

# ASSESSING CHINA'S ENGAGEMENT IN THE INDIAN SUBCONTINENT

*A framework to assess China's approaches in the Indian subcontinent by looking at China's motivations, enablers and constraints.*

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# Executive Summary

*How and why China engages the Indian subcontinent the way it does.*



## *What is China's strategy in the Indian subcontinent?*

China's growing footprint in the Indian subcontinent is one arc of an overarching strategy to expand its global presence and influence. This study unpacks the underlying drivers of China's policy in the region and examines the enabling and constraining factors. Based on these, it identifies a repertoire of ongoing measures and long-term policy approaches that China can and is employing.

### *Ongoing Measures*

1. Control over resource streams
2. Display of aggressive intent by Chinese armed forces
3. Control over flows of people and ideas
4. Denial/Provision of support at international fora

### *Long Term Approaches*

1. Investing in multi-purpose projects
2. Interfering in domestic affairs of other states
3. Providing strategic support to non-democratic regimes
4. Expanding hard power reach

# How to read this Slidedoc

This Slidedoc uses a funnel framework to describe China's engagement in the Subcontinent.

China's Motivations are funnelled through Factors to understand its Approaches, which is reflected in the design of the slides.

The purpose of this framework is to provide insights into China's behaviour and provide various alternative policies that China may consider. An underlying assumption is that China is modeled as a rational actor in this framework.

1. China's Motivations in the Indian Subcontinent
2. Factors Modulating China's Approach
3. China's Ongoing Measures
4. China's Long-term Approaches



Maintaining Growth Momentum



Building Support for Core Interests



Enhancing Military Footprint

## *China's Motivations in the Indian Subcontinent*



Securing the Periphery and  
Protecting Overseas Assets



Securing Trade Routes and Energy  
Supplies



Competing with the US

# China's Motivations

## *Maintaining Growth Momentum*



China's global rise is predicated on the remarkable economic growth that the country has witnessed. Over the years, China's economic model has shifted from being an export-oriented model to an investment driven model. This has, however, led to a structural problem of industrial overcapacity. As China now undertakes reforms to rebalance its economy, it is seeking to address overcapacity by encouraging Chinese enterprises to invest overseas - especially in the Indian subcontinent, where there is tremendous demand for infrastructure and investment.

## *Building Support for Core Interests*



A defining feature of China's diplomacy is its demand that countries respect what it terms as its "*core national interests*". These are a broad set of issues, including territorial integrity, the One-China policy and the Chinese party-state governance model among others, that Beijing considers its *bottom line*. In addition, as Beijing pursues a greater global governance role, it is keen to expand international support for its normative prescriptions on issues like cybersecurity, climate change, trade, etc. A key rallying point for this support is through its engagement in the subcontinent.

# *China's Motivations*

## *Securing the periphery and protecting overseas assets*



One of the drivers of China's foreign policy in the region is the desire to maintain stability along its southern and south-western periphery. From land boundary disputes with India to ethnic and religious strife in Myanmar and Bangladesh and terrorism in Pakistan and Afghanistan, in Beijing's calculus, the lack of peace in the region impinges on its domestic stability and overseas economic expansion.

## *Securing trade routes and energy supplies*



China is among the world's leading trading nations, with roughly 60 percent of its trade in value traveling by sea. It also relies heavily on oil and gas imports, nearly 80 percent of which traverse through the Indian Ocean and the South China Sea. Ensuring safe transit for imports and securing alternative land-based routes amidst potential threats from state and non-state actors remain key drivers of China's policy in the region.

# China's Motivations

## *Enhancing Military Footprint*

Xi Jinping's military modernisation drive comprises three broad elements:

- structural reorganisation of the different PLA forces;
- building hardware and capacities; and
- expanding the defense industrial complex with private sector participation.

Expanding exports of arms, testing of new weaponry and military-to-military cooperation with India's neighbours are crucial to achieve this goal.



## *Competing with the US*

Xi's "Chinese Dream" of national rejuvenation envisions "China moving closer to center stage and making greater contributions to mankind." This is an explicit expression of a desire to further legitimise the Chinese governance model while competing with the US and allied powers and the regional power, India, for political influence on issues of governance, trade and norm setting. Such strategic competition, however, does not preclude specific cooperation in areas of common interests.



# Factors modulating China's approach to the Subcontinent

## Positive

These amplify China's involvement



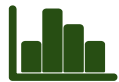
Military Capacity



Strategic Capacity



Diplomatic Capacity



Multiple Chinese Actors



↓ Decline of the Liberal International Order



↑ Demand for alternative in region



Economic Strength

## Ambivalent

These can amplify or restrict China's involvement



Control of Narrative



India's regional dominance



Political System



Political Volatility



Geography



Less developed countries in the region

## Negative

These restrict China's involvement



Energy Constraints



Fear of Growing Footprint



Competition from Other Countries



# Positive Factors

## *Military Capacity*



The Chinese military is the largest military in the world and is also focused on using technology for its advancement. While China's power projection in the Indian Ocean remains limited, the country is focused on building this and **outclassing other militaries** operating in the region.

## *Strategic Capacity*



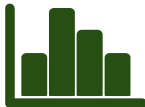
As a recognised nuclear power, China has proven its ability to build **nuclear warheads** and **transfer technology** to other countries like Pakistan and North Korea. This area gives China an additional set of options to engage with select nations in the subcontinent.

## *Diplomatic Capacity*



China's position in the UN Security Council, and the scale of its foreign policy establishment in terms of **autonomy, size, training, budgetary allocation, and presence** in multiple regional and international fora allow it to engage flexibly with a variety of regional actors on a wide spectrum of issues.

## *Multiple Chinese Actors*



Government bodies and state owned enterprises (**SOEs**) are easily galvanised to meet the CPC's political and strategic aims. **Private companies** are also beginning to play an active role in overseas markets, investing massively in the subcontinent.

# Positive Factors



## *Decline of the Liberal International Order*

With the **relative decline of the US** as a global superpower, the weaknesses of international norms and values have become even more apparent. This has created an opportunity for China, which presents itself as having its own set of values as a successful alternative model.



## *Demand for alternative in region*

China positions itself as a **reliable alternative** to both India and the US. Smaller states find it in their interest to hedge China off against India and the US in order to leverage maximum gains from both sides.



## *Economic Strength*

China is able to **channel its fiscal strength**, the availability of capital and economic resources into projects with smaller countries. China is a very **important trading partner** for all countries in India's neighbourhood. This gives China the ability to inflict serious economic damage in the event of a trade dispute while suffering disproportionately little in return.

# Ambivalent Factors

China is projecting its rise as a return to the natural order, *tianxia* (天下), where the **Middle Kingdom takes precedence over all other countries**. This narrative is used domestically to rally nationalist sentiment.



*Control of Narrative*

The narrative is susceptible to puncturing and a significant setback to this narrative could cause serious domestic unrest. Internationally, it would also rupture the **aura of inevitability** around the rise of the PRC.

In recent years, India's foreign policy has been **unable to meet all the demands** of its small neighbours, and this has created opportunities for China. Also, as China does not share major land borders with countries in South Asia, it will bear **little externalities** from any disturbance in the region, unlike India which is directly affected.



*India's Regional Dominance*

Geographically, India has the **ability to project power in multiple theatres** in its neighbourhood, and remains a major trading partner for many countries. India's longer-standing ties also gives it a say in negotiations.

While democracies are often messy, China's party-state governance model coupled with a lack of democratic accountability gives it **additional strategic options** - such as faster and quieter mobilisation - which are not necessarily available to many countries in South Asia.



*Political System*

Xi Jinping's centralisation of power and the party-state nexus also makes the regime **brittle and sensitive to tangible and reputational damage** that democratic regimes can weather. Against this backdrop, a disastrous military adventure could cause a catastrophic political backlash.

# Ambivalent Factors

Smaller states that have often faced international opprobrium and difficulties in securing investment due to human rights violations, authoritarian coups, and other issues now welcome the entry of China, which purportedly **cares little for the regime in power**.



*Political Instability*

Political volatility and forces of nationalism could also cause **short-term reverses** if an anti-China figure comes to power.

China's geographical position grants it **direct land access** to most of Central Asia and Himalayas. As an **upper riparian state**, dam-building is a source of leverage, especially over India and Myanmar.



*Geography*

While China has extensive presence across land borders, it **does not have the same capacity over sea borders**. Owing to the distance involved, China does not yet have the logistical capability to mount long-term operations in and around the Indian Ocean region.

The relative lack of economic development and **demand for growth and infrastructure** creates huge opportunities for Chinese companies and investors.



*Less developed  
countries in the region*

On the other hand, this very lack of development **hinders the ability of these countries to repay** loans and deliver returns on investment.

# Negative Factors

## *Fear of Growing Footprint*

China's growing strategic and economic footprint has made many of its neighbours, including **India, uneasy**. This has made them more likely to seek support from powers such as the US, which constrains China from being as assertive in its foreign policy as it would otherwise be.



## *Competition from other countries in the region*

India is not the only rival for China in the region. **The US and Japan also have considerable economic and strategic interests**, with the US in particular enjoying an unrivalled ability to project hard power. This prevents China from effectively ramping up military strength, while also giving it the position of an alternative power in the region.



## *Energy Constraints*

The demand for energy in China makes it vulnerable, as it is **dependent on imports** through the Straits of Malacca, a strategic chokepoint. In order to reduce dependence, China is building ports and pipelines in countries like Pakistan and Myanmar, while also investing in renewable energy. But the surety of these supplies and their economic viability remain in question.





- Control of water
- Control of financial systems
- Specific sanctions/dumping

*Control over resource streams*

- Incursions and encroachment
- Hot pursuits
- Military signalling



*Display of aggressive intent by Chinese armed forces*

## *China's Ongoing Measures in the Indian Subcontinent*

These are "carrots" and "sticks" deployed pragmatically in order to support China's long-term approaches.

*Control Over People and Ideas*



- Tourism flows
- Visa denials
- Propaganda & media signalling

*Denial/Provision of support at international fora*

- Opportunistic support
- Opportunistic denial of support



## Control over Resource Streams

### *In Support of Long-Term Approaches*



### *Ongoing Measures*

China is reaching a position of power that will allow it to exercise control over systems that it can deny to other countries in case of differences. These control measures will be used as bargaining chips depending on the issue at hand.

One way China can do this is through **control of water**. As an upper riparian state in South Asia, it controls water flows of the Indus, the Brahmaputra, the Ganges, the Mekong, the Yangtze, Salween and the Yellow River. By building dams in strategic places, China can inflict damage on countries through which these rivers pass, by either withholding water or even causing flash floods.

China is also setting in structures that will allow it to **control other countries' financial systems**. This could be done by investing huge amounts of capital, extending risky loans to countries that cannot repay them, and fostering a trade relationship whose balance is in China's favour. Therefore, if the need arises, China can use this control to influence the country's policy.

China is already the major trade partner for many countries in the Indian subcontinent and many of these trade relationships are skewed in its favour. It can impose **specific trade barriers** on particular items of import that could hit the exporting country hard. Alternatively, China can also resort to **dumping**, which could deeply affect the domestic economies of the countries and injure local industries.

Display of  
aggressive intent  
by Chinese armed  
forces

*In Support of  
Long-Term  
Approaches*



## *Ongoing Measures*

Military measures are a knob that China uses to put pressure on or convey a particular message to countries in the Indian subcontinent.

**China uses incursions as a tool for negotiating or projecting power** with countries it shares a land border with. As the border with India and Bhutan remains under dispute, China can choose to escalate tensions between the two countries to either rally domestic sentiment in Bhutan or flex its muscle. China also encroaches into the territories of other countries to show its superior power and **lack of respect for the other country's sovereignty**. China is also known to use these incursions and encroachments during state visits of foreign leaders for political signalling.

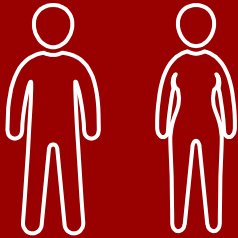
China may also employ its military to crackdown on illegal activities or insurgents who share fraternal links across the border. For example, in North Myanmar, the Chinese military could briefly conduct operations on foreign territory under the purport of going after terrorists.

Another measure that the Chinese military employs is signalling through **military exercises** near the Himalayan border. It also conducts **naval exercises** in conjunction with countries from the Indian subcontinent or in the waters of the Indian Ocean. Port calls and training exercises are also other military signals that China employs.



## Control Over People & Ideas

### *In Support of Long-Term Approaches*



### *Ongoing Measures*

China seeks to exert considerable control over people and ideas to support the narrative that it wants to project. This is done in a number of ways, primarily targeting citizens of other countries.

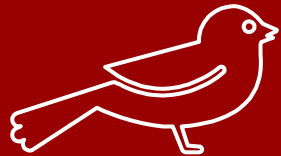
Chinese tourists have become a major source of revenue for developing countries that depend on tourism for their economy. Chinese tourists are the largest in number in the Maldives and the second largest in Sri Lanka. By issuing a travel advisory or banning its citizens from going to visit these countries, **China can easily signal political displeasure that will have a significant bearing on the recipient country.**

China also **refuses to provide visas** to people visiting China - particularly if they are known to have taken a stand that is perceived to be antithetical to the CPC's core interests or interacted with people from Tibet or Xinjiang as these are considered sensitive topics.

Finally, by holding a tight rein over Chinese media, China is able to use them for purposes of propaganda or signalling. Whether it is to indicate Chinese positions, its objections to others' or to dictate the tone on particular issues, **China uses media signalling to construct a narrative of its own liking.**

## Denial/Provision of support at international fora

### *In Support of Long-Term Approaches*



### *Ongoing Measures*

As one of the permanent members of the United Nations Security Council, China has significant clout it can use in favour or against a country. This also stands true for other international institutions or multilateral organisations where China is a stakeholder. China is also building new institutions where it hopes to sit at the head of the table.

China provides **opportunistic support** to countries with which shares close ties, or to relatively unfriendly countries in order to build support. China could also **deny** support when the opportunity arises. These actions allow China to dictate terms on which it engages with countries, even using this support as a bargaining chip for a *quid pro quo* on other issues. China's support for Pakistan in the Wassenaar Arrangement and denial of support for India's candidature into the Nuclear Suppliers Group are examples of how it has used its diplomatic positioning in the past.



*Investing in multi-purpose projects*



*Interfering in the domestic affairs of other states*

## *China's Long-term Approaches to the Indian Subcontinent*

These are used to ensure that states remain broadly aligned with Chinese interests over the long term.

*Providing strategic support to non-democratic regimes*

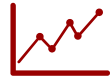


*Expanding Hard Power Reach*





# Investing in multi-purpose projects



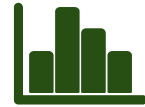
Maintaining Growth Momentum



Securing trade routes & energy supplies



Economic Strength



Multiple Chinese Actors



Less developed countries in the region



Energy Constraints



Competition from Other Countries



## China's Approach

China provides loans, grants and foreign direct investments that are competitive and attractive. In addition, SoEs and private enterprises strategically export excess capacity into infrastructure projects that countries in the subcontinent desperately need. Some of these, such as oil and natural gas pipelines are invaluable to China too.

The funding is not presented as "aid," but as a transaction between equal partners, albeit with specific conditions that benefit Chinese contractors and can lead to ballooning debts for recipient states.

This approach provides China the leverage to demand additional concessions such as strategically vital ports and bases in the region in case the loans are not repaid or returns on investments do not materialise. This can stoke nationalistic sentiments and even retaliation from non-state actors.

Finally, China controls large parts of the financial systems of countries such as Pakistan, and the growing presence of yuan-based transactions will provide momentum and legitimacy to the Chinese economy.



# Interfering in the domestic affairs of other states



Building Support for Core Interests



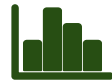
Securing trade routes & energy supplies



Securing the periphery & protecting overseas assets



Demand for alternative in region



Multiple Chinese Actors



Diplomatic Capacity



Geography



Fear of Growing Footprint

## China's Approach

China tries to project itself as a reliable, long-standing partner to secure its strategic and economic interests in the region, juxtaposing it to chaotic, argumentative democracies like India and the US.

As part of this strategy, it has expanded diplomatic engagement and sought to serve as a broker in regional disputes. In doing so, it seeks to cultivate the impression of being a regional partner as opposed to a predatory external power. China also takes care to cultivate constituencies across the political spectrum of India's neighbours.

China has also gradually normalised its own right to comment on the internal affairs of other countries - such as visits by the Dalai Lama to Arunachal Pradesh - while making it clear that reciprocal action would be a red line. These comments are made through both unofficial and official media outlets and spokespersons, making the actual position deliberately vague.

The expansion of soft power through scholarships and Confucius Institute programmes has also helped China monopolise the position of the principal source of historical, cultural and civilisational narratives.



# Providing strategic support to non-democratic regimes



Building Support for Core Interests



Securing the periphery & protecting overseas assets



Strategic Competition

## China's Approach

While China has shown a willingness to engage with any regime in power, it is evident that it provides strategic support for non-democratic regimes.

This does not tie China down normatively and promotes its image of being politically indifferent. This approach leverages **corruption, reaching out to sub-national leaders, the provision of political funding and the promotion of norms that go against the liberal international order.**

In addition, China provides **diplomatic shielding on the international stage to such regimes pragmatically, to strategically increase their dependency on it.** This can be seen through their actions in the 2018 Maldives Constitutional Crisis.

China's engagement with Pakistan is an interesting example of this approach. China has proven equally willing to engage with the civilian government and the Military-Jihadi Complex. China provides diplomatic cover on a long-term basis, but is not averse to imposing modest costs, as evident during the FATF meeting in Paris in February 2018.



# Expanding Hard Power Reach



Building Support for Core Interests



Military Footprint



Strategic Competition



Military Capacity



Diplomatic Capacity



Political Volatility



Geography



Competition from Other Countries



## China's Approach

China has been attempting to **increase its coercive power in the subcontinent**. A key element of this has been through strategic infrastructure deals, specifically securing key ports such as Hambantota, Gwadar, and Jiwani.

In addition, military-military engagement, including port calls, joint exercises, humanitarian assistance and disaster relief drills and counter-terrorism and anti-piracy operations also **normalise the presence of Chinese forces in the region**.

Arms deals and other bilateral military exchanges (which could include nuclear technology if Pakistan is considered) also extend China's footprint, as do intelligence sharing agreements.

END

*Discussions with Andrew Small, Lt. Gen. Prakash Menon, Nitin Pai, and Pranay Kotasthane helped in the development of this Slidedoc.*