

CENTRE FOR JOINT WARFARE STUDIES



CENJOWS

INDIA-CHINA ECONOMIC CONUNDRUM



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1. Even as the world was grappling and coming to terms with global pandemic Covid 19, two divisions worth of force very surreptitiously made its way to the LAC along Eastern Ladakh from routine training exercise in Xinjiang province in early May 2020. In a country like China where everything is controlled centrally, it is unlikely that this did not have patronage of the powers to be. What was surprising though was the ease and speed at which it happened reflecting glaring gaps that exist in our strategic and tactical intelligence apparatus. India has a large land border both along our western as well as northern adversary (with approximately 4000 km of border marked as LC/LAC) implies such surprises are bound to take place, scale and magnitude dependent on our preparations and adversary's intentions.

2. India and China are ancient civilizations having strong cultural, religious and economic relations. They are historically entwined and share a civilization state relationship of more than 2000 years well before the modern states came into existence. The trade and cultural linkages enjoyed by the two nations over the centuries seems to have given way to lack of trust and faith by actions that may have been an ugly outcome of unresolved follies of colonial legacy. The reducing relevance of Himalayas as natural barrier has only aided this gap and as the two nations jostle for geopolitical space in an era which is deemed to be an Asian Century, there is a need to pause and critically analyse our bilateral relations and where are they headed. The current crisis seems to be far from over and irrespective of what happens on ground it is safe to presume that both nations in times ahead will claim to have emerged victorious.

3. In all international relations specifically with respect to China, they are best understood from three distinct perspectives of Cooperation, Competition and Conflict. These can further be analysed at global, regional and bilateral level giving us multitude of options. Yet first and foremost, we as a nation need to decide, is China our adversary, a friend or our relations are purely transactional. While the most accepted theory in international relations which has stood testimony of time remains that 'there are no permanent friend or enemies, there are only permanent national interests', yet is there a choice to focus on first two the C's, that is cooperation and competition. The idea that India China relations are a zero sum game is a myth that needs be busted. Economic linkages do mitigate threat perception, yet in a globalized world where interdependent economies are a norm rather than exception, decoupling of the economies may not be in the interest of the two rising Asian giants.

4. Unfortunately, a large segment of Indian population today has grown up with the story of humiliating defeat that India suffered at the hands of Chinese in 1962. The scars are far too deep and refuse to heal. Add to this, the standoffs or skirmishes which continue to occur be it Nathula in 1967, Sumdorong Chu in 1986, incidents at Chumar, Depsang, Pangang Tso in 2013-15 or even as recent as Doklam in 2017. They continue to remind us

how fragile the relations remain even as their economy integrates at an unprecedented pace. The media hype and unwanted attention by both print and electronic reduces any diplomatic space for negotiations and the longing for TRP ratings under guise of nationalistic jingoism limits all options of peaceful resolution.

5. Strategic autonomy and multilateralism are the buzzwords today of our national foreign policy, however do we have the strategic stamina to prevent the rising influence of the dragon in the subcontinent remains a mute question. Alliances or hedging strategy may be a short-term solution to reduce the asymmetry that exists be it economy or military capabilities. We all know the unprecedented success that China gained ever since Deng Xiaoping decided to open Chinese economy in 1978. Did it confront the West or US or went about silently working on its intrinsic strength by gradually moving millions of workers from farms to factories by reviving rural enterprises? The growth model that China has followed is a success story which will find resonance in many of the third world countries facing very similar challenges of abject poverty and looking to lift millions of its masses struggling to meet their livelihood.

6. Money power speaks and China in terms of GDP in PPP is the largest economy with USD 25 trillion to spend. If we are to be counted and heard then the only way to compete is economic growth. Have we realized that with the exception of US, no other country has openly come out to criticize China on its ongoing hegemonistic actions along the LAC. Despite the international pressure of gifting Corona virus to the world, CCP is going about doing its business as usual. Why? While the reasons can be many, reluctance to poke the rising dragon during the present economic situation ('The Great Covid 19 Recession') is surely an important factor. We all know China respects power but we also need to know that it has learnt this from US. Therefore, if we want find a rightful place in the new world order, India needs to speak from position of strength and this is possible only if it has the economic might. The question that remains to be answered is that do we want to achieve it by coupling our economy with China which is destined to

grow even as the economies of the world continue to shrink or charter a path independent of the Chinese growth and hope to match it someday.

7. Going by the rhetoric and media frenzy after the recent clashes at Galwan, government was forced to take few measures on boycotting Chinese products as well as placing few trade and procurement curbs specially in power, road and pharma sector. The messaging is loud and clear, yet how effective these would be remains to be seen given that China imports less than 2% of its total imports from India. Given our poor domestic manufacturing base we need to charter a path similar to Chinese growth wherein it built a strong manufacturing base in a phased manner through foreign direct investments, reverse engineering and investing in technology. In all its efforts China never disengaged from the West but offered them its own domestic market albeit protected, allowed foreign direct investments and abided by international norms of trade. It would be naïve to say that all along their path to economic success, West was unaware of their rapid growth, it knew all along that it was just a matter of time as Napoleon had predicted long back in history that 'Let China sleep, for when the dragon awakes, it will shake the world'.

8. China success story is based on creation of world class infrastructure and a policy support aided by low labour wages. If India learns from this and creates an eco-system that allows buyers and sellers to do transactions with ease, it can help lift millions out of poverty who remain unemployed due to drying of jobs. Chinese manufacturing prowess needs to be respected. China is a global manufacturing hub with 28% of global manufacturing output. The opportunity to create a vibrant manufacturing supply chain base in India post decision by global manufacturers to relocate from China needs to be encashed. Today, the global supply chain passes through China, be it iPhones, solar modules or even pharma where we saw how the world rushed to seek Chinese assistance post outbreak of Covid-19 for even most basic generic drugs. Infusion of technology from low level skill sets such as agriculture and mining to highly skilled set such as those for machinery and synthetic products requires careful honing of vast pool of human resource available under Skill India program. In order to move up the industrial ladder

as done by China we need to move from light to heavy industries and from labour to capital intensive products. The Chinese success is a readily available blue print for us to emulate, off course with the Indian characteristics. The logic by few to give a skip to industrial revolution and directly invest in ongoing information revolution may not hold true for an agrarian economy like India. Achieving it in an accelerated time frame is perhaps the only option, whether we do it on our own steam or by sharing the success stories in the neighbourhood remains to be seen.

9. Besides economy, diplomacy and greater political engagement is the way forward. Both nations are led by strong leaders who are committed to development. In the informal summits at Wuhan and Mamallapuram, they emphasized on the need for bilateral engagements to achieve long term strategic goal of development. The differences snowballing into a conflict is a challenge and needs to be mitigated despite the widening mistrust. The present crisis is far from over and similar or even more complex situations will continue to occur in the years ahead. Each of these will have their own distinct and newer set of challenges. We should not hesitate to borrow the Chinese proverbial saying of 'Hide your strength, bide your time and never take lead' at least till such time we blaze the path to economic success. Even as we chart our own path of economic success, be it Atmnirbhar Bharat, Make in India or Skill India, we should cooperate and compete where our interests converge to reap the benefits of what is going to be undeniably an Asian Century lest we allow it to become a Chinese Century.

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