

ISAS Insights

No. 290– 2 September 2015

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>



New Cross-Currents in the India-China-Pakistan Triangle

India's Prime Minister Narendra Modi's recent talks with Chinese President Xi Jinping and Pakistani Prime Minister Nawaz Sharif, besides the latest cancellation of an Indo-Pakistan meeting at the level of national security advisors, have once again turned the spotlight on the triangular equation among these countries. In this context, as Mr Xi presses ahead with a connectivity project of singular Sino-Pakistani benefit, China faces two options. It can continue to capitalise on its strategic access to Pakistan, despite Mr Xi's clearly-expressed concerns over 'anti-China' terrorism emanating from there. By this, China may want to keep India off-balance. But Beijing, with its claim of being a non-hegemonic power, can also seek to influence Islamabad and harmonise the triangular equation.

P S Suryanarayana¹

Almost at the speed of thought, China is exposing India's geopolitical limitations. Such a perception is evident under the prism of real-world diplomacy. Consider the manner in which Chinese President Xi Jinping displeased India's Prime Minister Narendra Modi during their

¹ Mr P S Suryanarayana is Editor (Current Affairs) at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore. He can be contacted at isaspss@nus.edu.sg. The author, not ISAS, is responsible for the facts cited and opinions expressed in this paper.

meeting on 8 July 2015, this time at Ufa in Russia. These two leaders, widely believed to have developed political rapport during their earlier meetings, met at Ufa on the side-lines of a summit of the Shanghai Cooperation Organization (SCO). China and Russia, prime movers in the SCO, had invited him to address the summit in a prelude to India's admission as a new member of this organisation. However, Mr Xi did not fight shy of conveying a tough message to Mr Modi, albeit at the margins of that SCO summit.

At one level, the message flowed from China's "all-weather partnership" with India-'fixated' Pakistan, another new SCO member. The related context was China's perception that India had failed – until at least mid-2015 – to 'expose' fully the suspected Pakistani hand behind the terrorist attacks in Mumbai in 2008 that killed a number of Indians and foreigners. On another plane, the new Chinese message to India flowed from Mr Xi's demonstrated ability to outwit the United States, Mr Modi's new-found geopolitical friend in dealing with an increasingly powerful China. Indeed, by the time Mr Modi met Mr Xi in July 2015, China had scored a spectacular victory over the US in setting up an almost-globally-representative Asian Infrastructure Investment Bank (AIIB). Surely, it is too early to know whether this bank, being floated by China, can outmanoeuvre the existing US-guided global financial institutions and the Japan-driven Asian Development Bank. But a new geopolitical reality is that China has managed to attract US-allies towards the AIIB in a big way.

Significant, too, is the fact that a slump in China's stock market, which causally or otherwise followed the establishment of the AIIB, has not negated the new bank's geopolitical implication for India. Nor have the clouds gathering over the real value of the Chinese currency as of mid-to-late August. As noted in a state-linked media outlet in China, the devaluation of the Chinese currency is seen as a "decisive move" to render the country's foreign exchange regime "more transparent and market-focused".² In this sense, the devaluation of the Renminbi does not erode China's strategic standing in the world.

Actually, all the major European and Asia-Pacific allies of the US (except Japan) had already made a beeline for becoming founding-members of the AIIB. They had, therefore, informally signalled their incipient doubts about the durability of America's global supremacy in the economic domain. This development does cast a shadow over Mr Modi's crystallised strategic choice of making common cause with the US to stabilise the Asia-Pacific and the Indian Ocean regions. These regions include the South China Sea which Beijing is possessive

² *China Daily – Asia Weekly*, August 21-27, 2015, Chipping away, p. 1

about. Chronologically, he had made this pro-US strategic move in January,³ only after deciding to take India into the AIIB as one of its founding-members,⁴ that too, next only to China in terms of the bank's capitalisation.

India's 'Neo-Alignment' and China's Firm Stand

At a basic level, Beijing was not at a loss to know why India chose to side with the US in wanting to ensure stability in the region of South China Sea. By the time Mr Obama met Mr Modi in New Delhi in January 2015, it had become evident that India was exploring a policy of *neo-alignment* – a firm strategic 'tilt' towards the US, and a modest economic 'tilt' towards China. In rigorous reasoning, therefore, the current Indo-US strategic *entente* must hold some 'bite', as Washington, aghast that its traditional allies have joined ranks with China in the AIIB, may really want to keep a new-found friend like India in a firm embrace. However, a new complication, at this writing in late-August, is the issue of whether the US would make common cause with China and humour it, by trying to prevent India from becoming a permanent member of an expandable United Nations Security Council. (Both the US and China are veto-empowered permanent members of this elite global caucus.) At the other end of New Delhi's strategic spectrum, the modest economic 'tilt' towards China is manifest in the efforts by Mr Modi, and also by provincial Indian leaders like Chandrababu Naidu of Andhra Pradesh state, to attract Chinese investments into India.⁵

Given such a wide-ranging geopolitical canvas before India, what precisely was Mr Xi's message to Mr Modi at Ufa? For most part, the officials on both sides portrayed a business-as-usual picture of cordial and candid Sino-Indian dialogue. However, the earlier image of a Sino-Indian diplomatic face-off – albeit in the United Nations (UN) Sanctions Committee, and not at Ufa – could not be hidden. Like Banquo's ghost in a Shakespeare play, the image of a Sino-Indian diplomatic face-off would not disappear.

³ *The White House* (US), U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region, www.whitehouse.gov/the-press-office/2015/01/25/us-india-joint-strategic-vision-asia-pacific-indian-ocean-region (Accessed on 26 January 2015)

⁴ Mr Modi's decision to take India into the China-led Asian Infrastructure Investment Bank was translated into reality, with the formal launch of the AIIB in mid-2015. Earlier, New Delhi's move in this regard was incorporated in Sino-Indian official statements.

⁵ The new vigour in India's economic engagement with China is evident in the Joint Statement and the Memoranda of Understanding that were released after the completion of Mr Modi's visit to Xian and Beijing in May 2015.

For India, this negative development, which could not be wished away at Ufa, had occurred almost a month earlier, when China resorted to a “technical” hold-up of India’s move against Pakistan at the UN Sanctions Committee in June. New Delhi wanted sanctions or strictures against Islamabad for its “violation” of the UN Security Council’s Resolution 1267. Across the world, this Resolution, adopted under the militarily-enforceable Chapter 7 of the UN Charter, is viewed as an affirmation of the international community’s political will to combat all forms of terrorism. The relevant issue before that UN panel was India’s plea against the Pakistani judiciary’s decision in April to release Zakiur Rehman Lakhvi, a mastermind-suspect behind the terrorist attacks that rocked Mumbai in 2008. Pakistan’s narrative was that Lakhvi was set at liberty under a long and fair judicial process, that too, in the absence of adequate evidence against him at crucial stages in that process. At the global panel, though, India’s counter-arguments were derived from what it saw as an irreversible development which happened at the UN itself long before Lakhvi’s latest acquittal, on bail or otherwise. The UN had designated Lakhvi and his outfit Lashkar-e-Taiba (LeT, which changes its names but retains its anti-India political colours) as an international terrorist and as a terrorist network, respectively, in a flawless process under Resolution 1267.⁶

At first glance, therefore, it may appear that the Chinese, while blocking India’s move at the UN panel now, were not concerned about the collateral negative impact that their effort to protect Pakistan’s Lakhvi might have had on their mandatory status as a custodian of global norms. But there is no great mystery, whose unravelling would require the detective skills of a Sherlock Holmes. China surely was privy to the UN Security Council’s adoption of Resolution 1267. But Beijing later voted against the UN’s follow-up designation of Lakhvi’s LeT as a terrorist outfit. The China-Pakistan “all-weather friendship”, the earlier version of their current “all-weather partnership”, was the determinant-factor at work then, as well as at present.

China’s Pakistan ‘Bias’

Fast-forwarded to July 2015, China defended its action of protecting Pakistan’s Lakhvi at the UN Sanctions Committee. Questioned about this issue with reference to the Xi-Modi talks at Ufa, the Chinese Foreign Ministry Spokeswoman Hua Chunying said, on 9 July, as follows:

⁶ The competitive and combative narratives by India and Pakistan over the Lakhvi issue at the UN Sanctions Committee are gleaned from official versions in New Delhi and, interestingly, in Beijing.

“China opposes terrorism of all forms, supports the central coordinating role of the UN in global efforts against terrorism, and actively participates in international anti-terrorist cooperation. As a permanent member of the UN Security Council, China always addresses issues related with the UNSC 1267 Committee based on facts with a fair and objective position. China has maintained close communication with all parties concerned, including India, on issues related with the UNSC 1267 Committee”. While Ms Hua did not specifically mention India’s relevant move against Pakistan at this UN Committee over the Lakhvi issue, her comment about China’s “close communication with ... India” is an indirect confirmation of an outcome of the Xi-Modi talks at Ufa.⁷ This outcome was earlier made public by India’s Foreign Secretary S Jaishankar. He said: “Prime Minister [Mr Modi] made [India’s] concerns known very clearly on this [Lakhvi issue]; and I am sure that the Chinese side was impressed by the clarity and directness with which he communicated [India’s] concerns. ... It was felt that [India and China] should continue talking about this. ... We expect those discussions to continue between the two governments. ... The officials would further pick up on what the leaders said. ... There are a range of mechanisms [for these discussions on Lakhvi]”.⁸

The likely Sino-Indian discussions over Lakhvi can be expected to centre on China’s insistence on “facts” and “a fair and objective position”. Beijing and Islamabad have argued that the facts adduced by New Delhi are insufficient, while India’s position is that rampant evidence against Lakhvi is available in Pakistan itself.⁹

It is significant, in these circumstances, that Mr Modi and Pakistan’s Prime Minister Nawaz Sharif had agreed at Ufa on 10 July 2015 after the Xi-Modi talks, that the Lakhvi issue would be discussed in Indo-Pakistani talks, too, going forward.¹⁰ At this writing, however, a meeting between the National Security Advisors of India and Pakistan was called off hours before it was to take place on 24 August, amid charges and counter-charges.¹¹ New Delhi asserted that the Modi-Sharif accord at Ufa in July was emphatic that the proposed talks between the national security advisors of the two countries would be confined to terrorism-issues. It was

⁷ Ministry of Foreign Affairs, People’s Republic of China, Official Spokeswoman’s observations in Beijing on 9 July 2015.

⁸ Ministry of External Affairs, Government of India, Foreign Secretary’s media briefing after the Xi-Modi talks at Ufa (Russia) on 8 July 2015.

⁹ Ministry of External Affairs, Government of India, Official Spokesman had said, in December 2014, that 99 per cent of the evidence of Lakhvi’s involvement in the terror attacks in Mumbai in 2008 was available in Pakistan itself.

¹⁰ This was revealed by the Indian side after the Modi-Sharif talks at Ufa (Russia) on 10 July 2015.

¹¹ The substantive sound-bites that led to the cancellation of the Indo-Pakistan talks at the level of national security advisors, scheduled for 24 August 2015, can be gleaned from the websites of India’s Ministry of External Affairs and the Pakistani Ministry of Foreign Affairs.

evident, too, that Islamabad, under external scanners for its 'role' in terrorism of concern to India as also China and the US, wanted the now-cancelled Indo-Pakistan talks to cover all bilateral issues, not just New Delhi's 'dossier' on Pak-origin terrorism.¹²

Moreover, a few days before the now-cancelled Indo-Pakistan talks, Islamabad felt isolated within the Commonwealth Parliamentary Association (CPA) over an anti-India issue. As a result, Pakistan called off a CPA conference in order to avoid inviting to it a delegation from India's duly-elected Jammu and Kashmir State Legislative Assembly.¹³ While Pakistan's democratic credentials have sometimes been rejected by the Commonwealth, India has, since its Independence in 1947, remained a steadfast member of this multilateral forum. To partly offset Islamabad's loss of 'face' in the Commonwealth, that too, in regard to the Kashmir issue, Pakistan's National Security Advisor was keen to harp on his country's known position on Kashmir during the now-cancelled talks with his Indian counterpart. India was, of course, in no mood to allow this soon after winning a point over the same Kashmir issue in the Commonwealth. India did not also want the Pakistani National Security Advisor to meet some separatist Kashmiri leaders, on the margins of the now-cancelled Indo-Pakistan talks. While China is not behind Pakistan's failed anti-India move in the Commonwealth, a futurist issue, involving not only Beijing and Islamabad but also New Delhi, is of greater importance to these three countries.

What's up along the Karakorum Route?

From New Delhi's standpoint, a major issue vitiating the diplomatic cross-currents in the vicinity of the Karakorum Highway in the Himalayan region is the route-map of the China-Pakistan Economic Corridor (CPEC) project. As this route-map "covers Pakistan-occupied Kashmir [POK]", India's "concerns were expressed when Prime Minister [Mr Modi] went to China [in mid-May 2015] and [these] concerns were reiterated" when he met Mr Xi at Ufa in

¹² Chinese President Xi Jinping has categorically expressed concerns over anti-China terrorism emanating from Pakistan. He voiced his concerns in conversations with Pakistani Prime Minister Nawaz Sharif in Beijing in November 2014, and with Pakistan's top civil and military leaders in Islamabad in April 2015. Mr Xi's explicit comments have been relayed in the relevant official statements on the website of the Ministry of Foreign Affairs, People's Republic of China. As for US concerns over terrorism emanating from Pakistan, the circumstances in which American military personnel spotted and killed Al Qaeda's Osama bin Laden in his Pakistani hideout has remained a matter of enduring embarrassment to Islamabad.

¹³ The latest cancellation of a conference of the Commonwealth Parliamentary Association, scheduled to have been held in Pakistan, was unusual, considering that its one-time military ruler General Pervez Musharraf had allowed India's Jammu and Kashmir State Legislative Assembly to be represented at a similar conference hosted by him.

July, Dr Jaishankar affirmed on 8 July.¹⁴ However, Mr Xi had pledged in April itself a package of US\$ 46-billion for the CPEC-related projects in Pakistan.¹⁵ With that, Beijing has, in my view, signalled to New Delhi that there is an air of irreversibility about the Chinese strategic interest in the POK (known in Pakistan as Azad Jammu and Kashmir).

What follows now is my argument that China has two long-term strategic options in dealing with India and Pakistan in the specific context of the CPEC route-map. Mr Xi's refusal to delink the POK (AJK) from the CPEC route-map is sufficient proof that he has now categorically reversed his predecessors' decision to treat the relevant Sino-Pakistani border agreement of 1963 as a "temporary" settlement.¹⁶ In 1963, China had committed itself to renegotiating that border agreement – with India (not Pakistan) – if the Indians were to gain "ownership" of the POK (AJK) under an Indo-Pakistani settlement in the future. However, Mr Xi has now left India in no doubt about the finality of his willingness to accept Islamabad's claims over the POK (AJK). There is no mystery here, too. The CPEC route-map, with the POK (AJK) as an entry-point, can give China gainful strategic access to the Arabian Sea and, on to the Indian Ocean, through the uncontested parts of Pakistan. So, New Delhi will have to reckon with two acute aspects.

One of these is the likelihood that the on-going negotiations between China and India, with regard to the western sector of their disputed boundary, will now be hostage to Beijing's revised view that Islamabad has indisputable sovereign jurisdiction over the POK (AJK). The CPEC route-map covers the adjacent 'Northern Areas', too; in Pakistan's discourse, these areas fall outside the AJK (and, therefore, outside the POK which is of concern to India). For India, another acute aspect is that China's strategic access to the heartland of Pakistan will now be a permanent feature of this triangular equation, barring some unforeseeable instability with long-term implications in one or more of these three countries.

There are two options before China as of the mid-2010s in this situation. One, China can continue to capitalise on its strategic access to Pakistan, and try to keep India off-balance. Two, Beijing, with its self-projection as an aspiring non-hegemonic global superpower, has

¹⁴ Same source as in Note 8

¹⁵ Beijing's economic munificence towards Pakistan was on ample display during Chinese President Xi Jinping's visit to Islamabad in April 2015. Details can be had from the websites of the foreign ministries of China and Pakistan.

¹⁶ The "temporary" nature of the Sino-Pakistan boundary agreement of 1963 was spelt out in the PRC's diplomatic documents of that period.

an opportunity to live up to such propaganda, and try to harmonise China-India-Pakistan relations.

The first of these two options flows from the fact that China has already deferred to Pakistan's sensitivities, and consciously avoided the possible inclusion of India in the CPEC route-map. My reasoning here is very subtle indeed. As an imaginative step, Mr Xi could have, in the first place, profiled this project, from its inception, as a grand regional initiative covering China, India, and Pakistan. Of significant relevance is the fact that Beijing has already conceived of the Bangladesh-China-India-Myanmar (BCIM) connectivity project, which has been agreed to by New Delhi. The BCIM project is actually being propagated as a Sino-Indian initiative.

A similar idea was now open to China, the bankroller of the CPEC project. Beijing could have avoided sketching the CPEC route through the POK (AJK and/or Northern Areas), which are in dispute between India and Pakistan. In such a scenario, the project would have logically covered a China-India-Pakistan route, skirting entirely the territories in dispute between New Delhi and Islamabad. Even in such a scenario, this corridor would pass through territories in dispute between China and India (instead of territories in dispute between India and Pakistan). But this aspect could have been addressed through Sino-Indian joint development of the corridor across the disputed China-India border. The individual ownership of the related joint projects could have been left to be settled after a final resolution of the relevant Sino-Indian boundary dispute.

A notable aspect of this CPEC-Plus scenario, which I am sketching here, is that any connectivity project across the disputed China-India border (in the west, near Pakistan) will encounter the challenge of a geographically-treacherous terrain. It can, therefore, be argued that Mr Xi has preferred to try and keep India off-balance by seeking to capitalise on the existing connectivity-infrastructure, already built by China, in the equally-treacherous terrain in the Northern Areas and the POK (AJK) segment.

Moreover, Mr Xi remains concerned over terrorism directed against "Chinese interests and personnel" inside Pakistan itself. He is, therefore, willing to help Pakistan fight anti-China terrorism. Should, however, this terror-aspect go out of Islamabad's hands at an advanced stage in the development of the US\$ 46-billion CPEC project, the Chinese authorities may feel compelled to take over this anti-terror agenda. In this extreme scenario, not articulated by Mr Xi at this stage, Islamabad will run the risk of China 'militarising' Pakistan. For India, in

any case, Beijing's continuing military support for Islamabad, and the not-unthinkable possibility of a greater Chinese military involvement in Pakistan, will remain strategic challenges.

The CPEC is an integral component of China's 'One Belt, One Road' (OBOR) project of Eurasian economic connectivity. There is, however, an interesting possibility. At this writing, an authoritative Chinese source, familiar with the inside-track of civil-military affairs in Beijing, has privately said, in response to a question from this author, that the OBOR project will have a military dimension, as well, in the future. Should this happen, China might only evince greater military interest in Pakistan – a matter of concern to India.

As an alternative, the second option before Mr Xi is to try and play a harmonising role in a China-India-Pakistan triangular matrix. For that, he must first ensure that Pakistan does not go to 'war' with India and vitiate the ground realities on which the CPEC project is conceived. Mr Xi will also have to address Mr Modi's diplomatic efforts to "reason"¹⁷ with him on China's long-term interests with reference to both India and Pakistan, particularly in the CPEC context as a start. For India, this is, of course, easier to attempt than accomplish.

.

¹⁷ This was disclosed by India's Foreign Secretary S Jaishankar in response to a question from this author in Singapore on 20 July 2015.