same year, on 13th December 2001, members of JeM and members of another terrorist organization Lashkar-e-Taiba attacked Indian parliament. The attack led to the largest mobilization of Indian troops on the India-Pakistan border, and brought India to the brink of war with Pakistan. War was only averted because of the international pressure and diplomacy.³⁸ In the year 2001 U.N, India and U.S designated JeM as a terrorist organization, and in 2002 Pakistan also designated JeM as a terrorist organization and banned it. However JeM changed names and organizational structure, and operated freely from Pakistan,³⁹ according to the Pakistani media reports Masood Azhar with the overt and covert support from Pakistani

³⁵ Elizabeth Roche, “Narendra Modi urges China to support India’s NSG bid”, *Live Mint*, June 24, 2016.

³⁶ 01-55743 (E), Resolution 1373 (2001), Adopted by the Security Council at its 4385th meeting, on, 28 September 2001. [http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1373\(2001\)](http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1373(2001)).

³⁷ Kamallesh Sharma, “Threats to International Peace, And Security Caused by Terrorist Acts”, *U.N Security Council*, January 18, 2002, <https://www.pminewyork.org/adminpart/uploadpdf/43700ind575.pdf>.

³⁸ Prakhar Gupta, “To the Brink: 2001-02 India-Pakistan Standoff”, *Indian Defence Review*, Issue Net Edition, June 22, 2016, <http://www.indiandefencereview.com/spotlights/to-the-brink-2001-02-india-pakistan-standoff/>.

³⁹ *Stanford University*, “Mapping Militant Organizations, Jaish-e-Mohammad”, <http://web.stanford.edu/group/mappingmilitants/cgi-bin/groups/view/95>.

military and intelligence establishment is carrying out his operations unhindered.⁴⁰ Osama Bin Laden was considered as the head of the Al Qaida and a terrorist. By the same logic, Masood Azhar, who heads a terrorist organization and planned, assisted, as well as organized terrorist activities internationally should also be recognised as a terrorist. However India's efforts to designate Masood Azhar as a terrorist by U.N Security Council are continuously frustrated by China blocking it in U.N Security Council. (See footnote 3, above).

The latest effort by the Indian government to designate Masood Azhar as a terrorist was triggered by the terrorist attack on India's Pathankot Air base in January 2016, allegedly masterminded by Masood Azhar.⁴¹ It was the first major terrorist attack after the new Indian government under Narendra Modi came to power. Narendra Modi's high profile personal efforts to normalize relations with Pakistan, first by inviting Pakistani Prime Minister Nawaz Sharif to India in 2014 on the occasion of his Oath-taking ceremony as Prime Minister of India,⁴² and later in December 2015 Narendra Modi paid a 'surprise' visit to Prime Minister Nawaz Sharif on his birthday and the occasion of his granddaughter's wedding, seemed all futile exercises.⁴³

The Pathankot terrorist attack following just few days after Modi's visit to Nawaz Sharif was an indicator to the Indian establishment about the ineffectiveness of political engagement with Pakistan. It was in this context that China, on March 2016, used its veto power in Security Council to block Indian efforts to designate Masood Azhar as a terrorist. The Chinese action triggered strong criticism from Indian establishment and media. Indian Minister of state for Home Affairs Kiren Rijiju expressing his displeasure as well as resolve to fight against terrorism said "What China has done was not good. The ministry of external affairs will take an appropriate action. Whatever action is required, we will take".⁴⁴ However, on September 18, 2016 terrorists again attacked Indian security forces in the town of Uri situated in the Indian state of Jammu and Kashmir and killed 19 Indian security personals.⁴⁵ Indian authorities

⁴⁰ Zahid Hussain, "The return of Masood Azhar", *Dawn*, October 08, 2016, <http://www.dawn.com/news/1084328>.

⁴¹ "Why India's response to Pathankot attack was 'a debacle'", *BBC*, January 6, 2016, <http://www.bbc.com/news/world-asia-india-35232599>.

⁴² "Carrying a "message of peace", Nawaz Sharif arrives for Narendra Modi's swearing-in ceremony Updated", *Indian Express*, May 26, 2014, <http://indianexpress.com/article/india/politics/carrying-a-message-of-peace-nawaz-sharif-arrives-for-narendra-modis-swearing-in-ceremony/>.

⁴³ Shubhajit Roy, Sheela Bhatt, "Key idea of PM Modi's stopover: Demystify India-Pak visits, delink from outcome", *Indian Express*, December 26, 2015, <http://indianexpress.com/article/india/india-news-india/pm-narendra-modi-visits-afghanistan-meets-nawaz-sharif-in-pakistan/>.

⁴⁴ "China defends move to block UN ban on JeM chief Masood Azhar", *Hindustan Times*, April 1, 2016.

⁴⁵ "Uri terror attack: 17 soldiers killed, 19 injured in strike on Army camp", *Times of India*, September 30, 2016.

suspect that Uri attack was also carried out by JeM. Within two weeks of this attack China announced the extension of its "technical hold" on India's bid to get Masood Azhar designated as a terrorist by the UN,⁴⁶ showing its indifference to India's efforts to curb terrorism.

This Chinese pattern of behaviour of helping Pakistan based anti-India terrorists is not new. In 2009 China had blocked Indian efforts to designate Masood Azhar as a global terrorist, and in June, 2015, China also blocked India's demand for taking action against Pakistan under the U.N Security Council's anti-terrorism resolutions for releasing Lashkar-e-Taiba commander Zaki-ur-Lakhvi, the mastermind of 26/11 Mumbai attack, from custody.⁴⁷ Most importantly showing a shift in Chinese attitudes is its open support to the Pakistani intelligence organization Inter-Services Intelligence (ISI). India accuses ISI of funding and planning terror attacks in India. Within few months of Modi became the Prime Minister of India, Chinese special envoy to Afghanistan, Sun Yuxi, who has served in New Delhi, Islamabad and Kabul as ambassador, praised ISI for its "fight" against terrorism by saying "I think as an agency for the government and the military for Pakistan, ISI has been effective in fighting against terrorism...".⁴⁸ In contrast to Chinese indirect support to terrorism against India, India was prompt in condemning terrorist attacks in China and supporting Chinese fight against terrorism, Wang Yi during his visit to India in 2014 expressed Chinese appreciation for the Indian support for the fight against terrorism. In contrast to Indian support to China for its fight against terrorism, Chinese support for Pakistan based anti-Indian terrorists can only be interpreted as an anti-India action.

China's Economic Trap

Prime Minister Modi on several occasions expressed great admiration for China's model of economic development. Even before Modi took office as Prime Minister of India he travelled to China as Chief minister of Indian state of Gujarat for four times, the purpose of his visits was to increase the economic cooperation between Gujarat and China and most of his visits were accompanied with delegates from top Indian industrial houses. After becoming the Prime Minister of India he continued the policy of economic engagement with China. Within the first month of Modi government's taking office, China sent its foreign Minister Wang Yi as a

⁴⁶ "China extends its technical hold on Masood Azhar's terror listing at UN", *Times of India*, October 1, 2016.

⁴⁷ Indrani Bagchi, "Put Masood Azhar on list of global terrorists, India to tell UN", *The Economic Times*, February 26, 2016.

⁴⁸ Sameer Yasir, "Uri attack carried out by Jaish-e-Mohammad militants, confirms Indian Army", *First Post*, September 21, 2016.

special envoy of Chinese President Xi Jinping in order to chart out future course of India-China relations. In reporting Wang Yi's meeting with Indian leadership, Indian government played down difficult issues like border issue and focused on economic relations, indicating that in its relation with China, the new governments priority will be economic relations. For India the main difficulty in its economic relations with China is to find a solution to burgeoning trade deficit with China. Among Indian establishment a widely accepted way to bridge the trade deficit was to attracting Chinese investments, as well as increase Indian exports to China.⁴⁹

Modi's statements such as "We (Indians) need skills, scale and speed if we have to think of competing with China," reveals the central role of China as an inspiration for Indian economic development.⁵⁰ In the initial phase of Modi's government, both Indian and Chinese governments pushed for closer economic relations. Wang Yi, with in first month of Modi's inauguration met Indian Prime Minister and made a persuasive pitch to expand the presence of Chinese companies in India, according to Wang Yi, Chinese companies are "competitive and cost effective," and wanted to upgrade railways in India as well as build expressways, Chinese companies also wish for "more open environment" and "preferential policies" by the Indian government, to increase the Chinese presence in Indian market.⁵¹

India has proposed to set up industrial parks in China, mainly in pharmaceutical and information technology (IT) sectors, thereby increase the opportunities for Indian Pharma and IT companies in China. India and China also identified five States where Chinese industrial parks would be set up in India namely Uttar Pradesh, Andhra Pradesh, Gujarat, Maharashtra and Karnataka.⁵²

The rationale for the Modi government's push for Chinese investment is explained by Indian commerce & industry minister Nirmala Sitharaman by pointing out that "Many things China wants to export to us can be produced here, whereby our employment will increase, production for our market will happen but with investments coming in. But, I am looking at commerce ministries to engage with China to make sure we are drawing more investments from them".⁵³

China also expressed its enthusiasm for increasing its investments in India, especially in infrastructure. Three months before Prime Minister Modi took office, a Chinese working group

⁴⁹ "China Reaches Out to Modi Government on Trade", *New Indian Express*, June 9, 2014.

⁵⁰ Indrani Bagchi, "Narendra Modi gives mantra to take on China", *The Times of India*, June 9, 2014.

⁵¹ "China eyes investments in infrastructure", *Times of India*, June 10, 2014.

⁵² "India plans to set up IT, pharma industrial parks in China", *Business Line*, June 26, 2014.

⁵³ Sidhartha, India eyes China investment deal, *The Times of India*, June 26, 2014.

submitted a five-year trade and economic planning cooperation plan, offering to finance as much as 30 per cent of the \$ 1 trillion targeted investment in infrastructure during the 12th Five-Year Plan (2012-17) to the tune of about \$ 300 billion.⁵⁴ In response to the Chinese plan, the new government led by Modi proposed to raise the India's exports to China from 15 billion in 2014 to \$95 billion in five years, targeting \$10 billion trade deficit with China by 2020 from close to \$36 billion in 2013.⁵⁵

The intense focus on attracting Chinese investment is continuing till date, promoted by a number of high profile visits by Indian leadership to China. The question thus arises is, half way through the first term, how successful is Modi government in attracting Chinese investment and decreasing trade deficit with China? Related to these questions is also the "Make in India programme" which is also intended to increase the manufacturing powers of India and to replace exports.

In 2013 Indian exports to China registered a positive growth of 9.53%. However coinciding with the new government's rule, in 2014 and in 2015, the growth of India's exports to China was negative, dipping by 19.50% and 24.50% respectively, showing a sharp decline in export growth.⁵⁶ However imports from China which registered a negative growth of 2.32 in 2013 shows a huge jump of 18.38% in 2014 and a moderate growth of 2.14% in 2015. Most importantly China's share in total Indian imports rose from 11.34% in 2013 to a 16.20% in 2015. The Indian trade deficit with China increased from \$36 billion in 2013 to more than \$52 billion in 2015.⁵⁷ This indicates a colonial pattern of trade relationship, in which India mainly exports low end basic raw materials and becomes a dumping ground for finished products. In India's total exports to China worth \$9 billion in 2015, Cotton and Copper combined constitute \$2.8 billion, and in the same year India imported \$61.7 billion worth of Chinese products and among them more than \$19.7 billion worth of consumer electronic products and parts,⁵⁸ which, given government assistance, could easily be produced in India. Every economic indicator shows that Modi government's efforts to decrease the trade deficit do not appear to have been effective.

⁵⁴ Dilasha Seth and Yogima Seth Sharma, "China offers to finance 30 percent of India's infrastructure development Plan", *The Economic Times*, February 21, 2014.

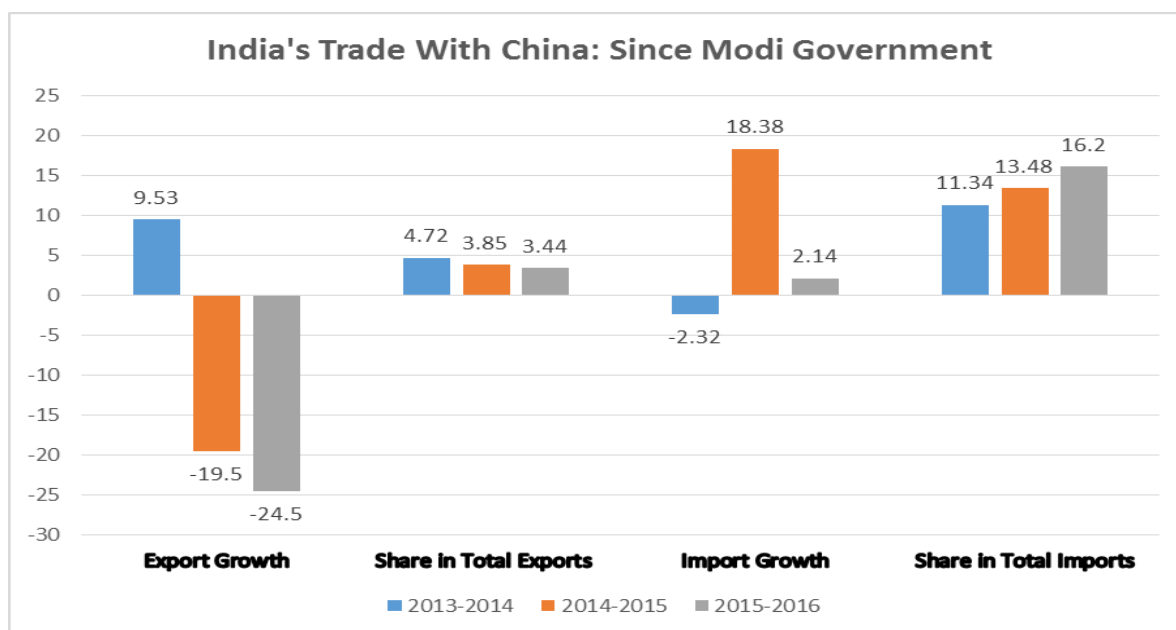
⁵⁵ "India seeks easier norms for entry of its goods in China", *The Economic Times*, June 30, 2014.

⁵⁶ Government of India, Ministry of Commerce & Industry, *Department Of Commerce*, <http://www.commerce.nic.in/eidb/>.

⁵⁷ Ibid.

⁵⁸ Ibid.

Figure 1⁵⁹



Modi government's effort to attract Chinese investment, needs to be carefully analysed. According to Indian government statistics, between April 2000 and March 2016, China is the 18th largest investor in India. The amount of total Chinese investment is little more than \$1.3 billion, accounting to 0.47% of total investment India received in last sixteen years.⁶⁰ Even if we take in to account the fact that China became a leading global investor only in last few years, it should still be reflected in its investment in India in recent years. However, the data between April 2015 and March 2016 show that the Chinese investment in India is only \$461 million dollars, amounting to only 1.15% of the total \$40 billion of total investment India received.⁶¹ Compared to Chinese total outward investment of \$128 billion,⁶² and China's \$15 billion investment in United States both in the year 2015,⁶³ the Chinese investment in India looks miniscule.

⁵⁹ Ibid.

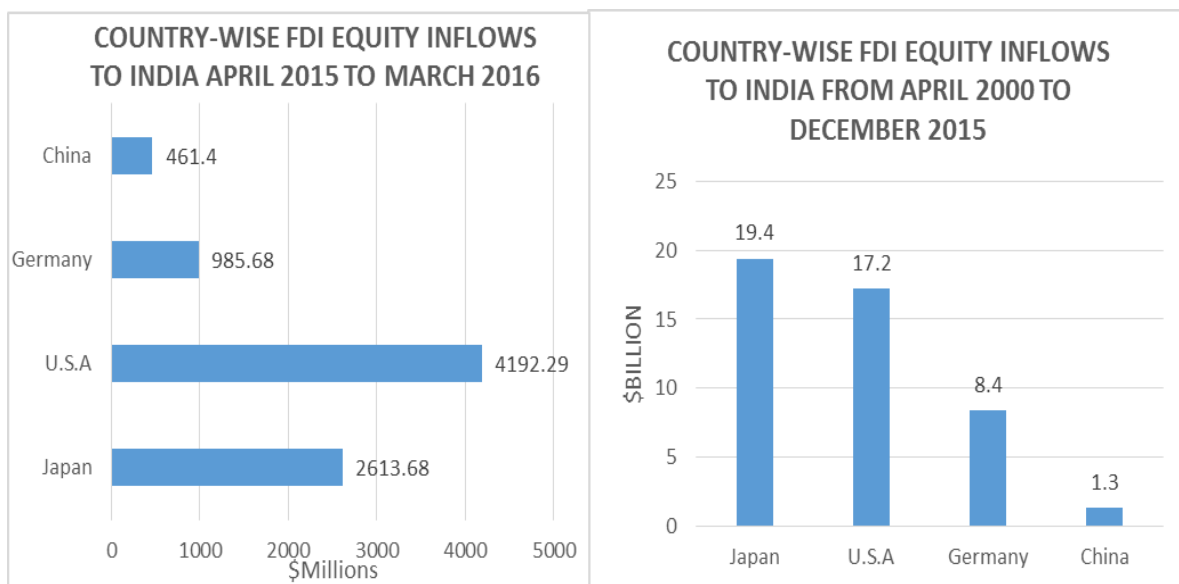
⁶⁰ Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, *Government of India*, http://dipp.nic.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx.

⁶¹ Ibid.

⁶² UNCTAD *World investment report 2016*, p.6.

⁶³ "Trade, investment serve as ballast in China-U.S. relations", *Xinhua General News Service*, November 20, 2016.

Figure 2⁶⁴



For most Indians, Chinese products are the most visible representation of China in India. China's hostile policies towards India, especially support to the Pakistan based anti-Indian terrorists led to the call for boycott of Chinese products from many quarters of India in October 2016. Reacting to the boycott call by Indians, Chinese officials cautioned that it will adversely affect Chinese investments in India.⁶⁵ This creates the impression of a subordinate role of India in China-India economic relations. The caution against India courting Chinese investment and Chinese push for investment India came from former American ambassador to India Robert Blackwill. According to him "The very access of market to China can become dependency. Though, there is nothing illegal about that, China will use it as a powerful institution to influence foreign policy".⁶⁶

Since Prime Minister Modi took office, there have been many high profile visits by Indian leaders to China, many of them focusing on how to find a balanced economic relation between India and China. Modi himself met Chinese president Xi Jinping at least six times. (See table 1, below). However, all the data shows that these visits do not appear to have yielded conspicuous results in promoting Indian interests, both in economic as well as security spheres.

⁶⁴ Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, *Government of India*, http://dipp.nic.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx.

⁶⁵ "Boycott of Chinese goods: China warns of impact on India-bound investments", *Times of India*, October 27, 2016.

⁶⁶ "Giving access to China can become dependency", *DNA*, June 11, 2014.

Table 1

Indian Leaders' Visits to China Since arrival of the Modi Government	
June 2014:	Indian Vice-President Hamid Ansari paid a visit to China.
September 2014:	Indian Commerce Minister Nirmala Sitharaman Visit to China.
February 2015:	External Affairs Minister Sushma Swaraj visited China.
September 2015:	Minister of State for External Affairs Gen. (Dr) V.K. Singh (Retd.) visited China.
November 2015:	Home Minister of India, Rajnath Singh visited China.
April 2016:	Defence Minister of India, Manohar Parrikar visited China.
May 2016:	Indian President Pranab Mukherjee made a state visit to China.
June 2016:	Indian Finance Minister Arun Jaitley visited China.
Modi's Meetings with Xi Jinping	
July 2014:	Modi first time met Xi Jinping in Brazil, on the Side lines of the summit of the BRICS nations.
September 2014 :	Xi Jinping visits India.
May 2015:	Modi visits China.
June 2016:	On the side-lines of SCO Summit in Tashkent (Uzbekistan).
September 2016 :	On the side-lines of G20 leaders' summit at the Hangzhou (China).
October, 2016:	Modi met Xi Jinping on the side-lines of BRICS summit in Indian state of Goa.

Conclusion

China is putting military pressure on India through incursions and transgressions into the India claimed border areas. China is also expanding and modernizing its border infrastructure which enables it to put military pressure on otherwise “calm” India-China border regions. Consequently, border “incidents” are increasing in India-China border areas. As a result, the Indian government under Modi is coming under increasing pressure from the Indian public to find a solution to the border issue and respond to Chinese transgressions in a proactive way. However Modi government’s efforts to convince China to respect Indian territorial integrity and core interests do not appear to register on the public pronouncements or actions by the Chinese government. Border transgressions into territories claimed by India have not declined.

China has intensified its border incursions.⁶⁷ On the eve of the visit of India's Vice President to China, China published a map depicting Arunachal Pradesh as Chinese territory, signalling to India that China is least likely to drop the claims on Indian Territory. China has also put hurdles on the path of India's NSG membership, which is essential for India to decrease its dependency on fossil fuels, as well as to become a rule making member of NSG. The Indian argument that as the second most populated country in the world, with a fast growing economy, India should be a member of NSG, thus giving credibility to NSG as an organization with global reach, does not appear to have convinced the Chinese. However China's efforts to deny India the NSG membership, can be interpreted to show that China averse to concede India a leading role in world affairs. The same interpretation can be made of China's negative attitudes towards India's development priorities. China has not taken a categorical public stand against Pakistan based terrorists like Masood Azhar and has blocked Indian efforts to list them by U.N Security Council as terrorists. This has helped protect anti Indian terrorists from sanctions imposed by international community against terrorists and terrorist organizations. These consistent and intensifying hostile actions against India have led to a strong wave of anti-Chinese feelings in India.

India's increasing trade with China, though largely in favour of China, did not constrain China in undertaking consistent hostile actions against Indian economic and security Interests. China has also started using the "promise" of investment as a bargaining chip in its relations with India. These developments give the impression that the China policy of the Modi government is rhetorical in balancing, and appeasement in practice.

Currently, in the absence of any strong disclaimers from the Government of India to the effect, India's China policy appears to be making India just another cog in an emerging Asian geopolitical architecture build around China as its centre.⁶⁸ The continuation of current China policy of India will take away the potential of India as a balancing power in Asia, and other countries in Asia-Pacific who do not want to see a China dominated Asia. They will, in consequence, view India as an unwilling or incapable partner, and will be forced to adapt to a

⁶⁷ It has also been argued that "the issue is whether China's 'incursions' across the Line of Actual Control (LAC) as openly reported by India and tacitly acknowledged by China in 2013 and 2014, are signs of a latter-day Chinese version of Nehru's 'forward policy'". See P S Suryanarayana, *Smart Diplomacy: Exploring China-India Synergy*, World Century Publishing Corporation, Hackensack, NJ, USA, 2016, p. 234.

⁶⁸ Speaking at the 'Raisina Dialogue' a geopolitical conference attended by top foreign and security experts, Mr. Modi sounded conciliatory when he said "it was not unnatural for two large neighboring powers to have some differences but both sides should show sensitivity and respect for each other's core concerns and interests." The Hindu, New Delhi, Jan 17, 2017

Chinese hegemony in Asia. Especially, U.S and Japan will see it more profitable to accommodate Chinese demands in Asia than to pursue an uncertain and costly support of “India’s rise” in Asia.

For India, a strategic move to increase the country’s room to manoeuver against China would entail a strategy to decrease its trade deficit with China and strengthen its economic relations with countries with mutual interests. India should also give preferential treatment to the investment from countries whose interests and values are congruent with India. The crucial challenge is to make India more attractive as a destination for investment. If India is a good investment destination, then foreign companies, including Chinese companies, irrespective of restrictions imposed, will invest in India. For this to happen, India should open up its economy and remove foreign trade restrictions. Global Investments follow long term and short term profitability, and are contingent on political and institutional stability. Chinese global investment is no exception to these norms. For instance, Chinese investment in U.S continue to grow irrespective of many restrictions imposed by U.S government on Chinese investment. On the border areas India should continue to explore a peaceful resolution to the India-China border issue through talks, but at the same time enhance credible military deployments in the border areas. In global forums India should actively publicize and campaign against Chinese support to Pakistan based terrorist networks. The crucial argument here is be to show that negative effects of Chinese support to terrorist networks will not be limited to India, but, will spill over to other countries and eventually will become a problem to the security of all countries of the region and beyond.

.