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CENTER FOR GLOBAL POLICY

Transcript

CHINA IN THE WORLD PODCAST

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Episode:

Resetting China-India Relations in Wuhan

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Haenle: Welcome to the “China in the World” podcast. We're recording from Beijing, China where this week we have the Carnegie-Tsinghua Carnegie Global Dialogue. We're focused on China-India and it's my pleasure to have back to "China in the World" podcast Raja Mohan joining us today for the second time on the "China in the World" podcast. He joined last year during the Carnegie Global Dialogue on China-India issues.

Raja is the director of the Carnegie's India Center in New Delhi. He is a leading analyst of India's foreign policy. He's also an expert on South Asian security, great-power relations in Asia and arms control. He's the foreign affairs columnist for the *Indian Express*, he's a visiting research professor at the Institute of South Asian Studies, National University of Singapore. He had previously served as the Henry Kissinger Chair in Foreign Policy and International Relations at the Library of Congress. Raja, it's a pleasure to have you back.

Mohan: Thank you. Thank you. Nice being here again.

Haenle: We have a good opportunity this week to talk about China-India relations because we're not long after the informal summit in Wuhan between President Xi and Prime-Minister Modi. And so, it's a good time to really take stock, take a survey of the state of the bilateral relationship.

But before we jump into that I wanted to get, you know, you've been watching this relationship for a long time. Historically there seems to have been a lot of hope that China and India would develop a much more of a strategic-type relationship but that seems to have eluded the two countries. I wonder if you could give your sense of the trajectory of the relationship up until now.

Mohan: Yes, indeed. I think in the modern period as the two largest of the two large Asian nations, two of the oldest continuing civilizations of the world have seen that the beginning of the 20th century there was hope as nationalists in China and in India got together and hoped that the moment of liberation was coming. On that together they were going to transform the world. It is that hope that continues to run. But I think tragically that every juncture when we tried to work together it's really been very-very difficult and elusive, as you say.

I mean, you go back to the Second World War, the Japanese occupation of China... Chinese were fighting the Japanese imperialism, Indians were fighting the British imperialism and the attempt at the time by Chiang Kai-shek to work with India didn't come because Indians said, “Look, our problem is with the Brits, your problem is the Japanese.” So, we couldn't really collaborate.

And again, in the 50s we thought we could work together. But then as two new nations, the territorial dispute in Tibet and the boundary with Tibet became a problem and then we had a brief conflict on the border. And then in the 60s, we saw Sino-Soviet split. China goes closer to the Americans in the 70s, India went closer to the Russians in the 70s. That again I think, once again this hope that we can work together but do not really materialize.

And I think after... in the turn of the 90s India's Prime Minister, Gandhi and Deng Xiaoping actually said, "Look, let's put the past behind us, let's work together." And I think we had a 20-year period from 1988 to 2008 where there was a general expansion of the relationship.

But over the last 10 years once again we've seen problems on the boundary, problems in the region where rising China's footprint clashes with India's traditional sphere of influence. We begin to differ on the global issues particularly in relation to the role of the United States. India does not like the China-Pakistan relationship. And then we had the whole problems on the economic front. We really had hoped expanded economic cooperation would resolve political disputes. But then the economic cooperation itself became a problem because of the expanding trade deficit: India has a trade of \$80 billion with China with \$50 billion as a deficit. So, I think on all fronts on the bilateral political relations, the economic relations and on the global situation, we are really at odds.

And I think the Wuhan summit was really an attempt to harp the negative moment in the relationship and to start something fresh.

Haenle: And in the period a year or two before the summit two weeks ago the India-China relationship also experienced pretty significant strains.

Mohan: Yeah, exactly.

Haenle: Part of that, as you said, the territorial issues along the border but also India's inclusion on the Nuclear Suppliers Group and differences there. Can you talk about some of the differences that were presenting themselves in the bilateral relationship prior to Wuhan?

Mohan: Exactly. I think the problems that are beginning to emerge after 2008 boiled over shall we say 2007. There was a major military confrontation in the Northern frontiers of India where Indian and the Chinese armed forces have faced off for almost 2.5 months. It took a lot of political effort to resolve that. India became the only country to oppose China's "Belt and Road" initiative where Indians did not come to the annual...

Haenle: "Belt and Road" Forum in Beijing. And this, of course, is quite sensitive and significant here in China...

Mohan: Yes, exactly. President Xi's signature initiative...

Haenle: Exactly, [the] signature program of President Xi.

Mohan: And then we also had problems on the question of the Nuclear Suppliers Group where India was trying to get in. The Chinese would not... Chinese would block India's entry. China's the only permanent member of the Security Council that does not support India's membership of the...

India's permanent membership. On the terrorism issue, China was seen as protecting Pakistan in the U.N.

And then the Chinese feel that "Look, India has been growing too close to the Americans joining the Indo-Pacific Quad and this whole idea of Asian democracies getting together." So, all this came to a head in 2017. And I think what we've seen this year is some attempted resetting this relationship. And I think the attempt was at Wuhan, "Look let's take a deep breath. Let's sit down. We can't let this happen again. We can't let a military confrontation. We can't let the dynamic spin out of control."

Haenle: And there were two principles that emerge from this summit. Can you talk about those and what they mean in the context of the relationship?

Mohan: Yes, I think what President Xi and Prime Minister Modi agreed on was really that, look, they acknowledged that we have serious differences but what they insisted on was that, look, "The differences must stop coming to disputes and disputes must become conflicts." So, therefore management of the differences on a reasonable basis. That was one principal.

The second was the recognition that the world is entering a turbulent phase: the impact of President Trump on great power relations, on the politics of globalization. So, he's saying that look, a stable India-China relationship would be a positive force in the international system. That for both of us we're facing an uncertain environment if we manage to stabilize our relationship that's good for us in dealing with them with the rest of the world. So, disputes should not turn into differences and that India-China cooperation in an unstable world. So, these were the two principles that drove the Wuhan summit.

Haenle: And you know those principles are important in terms of thematic to put context to the relationship. But of course, some critics argue that the problem with the India-China relationship is that there's really not a lot of substance in it from a positive standpoint they can drive the relationship forward. You've talked about potentially economics being that positive driving force. How do you see this playing out?

Mohan: Exactly. As I said if you look at the political differences, for example, the boundary dispute that we've been talking about for 70 years without a resolution. So the... What happened in the last few years is really, while the dispute was always there the military tensions have become more frequent. So, I think the idea is look, "Let's calm the border down. Let's not... Let's prevent the two militaries coming face to face, find ways in which we keep peace and tranquility on the border, so-and-so."

On the Pakistan question, I think China's invested a lot: there is a China-Pakistan Economic Corridor. It's a longstanding strategic relationship. Similarly, [the] India-U.S. relationship has grown by leaps and bounds in the last 20 years. So, neither side expects the other to abandon those partnerships. But I think we must be, at least be transparent in what we do, we must be able to communicate [with each] other, look what our intentions are. So, both on the

regional and the global dynamic lets at least have better communication, a better understanding of each other's concerns and interests. So, it's really in the economic side where...

Haenle: Can I just ask you a question on Pakistan... China's relations with Pakistan and India's relationship with the U.S. Do I understand you to mean that the basic premise is that China will have a relationship with Pakistan, but it won't prevent the India relationship from developing? India can have a relationship with the United States, but it won't prevent the China-India relationship. Is that the approach that the two sides...?

Mohan: Yes-yes, exactly. Because, you know, I don't think China can have a veto on what India does with the U.S. Similarly, India can't have a veto what China does with Pakistan. But I think there is also sense, look, on some issues for example that we should be able to see where the red lines are. So, for example, if the U.S. sets up a base in India, I'm sure that would be big [problem] for the Chinese. Or if China keeps backing Pakistan's support of terror that's of concern for India.

So, beyond that we know that there's a general rate of those relationships will continue but we should be able to tell each other, we should be able, to be honest with each other in terms of where those relationships are going and avoid doing anything that hurts each other... relationships. Which is the economic domain that the problems are there but where policy action can produce some change. For example, two issues, I think one is the trade deficit: India has a \$50 billion trade deficit with the Chinese. So, the question of market access...

Haenle: That's quite small, Raja. As an American when I'm looking at... I'm kidding but that an issue...

Mohan: Yes, for India which is a... only recently become a trading nation because [of] a total trade of about \$750 billion in goods and out of which \$50 billion, you know, a trade deficit of total trade deficit of 140... Out of which one-third of it is really with the Chinese. So, I think it's a major thing for India given its size of its trade, etc.

And market access has been a problem for everyone. But I think there seems to be some indication the Chinese will or at least trying make sure that where India a strong: pharma on some of these areas where actually we can begin to Chinese can open up things. Similarly, the Chinese are complaints that India does not let Chinese investments come in, the[y] block the Chinese investment and Chinese participation in the Indian economy for political reasons on security considerations. So, can India open up its economy to facilitate China's investment? This way I think I believe quite a bit of the conversation in Wuhan was about it.

So, we hope to see some action by both sides that will facilitate better interaction. What's also agree that look, given the uncertainty indicated by Trump into globalization that we need to better tap each other's markets with the Western markets closing because of the political protest, can we better, you know, take advantage of India's growing at 7%. China's number two economy. I mean not done enough to exploit the possibility some in the other sectors that are. From the "Belt and Road" again as we mentioned there were serious problems...

Haenle: Before you... I'm sorry before you mention Belt...I mean, I understand on the economic side you know that this is an area that, you know, hopefully, I think can be used to sort of drive the relationship forward but... And China has expressed concerns about restrictions in India to their investment. Of course, the United States and Europe and other countries in Asia are complaining to China about the same issues with respect to China: China not opening its markets enough, issues related to reciprocity and intellectual property. Aren't their concerns in India and some of the industries where you could compete here in China? Doesn't India worry about those same set of issues?

Mohan: Yes. The basic reciprocity, market access are the key issues. But of course, within the range of specific concerns, for example, we don't argue with China as much on IP as we do on... as Americans do.

Haenle: Uh huh.

Mohan: But for us, it's really basic, you know, manufactured goods have no place in China. So that we cannot compete. China can invest in India, for example, we're beginning to see not a Chinese company but the Taiwanese company where Foxconn is beginning to planning to invest in India. So, I think the labor costs in China the Indians are more interested in making India beginning to draw some potential participants from China into India like we have this Xiaomi phone, which is manufactured in India, yes.

So, but it is something that still needs some political... policy direction in Beijing. But my sense is that the Chinese begin to adapt to the new pressures. They might even do something with other countries as well as India.

It's really on the "Belt and Road". I think the two leaders are prob[ably] looking at ways in which to minimize the differences. For example, they say, "Look, OK we disagree on "Belt and Road". Let's leave the disagreement there. But both of us are interested in connectivity, is quite central to our national objectives. Therefore, is there a way we can work together but don't call it "Belt and Road" and call it something else."

So, one idea, one concrete proposal that has come out of the Wuhan was India and China should try and do a project, a joint project in Afghanistan. So, there we're not saying it is a "Belt and Road" is it good or bad. We say, "Look, let's sit down, negotiate..."

Haenle: It's just a project, it's not labeled anything.

Mohan: It's just a project, yeah. So, if we can work out a project that works out well. So, unlike the "Belt and Road" which India sees as unilateral. If it is a negotiated bilateral project whether it's in Afghanistan and in future in Myanmar, Bangladesh or other places it is possible.

So, take a practical project-by-project approach rather than the question of framing it in these grandiose terms that we support the whole of the initiative or not. Similarly, on Kashmir

where the sovereignty question India's raised China-Pakistan economic corridor runs through Indian claimed territory in Kashmir. There I would think it is possible if the Chinese begin to signal neutrality between India and Pakistan on the Kashmir dispute. In the last 10 years, I think we've seen that Chinese tilting more towards Pakistan. There's some correction from Beijing that I think India should be far more comfortable with the Chinese projects in Pakistan.

So, I would say there's a room I think if there is political will some of these issues can be, some of the differences can be finessed. Some of the cooperation on the economic side can be expanded.

Haenle: There seems to be more political will from both New Delhi and Beijing. And I have to, I have to sort of suggest that there's probably a large geopolitical context over this.

Last year when you were visiting us you were talking about the new Trump administration and the Trump "America first" policy and, you know, you submitted that it could be good for India but there are also big concerns coming out of India. So, India will have to begin to hedge and lean in some ways more towards Asia, more towards China. Clearly, as you said, you know, China doesn't want to see India outside partnered with the United States. That's not of benefit to China in this era of the revival of great power rivalry. So how much of this is geopolitics in your views? How much of this is a result of the Trump administration's new policies?

Mohan: On the political side where I think the Chinese have had some concerns that the conflict with India is not joining them closer to the United States. And I think the Trump administration in some senses has been more embracing of India's larger role, for example, in its references to the Indo-Pacific.

Haenle: Indo-Pacific, sure.

Mohan: Its encouragement to the formation of the Quad under its reference to India as a key partner in the East. Now, that is partly a problem for the Chinese. And for India, we see Trump as far more positive when it came to the strategic and political issues than the Obama administration in the sense that there's the tougher [position] on Pakistan raising questions of what China's role. But on the economic side, we have the same problems as China has but on a lower scale. As I said, look, our trade deficit with the Americans, we have a trade surplus with Americans like the Chinese but it's much smaller.

Haenle: Sure.

Mohan: But the targeting of India on H-1B visas, on the question of immigration, on the question of trade deficits: all these shared kind[s] of concerns. So there again that if the Western markets begin to close shouldn't we be doing more in exploring each other's markets. And it's a difficult challenge because if you assume that there will be some correction to the logic of globalization

that the Western countries where there are so many losers from globalization will demand some course correction and that India-China economic cooperation would then be a valuable asset.

Haenle: What's your sense, I mean we heard this week from some of our Chinese interlocutors on how the visit played out the summit between President Xi and Prime Minister Modi here in China. And you know in terms of what was broadcast on the news how is it playing out in India and what's your reactions to how we've heard it being played out here in China?

Mohan: I think, you know, China is a state where its ability to shape general coverage is strong. So, we've seen quite clearly as part of the commitments made at Wuhan that you see the way the media is commenting on India is very sharply different from the last two years where there was a lot of negative coverage. So, it signals political reassurance from the Chinese side that, "Look, we mean what we say."

Haenle: In the news coverage of it was quite warm and friendly talking about the sort of commonality between Chinese people and Indian people, love for families. And, you know, that tells me that there's a desire here on the Chinese side to improve this relationship.

Mohan: Yes, exactly. But the problem for India is that look, India – no Prime Minister can give assurance on how the Indian media runs... As the Indian media, of course, is a, you know, is a strange creature of its own. I mean, it's... I don't think it comes under the control of anyone.

So, in India, the judgment cannot come from the media coverage. So, in India, the judgment had to come from the government's policies themselves. Then I would think India's beginning to signal quite, you know, the government's signaling that it would be open for doing things, they're talking about more, you know, signals and guidance, strategic guidance to the militaries to stop, to turn down confrontation, to work together in the international forums.

So, I think both sides are signaling in their own different ways that we need to work together. How much of that and in fact the general sense is that now the challenge is to translate the kind of understanding at the highest level to the bureaucracies and to implement some of the ideas from Wuhan especially on the economic domain. Can we begin to demonstrate specific things and I would certainly look for the project in Afghanistan and the question of Indian exports going up a little bit and the India liberalizing rules for the Chinese –

Haenle: –investments, yeah.

Well, it's an interesting time and it's a great time to sort of examine the bilateral relationship as you said the two sides, there seems to be political will on the two sides to put their relationship on a more solid, more positive footing. The two sides have taken a deep breath since Wuhan looking for ways to manage the differences. But looking for ways to build greater cooperation and I hope we can come together again, Raja, fairly soon and talk about how things are moving forward since Wuhan.

Thank you very much for joining the "China in the World" podcast.

Mohan: Thank you, Paul. It's always a pleasure to be here. And I think I learned so much from coming and meeting all your friends and colleagues in Beijing.

Haenle: Well, you're welcome back.

Mohan: Thank you!

Haenle: Thank you!