China's South Asian Interests and Policies

John W. Garver
Sam Nunn School of International Affairs
Georgia Institute of Technology

Prepared for panel on
"China's Approaches to South Asia and the Former Soviet States"
U.S.-China Economic and Security Review Commission

22 July 2005

Expanding Friendly, Multi-dimensional Cooperation

China's broad objective in South Asia is to expand multi-dimensional cooperative relations with all the countries of that region. "Multi-dimensional" signifies military ties as well as more innocuous political and economic cooperation. "All" means both India and India's smaller neighbors: Pakistan, Myanmar, Nepal, Sri Lanka, Bangladesh, Bhutan, and the Maldives. India has sometimes objected to China's relations --- especially military-security ties --- with these countries. Beijing views South Asian countries as "neighbors" with whom it is especially important to have friendly, cooperative ties both to increase China's own economic and political influence and to lessen the ability of potentially hostile powers (currently the U.S.) to injure China's interests.

Economically, China seeks to draw South Asia's resources into China's development drive. India with its fast-growing, industrialized, and relatively affluent economy has become China's strongest economic partner in South Asia. Two-way Sino-Indian trade in 2003 was $7.6 billion, compared to $2.4 billion for Sino-Pakistan, $1.4 billion for Sino-Bangladesh, and $1.1 billion for Sino-Myanmar trade. During their April 2005 meeting, Wen Jiabao and Manmohan Singh agreed to increase trade to $20 billion by 2008. While that amount is paltry compared to China's trade with countries like Japan, Germany, South Korea, or the United States, it leads China's South Asian trade by far.

The simple fact is that India produces much more that Chinese firms want to purchase than do Pakistan, Bangladesh, or Myanmar --- let alone the small countries like Nepal, Bhutan, or the Maldives. In 2003, China imported $1 billion more from India than it exported to it, while Chinese exports to Pakistan were three times the value of China's imports, exports to Bangladesh were forty times the value of China's imports, and exports to Myanmar were over five times the volume of imports. While these figures are based on official statistics and do not reflect smuggling (which is substantial in the case of Myanmar), the broader point is that India simply has more to offer China. From India China imports a wide array of mining and industrial products: steel and iron ore, zinc, aluminum and aluminum products, copper and copper products, acids and alkalines, dyes, coloring, alcohol and other chemical products, rubber, plastics, cotton, wool, thread and

yarn, leather, and machinery and machine parts. From Pakistan, in contrast, China buys largely cotton, yarn, and leather.

China also recognizes that in key economic-technological areas it has much to learn from India. Chinese analysts recognize India's world-leadership position in computer software creation and aspire to learn from India in this area, meshing these strengths with China's existing strengths in computer hardware production to help catapult China to world-class-economy status. There are no comparable inducements in the case of the other South Asian countries. Pakistan and Bangladesh offer attractive markets for Chinese consumer goods and machine tools. But the ability of these poor countries to purchase Chinese goods, and to produce things useful to China's booming industry, is limited compared to India's. China has not been able to forge with the South Asian countries a robust foreign energy-for-Chinese-capital-goods swap such as it has engineered with Iran. The exploitation of Bangladesh's natural gas deposits could conceivably overcome this structural imbalance, with Bangladesh entering into an energy for Chinese capital goods swap similar to that characterizing the Sino-Iranian relation.

Politically, there are periodic visits between China and the larger South Asian countries at the minister and vice minister level to "exchange views" on various bilateral, regional, and international issues. Beijing seeks to engage South Asian governments in dialogue and cooperation on substantive issues of mutual concern: countering narcotics traffic, smuggling, and terrorism; stabilizing the Karzai government in Afghanistan; or dealing with Tibetan presence and activities in various South Asian countries. Beijing also strives to line up South Asian support on the Taiwan issue: to counter Taiwan efforts to expand ties and to guarantee South Asian neutrality in the event of a U.S.-PRC clash over Taiwan.

Friendship with China is often attractive to smaller South Asian countries living in India's shadow. People in those countries often see ties with China as affirming their independence from India and as a way of gaining bargaining leverage with New Delhi. China's voice in the U.N. Security Council is valued by South Asian governments because of Beijing's occasional willingness to say a few words on behalf of smaller South Asian countries, or even to criticize Washington on behalf of those smaller countries. China has expressed a desire for observer status in the South Asian Association for Regional Cooperation (SAARC) where its ability to offset India will be valued by the other South Asian states.

China views military links as part of the normal repertoire of international cooperation and seeks to expand military ties with South Asian countries. Every year China exchanges with Pakistan, India, Bangladesh, and Myanmar two or three delegations at the deputy chief of staff through defense minister level, or from military regions, military academies, or defense industrial agencies. China has recently attempted to institutionalize exchange of views with the larger South Asian countries in the security / military areas. At the political level, there are periodic discussions of regional security issues of common concern. Bangladesh, Pakistan, and Myanmar have been preferred and heavy customers for Chinese military equipment. Chinese training, maintenance, and

parts have come with equipment purchases. Exchange of intelligence between China and Pakistan and Myanmar is routine, with Yangong providing important electronic listening posts at several points in the Bay of Bengal / Strait of Malacca area. Chinese naval squadrons have made friendly port calls to Pakistani (1985, 1993, 2001), Bangladeshi (1986, 1995), Myanmar (2001), and Indian (1993, 2001) ports. In October 2003, the PLA-Navy conducted its first-ever joint exercises with the Pakistani navy in the East China Sea. The next month it conducted joint exercises in the same region with the Indian Navy. China assists Pakistan's missile development and its nuclear energy efforts. Although China's involvement in the latter is under IAEA supervision, the intrinsic fungibility of nuclear materials and know-how makes it likely there is some spill over to Pakistan's nuclear weapons capabilities.

In the past India, has objected to China's military links with South Asian nations. In 1989, for example, a Nepalese attempt to purchase Chinese weapons and initiate an intelligence exchange agreement with China precipitated severe Indian economic sanctions that forced Kathmandu to abandon the objectionable policies. Given New Dehli's opposition to Sino-South Asian military cooperation, Beijing's insistence on forging such links is testament to its determination to become a multi-dimensional power in the region, and its refusal to cede South Asia to an Indian sphere of influence.

China's response to Indian concerns over China-South Asian military cooperation has been to assert that since China does not have aggressive or malevolent intentions, China's military cooperation with India's neighbors does not threaten India. If India is concerned about China's military ties with the smaller South Asian nations, Beijing argues, the proper course is to increase mutual trust between China and India via security dialogues and other such venues. Or if New Delhi is unhappy with Chinese military cooperation with India's South Asian neighbors, China is quite willing to expand such cooperation with India itself. There is no valid reason to object to these friendly, cooperative relations, Beijing argues. In fact, such objections manifest "anti-China" sentiments and hostility toward China, which will be answer in kind by China.

The sort of punishment contained in this implied threat was demonstrated during the eighteen months after India's May 1998 nuclear tests that New Delhi had justified as a response to threat from China. After the Indian tests with their China threat justification, Beijing cancelled scheduled sessions of the Joint Working Group on the boundary. Chinese media rhetoric became harsher, even resurrecting charges of Indian "hegemony." Beijing urged Washington and the U.N. Security Council to adopt tough measures against India, and to target mainly India, not Pakistan's "response" to India's tests. Beijing hinted it might shift to a more pro-Pakistan position on Kashmir. Beijing's carrot and stick approach seems to have been fairly successful. India has agreed to open-ended cooperation with China, even while China expands military ties with India's neighbors.

Minimizing Indian Alignment with Washington

Geostrategic logic dovetails with the India's increasing economic gravity to inspire China's courtship of India. Chinese analysts are deeply skeptical of the new, far closer, far broader India-U.S. relationship that emerged starting with the Jaswant Singh - Strobe Talbott talks during the second half of 1998. Beijing suspects that a U.S. desire to contain or balance China, to limit its rise and the expansion of its power, are key U.S. motives behind the growing India-U.S. strategic partnership. China's friendship diplomacy seeks to counter perceived U.S. efforts to maneuver India into participation in nefarious American "anti-China schemes." This partially explains the "strategic and cooperative partnership for peace and prosperity" agreed to by Wen Jiabao and Manmohan Singh in April 2005.

It is in China's interests to avoid, or failing that to minimize, negative Indian reactions to the growth of Chinese presence and influence in South Asia. India has traditionally viewed South Asia as its natural security zone and sphere of civilizational influence. The steady growth of China's influence challenges India's status. Some Indians also see China as engaged in "creeping encirclement" of India. Others do not attribute sinister intentions to Beijing, but worry about the long-term consequences of Chinese advances regardless of Chinese intentions. Assuaging these Indian apprehensions and preventing India from taking counter-measures is a high-ranking Chinese interest.

India enjoys overwhelming geographic, economic, and military advantages and could punish South Asian states for ties with China that New Delhi views as going too far --- as with India's economic 1989-90 sanctions against Nepal, or as India has occasionally done with Sri Lanka because of the latter's ties with China. India can also use its influence to counter China's initiatives --- or to persuade South Asian governments not to go along with China's plans. In other areas Beijing requires India's active cooperation to expand links with South Asian states: opening and building a railway via the Chumbi Valley, achieving access to India's rail grid via Siliguri, securing road and rail access to Bangladesh via India's Manipur state, expanding commercial ties with Bhutan --- or with India itself.

China uses several means to minimize India's adverse reaction to the growth of China's cooperation with the smaller South Asian countries. Professions of friendship and non-aggressive seek to reassure India, as do frequent high-level visits and mid-level dialogues and working groups. Beijing proclaims that it desires friendly relations with all South Asian countries, including India. India and China should be friends and partners, working together for the mutual benefit.

Beijing uses appeals to Third World solidarity to woo India. China argues that both China and India are Asian developing countries oppressed in various ways by the West, especially by the United States and the U.S.-supported current international order. China and India should therefore stand together to construct a new international political economic order in comport with the interests of the Third World. This sort of rhetoric still has considerable appeal in India.

Emphasis on a putative U.S. threat to India is another aspect of Beijing's wooing of India. According to this line of argument the U.S. military buildup in the Indian Ocean and Persian Gulf since 1979 poses a threat to India. The United States cannot fully achieve its desired aim of hegemony over the Indian Ocean, South Asia, and the world, as long as India remains powerful and independent of U.S. domination. Currently, U.S. hegemonistic efforts are focused on the Persian Gulf (on Iraq and Iran), but if and when those tasks are completed, American hegemonist attention will turn inevitably toward India. Thus in its quest for hegemony, the United States must necessarily challenge and subordinate India. In such a situation, China's military capabilities in the South Asian / Indian Ocean region would serve to restrain the United States and thus protect India. This author's sense is that such arguments have thus far met with considerable skepticism in New Delhi.

A final policy used to minimize India's alignment with the United States has been to encourage U.S. engagement with Pakistan. Chinese encouragement of "balance" in U.S. South Asian policy under Clinton and endorsement of renewed U.S. -Pakistan partnership in September-October 2001 served several Chinese interests. One was driving a wedge in India-U.S. relations. At a minimum, Beijing and Washington would now share India's anger at their common support for Pakistan.

Transportation Cooperation

Cooperation in transportation is currently one particularly important form of China's expanding ties to South Asian countries. Three ambitious transportation projects are currently underway and will substantially increase Chinese influence in South Asia.

One project launched in 2001 (prior to the 9-11 attacks) involves a major strengthening of Pakistan's transportation infrastructure, including links with China. China in 2001 committed $200 million to the modernization of Pakistan's railway system, including the construction of a new rail line linking the port of Gwadar in Pakistani Baluchistan to the main east-west rail line linking Pakistan and Iran. At Gwadar, China committed another $198 million to build a new, deep water port with capacity eventually equal the cargo handling capacity of Karachi, a port currently carrying ninety percent of Pakistan's trade. Chinese work on the new Gwadar harbor began in March 2002. China is also working with Pakistan to expedite customs procedures over the Sino-Pakistani highway, and to permit Afghanistan teamsters (an important element in the regional transport system) to utilize Chinese and Pakistani highways to create a stronger regional trade system. In 1999 a new extension of the Xinjiang railway reached Kashgar about 500 kilometers via the Karakorum highway from the Sino-Pakistani border. The Asian Development Bank is supporting construction of a trans-Kyrgyzstan highway. When completed, and when eventually transformed as planned into a trans-Kyrgyzstan railway, this line will further strengthen China's links with Central Asia including Afghanistan.

The second transportation project involves construction of a railway from Golmud in Qinghai province to Lhasa in Tibet. Attempted construction of this rail line in the 1970s was stymied by financial and technological difficulties. Scheduled for completion in 2007, the rail line will link Tibet by rail to China proper for the first time. The main purpose of the railway is to integrate Tibet more closely to the Chinese economy, but this in itself will have a major impact on China's influence in Nepal, Bhutan, and (to a lesser extent) on the Northeast Indian states. Chinese goods, investment, migration, and tourism in these Himalayan fringe-lands will increase. A Tibetan economy tied more closely to China will significantly increase China's ability to provide a viable economic alternative to India in the event of another Indian embargo akin to the 1989-90 embargo against Nepal. Were a government to take power in Nepal dedicated to a revolutionary restructuring of Nepal's economic system, the heavy costs of a deliberate break with India and economic alignment with China might be deemed acceptable (to an un-elected revolutionary elite) for the sake of "national liberation."

There is no evidence that China supports the Maoist insurgency in Nepal. In fact, China has carefully disassociated itself from that insurgency. But were the insurgency to succeed and a Maoist government take power in Kathmandu, China would almost certainly move forward in expanding friendly, multi-dimensional cooperative relations with that government. China would respect the "choice of the Nepali people" in altering their social system and government, and work to build friendly, cooperative ties with its new neighboring government. Under such conditions, control over India's northern Himalayan glacis could shift from India (who founded such control in a 1950 treaty) to China. This would be a significant shift in the South Asian balance of power in China's favor.

Southerly extensions of Golmud-Lhasa railway are likely over the next decade. Beijing has discussed two possible routes with South Asian governments. One is construction of a rail line along the general alignment of the existing Sino-Nepali highway to Kathmandu. The second is a tie-in with India's rail system at Siliguri via the Chumbi valley. Securing Indian agreement to construction of a modern road and eventually a rail line via the Chumbi valley will require Chinese recognition of India's annexation of Sikkim. It will also require further easing of Indian apprehensions over China's growing presence in the Bay of Bengal region. This is another motive inspiring China's friendship diplomacy toward India.

China's third transportation project entails constructing an inter-modal (road, rail, and water) transport system (dubbed the "Irrawaddy Corridor" by Chinese analysts) linking Yunnan province with Myanmar. Roads between Kunming and Bhamo and Lasio in northern Myanmar have been modernized. Construction of a railway between Kunming and Lashio has been designated a portion of the U.N. Economic and Social Committee for Asia and the Pacific's Trans-Asian railway -- a result of Chinese lobbying. Large portions of the Irrawaddy River have been dredged with Chinese support. A new highway is being constructed with Chinese support from Minbu on the middle Irrawaddy to Kyaukpyu on Ramree Island in the Bay of Bengal. This transport system has already

had a major impact on China's commercial presence in Myanmar, and via Myanmar's ports, a significant impact on China's participation in the world economy.

The impact of the Irrawaddy Corridor on China's interests with South Asia derive from the fact that northern Myanmar is the natural transport corridor for trade between southwest China and Bangladesh and India. Most of China's trade with India and Bangladesh will continue to move by sea. But Sichuan, Guizhou, and Yunnan provinces have considerable industry, and need to expand foreign markets for that industry if they are to replicate the developmental success of China's east coast. Yet these western provinces suffer the handicap of lying near the end of long and crowded rail lines leading to China's east coast harbors. Efficient road and rail connections via northern Myanmar and India's northeast and Bangladesh would be a major boon for China's poor southwestern provinces.

Thus, in 1999 Yunnan province, with Beijing's support, launched what became know as the "Kunming initiative" designed to expand regional trade and create a strong regional trading system. Transit issues are key here. Trade between Yunnan and Bangladesh will need to transit Myanmar and Indian territory. Myanmar is apparently willing to serve as a trade corridor. India, however, has shown great reluctance about seeing a further enhancement China's commercial weight in Bay of Bengal region. This means that Beijing has a major interest in reassuring New Delhi of its friendly, non-threatening intentions so as to secure Indian agreement to Chinese trade using the Indian rail system and transiting Indian territory to reach third countries. Beijing's argument is that this is a win-win situation that will bring economic prosperity to all participants.

While the primary function of these new overland transport links with South Asia is commercial and related to China's efforts to develop its western provinces, there is also a latent security function related to South Asia. In the event of a Chinese clash with the United States over Taiwan which became protracted and in which Washington deployed its superior naval capabilities to restrict China's maritime imports of munitions and/or energy, China could use the new South Asian routes to circumvent U.S. blockades. Vital goods and materiel could flow to China via Pakistan, India, and Myanmar. Would the United States be able and willing to extend a blockade of to ports in those neutral countries? If the answer were "yes," Washington would thereby increase its number of opponents and its expenditures, serving well a Chinese seeking victory via protraction and enervation. If the answer were "no," vital supplies could flow to China over these lines weakening the effectiveness of a U.S. blockade.

China’s Energy Security and South Asian Sea Lanes of Communication

China’s spiraling demand for energy, plus its growing dependence on imported petroleum, have made Beijing increasingly concerned with ensuring the uninterrupted flow of oil at reasonable prices. The Middle East plus North and East Africa provide well over half of China imported oil. Virtually all of that oil moves to China by tanker across the Indian Ocean.

Beijing confronts several potential threats to its trans-Indian Ocean oil supply. A confrontation between Iran and the United States could lead --- either via sanctions or by military actions --- to the restriction of oil shipments through the Strait of Hormuz. An Indian-China conflict might escalate into the naval dimension. India might respond to defeats by the PLA in the Himalayas, or to Chinese support for Pakistan in the context of a "fourth round" between India and Pakistan, by using India's naval supremacy in the Indian Ocean to sever China's vital oil imports. Then there are scenarios of U.S.-PRC conflict over Taiwan that escalated into U.S. naval blockade of China. None of these contingencies is a high probability, yet military institutions everywhere devote attention to remote but potentially dire scenarios.

In any of these contingencies the ability of PLA-N warships to escort vessels carrying oil from Middle Eastern ports to China might be part of an effort to prevent hostile powers from interfering with delivery of China's oil supply. Development of robust over-land transportation systems between Yunnan and the Bay of Bengal, and between western Xinjiang and Gwadar could substantially strengthen the PLA's ability to sustain intense military operations in the eastern and western Indian Oceans. As a neutral power in a possible U.S.-Iran confrontation, China would enjoy the right under international law to continue trading with both belligerents. But historically neutral powers have often found protection by military force essential to upholding those legal rights. Were China's leaders to conclude PLA-N escort of China's oil commerce across the Indian Ocean necessary, the newly created transport lines via Myanmar and Pakistan could become quite useful. In terms of possible Sino-Indian conflict, the PLA-Navy is substantially superior to the Indian Navy in terms of overall tonnage and ship numbers, but the latter enjoys overwhelming geographical advantages when operating in the Indian Ocean. If the PLA-N could obtain bases on the Indian Ocean littoral (perhaps at Gwadar and Kyaukpyu), and link those forward bases to China by robust road and rail lines, India's geographic advantages would be substantially diminished to the PLA-N's advantage.

China and the South Asian Balance of Power

China has an interest in maintaining the existing balance of power between India and Pakistan. The existence of a strong and confident Pakistan able and willing to challenge India confers important advantages on China. Politically it hobbles India's efforts to act on the global stage as China's equal. Militarily, it forces India to confront the possibility of a two front war, thereby compelling it to divide its military forces. This is the geopolitical rationale for China's large and long-standing economic and military assistance to Pakistan. It is *possible* that one reason why Beijing is not in a hurry about resolving the boundary dispute with India is that it would fundamentally ease India's two-front problem, intensifying Indian pressure on Pakistan.

China's interest in keeping Pakistan strong was one reason why Beijing endorsed Islamabad's re-engagement with the United States after 9-11. While that re-engagement diminished somewhat the potential utility of Pakistan and Gwadar as a logistics "back

door" for China in the event of confrontation with the United States or India, it also brought Pakistan in from a situation of increasingly dangerous isolation. Pakistan's close ties with the Taliban in Afghanistan plus the growing Islamisization of Pakistani politics and the steady deterioration of Pakistan-Western relations since the mid-1990s, posed an increasing danger of Pakistan's isolation, perhaps even designation by the international community as a "rogue state." This would have been a serious blow to China's interests, and to the extent that U.S. re-engagement with Pakistan could move Pakistan in a different direction, it served China's strategic interest in a strong Pakistan that constrains India. U.S. engagement with Pakistan also made development of India-US strategic partnership more difficult, and diffused Indian anger over China's own strong military and nuclear links to Pakistan.

This is not to say that Beijing's interests are served by confrontation between Pakistan and India. Beijing's objective, as noted earlier, is to develop cooperative ties with all the countries of South Asia. Confrontation between Pakistan and India would put Beijing in the unfortunate position of having to choose between Islamabad and New Delhi. Failure to support Pakistan could endanger China's fundamental interest in keeping Pakistan strong and independent of Indian domination, and threaten China's strategic partnership with Pakistan. Alignment with Pakistan, on the other hand, would spoil China's ties with the major south Asian power, India, and possibly push that power further into alignment with the United States. In this sense, peace between India and Pakistan is in China's interests.

In the event of Pakistan-Indian confrontation, China will piggy-back on the peace diplomacy of the United States and other powers, adding its voice to efforts to restore peace and the status quo ante as quickly as possible. A Chinese tilt toward Pakistan but well below the level of threatened belligerency on Pakistan's behalf, would be virtually certain, but only in the event that India roused itself and threatened to decisively subordinate Pakistan (perhaps in the aftermath of a nuclear exchange) would Beijing move toward actual co-belligerency on Pakistan's behalf.

Conclusion

China's omni-directional friendship policy in South Asia is not cant, but serves Chinese interests well. Chinese relations with other South Asia nations will be more robust and stable if India views those ties as non-threatening. A friendly and cooperative relation with India will give China a stronger position in South Asia than would a conflictual Sino-Indian relationship. An economic, diplomatic, and even military partnership between China and India, surrounded by similar partnerships between China and the other South Asian countries --- a sort of Asian zone of friendship and cooperation --- would maximize Chinese influence in South Asia, and ensure that threats to China did not emanate from that region.

China's omni-directional friendship diplomacy toward South Asia is working relatively well. China's broad strategic objective is to persuade India to look benevolently on an

open-ended and expanding Chinese economic, political, and military presence in South Asia and the Indian Ocean, to eliminate suspicion in Sino-Indian relations, and to transform India into China's partner. In this way the rise of China in Asia will not lead to Indian efforts to countervail China in coalition with the United States. But the conversion of India to friendship with China is to be done without making concessions to India on the status of Tibet, the Sino-Pakistan strategic link, or by restricting China's expanding military, security, and transportation ties with other South Asian nations.

China's optimal outcome would be open-ended, growing political, economic, and military cooperation between China and all the South Asian countries, with India accepting an open-ended expansion of Chinese influence in that region and learning to live comfortably under China's benevolent protection. India would gradually evolve into a key Chinese partner in South Asia. China's intention, its objective, in South Asia is most definitely not to establish dominance over that region, or draw it into some sort of Chinese sphere of influence. That, however, might be the outcome over a period of twenty or thirty years.