

## CHAPTER 3

### CHINA AND THE WORLD

#### SECTION 1: CHINA AND SOUTH ASIA

##### **Introduction**

Although China's assertiveness in Southeast Asia—particularly when it comes to the South China Sea—tends to dominate discourse about China's growing global ambitions, China has also been active in cultivating influence among South Asian countries (Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka). This section surveys China's economic, diplomatic, and security engagement with South Asia. In addition to discussing China's overarching objectives in the region, it profiles China's relationships with South Asia's two largest countries: India and Pakistan. It concludes with an examination of how China's South Asia policies impact the United States, which also has significant and evolving interests in the region. This section draws from the Commission's March 2016 hearing on China-South Asia relations; its June 2016 fact-finding trip to China (Beijing and Kunming) and India (New Delhi and Mumbai); consultations with experts on Chinese and South Asian economics, foreign policy, and security affairs; and open source research and analysis.

##### **China's Objectives in South Asia**

China has not publicly articulated a formal South Asia "strategy," although Beijing's key objectives and interests in the region can be observed in its activities in and diplomacy toward these countries. The key interests, concerns, and objectives of China's South Asia strategy fall into four broad categories: (1) checking India's rise by exploiting the India-Pakistan rivalry, (2) expanding economic activity and influence in the region, (3) enhancing access to the Indian Ocean, and (4) countering terrorism and religious extremism (often at the expense of religious freedom and other human rights). These objectives enable China to compete with potential rivals, increase China's overall influence in the region, and diminish the influence of the United States.<sup>1</sup>

##### ***Check India's Rise by Exploiting the India-Pakistan Rivalry***

The overall balance of power between China and India currently is in China's favor,<sup>2</sup> and Beijing intends to keep it that way. Although India lags behind China in most categories, from economic growth to military might, it is still the most powerful South Asian country, and its influence in greater Asia is expanding. China exploits the longstanding rivalry between India and Pakistan to en-

sure its own ambitions in South Asia are achieved. This strategy aims to keep India so preoccupied with its western neighbor that it will not have the ability to mount a serious challenge to China's power and influence in Asia.<sup>3</sup> During the Commission's trip to India, several Indian interlocutors emphasized their perception that China seeks to encircle or contain India.<sup>4</sup>

**Figure 1: Map of South Asia**



*Source:* U.S.-China Economic and Security Review Commission, 2016.

China's bilateral relationships with India and Pakistan are informed by the India-Pakistan rivalry. Moreover, China's approach to the broader South Asian region is colored in large part by China's relationships with these two countries. China's relationship with Pakistan has been defined by mutual animosity toward India since the early 1960s (just after Sino-Indian relations began to deteriorate over Tibet and the border dispute, discussed later in this section). This relationship was further forged during the 1962 Sino-Indian border war and the 1965 Indo-Pakistani war (China threatened to enter the latter on Pakistan's behalf).<sup>5</sup> Since then, China's increasingly sophisticated military assistance to Pakistan—particularly on

missiles and nuclear weapons—has been instrumental to Pakistan’s ability to credibly threaten India’s security. Andrew Small, senior transatlantic fellow at the German Marshall Fund of the United States, summarizes this dynamic in his book, *The China-Pakistan Axis: Asia’s New Geopolitics*:

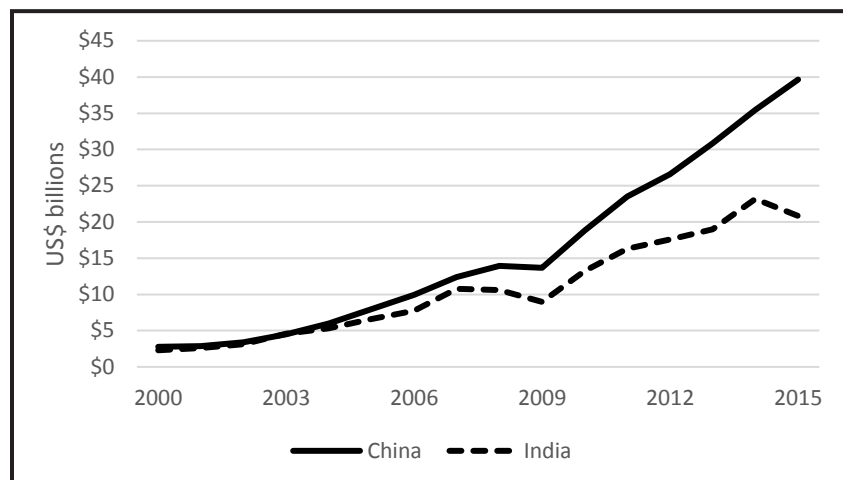
*The balancing role that Pakistan plays in Beijing’s India policy goes well beyond forcing India to keep a large number of troops and military assets focused on its western frontier, though that undoubtedly helps. It also ensures that India is kept off balance, distracted, absorbing diplomatic, political, and strategic energies that could otherwise be directed towards China. It puts a constant question mark over India’s aspirations to transcend its own neighborhood. Every time a U.S. secretary of State declares support for New Delhi’s policy to “Look East,” towards the Pacific, China sees another reason to keep India on edge in its own backyard.<sup>6</sup>*

For additional discussion of China’s military assistance to Pakistan, see “Bolstering Pakistan’s Defense vis-à-vis India,” later in this section.

#### **Expand Economic Activity and Influence in the Region**

Until recently, China lagged far behind India in terms of economic engagement with South Asia, forging a relationship with Pakistan but otherwise remaining a minor player. As Figures 2 and 3 demonstrate, however, over the past decade China’s economic engagement (including trade, loans, and investment) with countries in the region has expanded dramatically, challenging India’s position.<sup>7</sup> China has been a particularly prolific exporter of manufactured goods—often aided by domestic policies that subsidize production and promote exports—an area where India cannot keep up due to its lagging manufacturing capacity.<sup>8</sup>

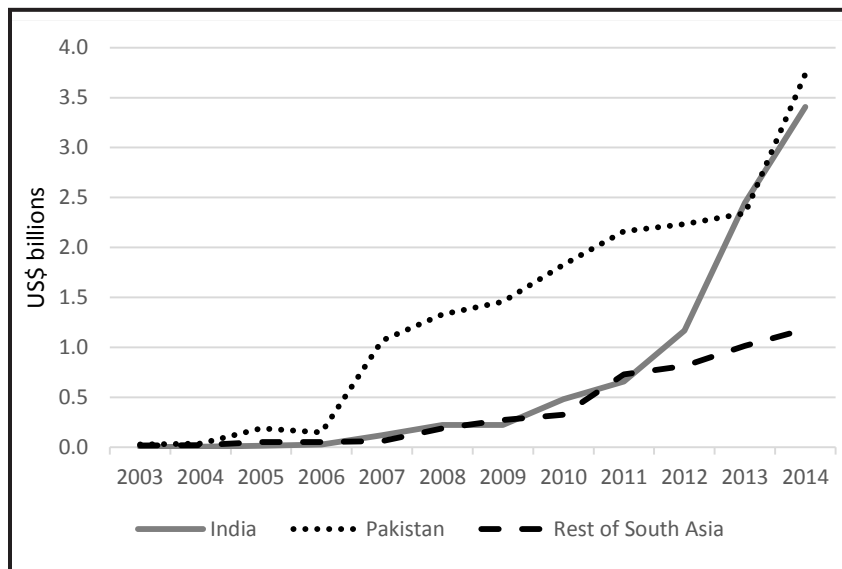
**Figure 2: China’s and India’s Trade with South Asia, 2000–2015**



*Note:* Data for China’s trade with South Asia exclude India.  
*Source:* International Monetary Fund, “Direction of Trade Statistics.”

Chinese foreign direct investment (FDI) in the region has also been growing (see Figure 3), with India and Pakistan taking the lion's share. Chinese FDI in Pakistan shows a particularly rapid expansion, jumping 621 percent from 2006 to 2007 before settling into more measured growth (this development appears to correlate with the signing of the China-Pakistan free trade agreement, which went into force in July 2007).<sup>9</sup>

**Figure 3: Stock of Chinese FDI in South Asia, 2003–2014**



*Note:* “Rest of South Asia” includes Afghanistan, Bangladesh, Nepal, and Sri Lanka. Data for Bhutan and the Maldives are not available.

*Source:* China’s Ministry of Commerce via CEIC database.

China’s efforts to expand regional connectivity, embodied by the “One Belt, One Road” (OBOR) initiative (with its land-based “Silk Road Economic Belt” and maritime “21st Century Maritime Silk Road” components, see Figure 4), are gaining some traction. China’s economic activities in South Asia through OBOR present both opportunities and challenges. On the one hand, South Asia is one of the least economically integrated regions in the world. In 2015, the World Bank noted that intraregional trade accounted for only 5 percent of South Asia’s total trade, while intraregional investment accounted for less than 1 percent of total investment. In addition to “limited transport connectivity, onerous logistics and regulatory impediments,” the World Bank pointed to “historical political tensions and mistrust, with cross-border conflicts and security concerns” as causes of this limited regional integration.<sup>10</sup> Chinese-driven transportation and other connectivity infrastructure projects may help alleviate these regional divisions. On the other hand, China’s activities in the region may exacerbate tensions and revive long-simmering conflicts, including those between India and Pakistan. Some of these challenges and opportunities are highlighted here:

- *Sri Lanka*: Sri Lanka is a model case study of China's rising influence in South Asia. While India and Sri Lanka share long-standing historical and cultural ties, and India remains Sri Lanka's top trading partner, China's exports to Sri Lanka are rising fast.<sup>11</sup> Outside of Pakistan, Sri Lanka has been the leading beneficiary of Chinese infrastructure investment in South Asia, with nearly \$15 billion worth of projects between 2009 and 2014.<sup>12</sup> In recent years, though, the relationship has been marred by tensions. After a new government came to power in Sri Lanka in January 2015, it demanded a review of several Chinese projects, including the \$1.4 billion Colombo Port City real estate development (the project ultimately went ahead after some terms were renegotiated).<sup>\*</sup> The government raised concerns about environmental impacts of Chinese projects, as well as cozy ties between Chinese contractors and the previous Sri Lankan government.<sup>13</sup> Hambantota, another major port in Sri Lanka, has also been constructed primarily by Chinese companies.<sup>†</sup> India's worries about China's growing presence in Sri Lanka, which is located on a key trade route in the Indian Ocean, prompted India's Prime Minister Narendra Modi to visit Colombo, signing agreements for new economic assistance, an expanded free trade area, and a civil nuclear deal.<sup>14</sup>
- *Bangladesh*: China overtook India as Bangladesh's top source of imports in 2004,<sup>15</sup> displacing many Indian goods, including cotton, which is central to Bangladesh's garment industry.<sup>16</sup> Bangladesh has allocated two special economic zones for Chinese investors in Chittagong, a major port, and Dhaka, the capital.<sup>17</sup> India has also been watching with unease China's investment in Bangladesh's port infrastructure along the Bay of Bengal: China helped upgrade Chittagong and had been pursuing a port project at Sonadia Island.<sup>18</sup> In February 2016, however, Bangladesh quietly closed the Sonadia project, opting instead to develop another deep sea port, which India wants to help build.<sup>19</sup> Bangladesh also permitted Indian cargo ships to access Chittagong Port—a move Deepa M. Ollapally, professor at George Washington University, characterized in her testimony before the Commission as “a historic break from the past.”<sup>‡</sup><sup>20</sup>

<sup>\*</sup>The Chinese projects in Sri Lanka that underwent a review were initiated during the administration of President Mahinda Rajapaksa, who had a close relationship with the Chinese government dating back to the last years of the Sri Lankan civil war, when China supplied Sri Lanka with ammunition, jet fighters, and nonmilitary aid. After Maithripala Sirisena narrowly defeated Mr. Rajapaksa to become Sri Lanka's new president, he sharply criticized Mr. Rajapaksa's close ties with China (for example, Hambantota, which received the lion's share of Chinese projects, is Mr. Rajapaksa's hometown and political base), and called for a review of Chinese projects, alleging corruption and overpricing. Ranga Sirilal and Shihar Aneez, “Rajapaksa Comeback Bid Checked by Sri Lanka Bribery Probe,” Reuters, July 24, 2015; Jeff M. Smith, “China's Investments in Sri Lanka: Why Beijing's Bonds Come at a Price,” *Foreign Affairs*, May 23, 2016.

<sup>†</sup>Mr. Rajapaksa said India was offered to develop the Hambantota project first, but rejected the offer. Sandeep Unnithan, “One-Upmanship in Sri Lanka: India and China Fight It out to Rebuild the Island Nation's Economy,” *Daily Mail* (UK), March 30, 2013; Ankit Panda, “China's Sri Lankan Port Ambitions Persist,” *Diplomat* (Japan), July 27, 2015.

<sup>‡</sup>The agreement permitting Indian use of Chittagong and Mongla, another Bangladesh port, was supposed to be signed in 2011, but fell through due to India's failure to sign another bilateral agreement (water-sharing accord for Teesta River). Although the water-sharing agreement remains unsigned, the signing of the Indo-Bangladeshi Land Boundary Agreement in 2015, which resolved a long-standing dispute, has reportedly improved the political climate enough to allow the port deal to advance. Ranjana Narayan, “India, Bangladesh Business Set to Grow through Ports, Waterways,” *Economic Times* (India), June 9, 2015.

- *Pakistan*: In 2015, China and Pakistan launched the China-Pakistan Economic Corridor (CPEC)—which falls under the OBOR umbrella—with the signing of 49 agreements to finance a variety of projects with a total expected value of \$46 billion, including upgrades to Pakistan’s Gwadar Port, oil and gas pipelines, road and railway infrastructure, and a series of energy projects.<sup>21</sup> CPEC aims to connect Kashgar in China’s Xinjiang Province with Gwadar, located at the edge of the Strait of Hormuz in the Arabian Sea, via 2,000 miles of rail, road, and pipelines (see Figures 4 and 7). China’s economic commitment to Pakistan, if fulfilled, will dwarf U.S. civilian assistance to Pakistan, which totaled around \$5 billion between 2010 and 2014.<sup>22</sup> Although much of CPEC remains in the planning stages, financing arrangements have been finalized or are nearing finalization on projects worth \$30 billion, according to Ahsan Iqbal, Pakistan’s Minister for Planning, Development, and Reform.<sup>23</sup> (China’s broader relationship with Pakistan is discussed in greater depth later in this section.)

**Figure 4: China’s One Belt, One Road**



Source: Galina Petrovskaya, “‘Silk Road’ in EU: Trans-Caspian Transit Bypassing Russia,” *Deutsche Welle*, September 3, 2016. Staff translation.

- *Nepal*: Nepal showcases another facet of China’s ongoing bilateral rivalry with India. Unlike Sri Lanka and Bangladesh, which can give China access to strategically located ports, Nepal is a small, landlocked country entirely dependent on Indian ports and transit infrastructure. Its location, however—squeezed between Tibet and India—makes it an important buffer zone for China (see Figure 5). Concerned that Tibetan exiles living in Nepal may stir dissent in Tibet, China has been expanding its ties with Nepal.\* Although trade with India still accounts for

\*There are around 20,000 Tibetans living in Nepal. According to a 2014 report by Human Rights Watch, under pressure from China, Nepal’s government has been repressing Tibetan refugees living in the country. Nepalese government abuses against Tibetan refugees documented by

more than half of Nepal's total trade, China has been gaining ground fast; for example, China became the largest source of FDI in Nepal in 2014.<sup>24</sup> Recent developments in Nepal's politics gave China a chance to outplay India. Displeased with the new constitution adopted by Nepal in September 2015,\* India held an informal blockade on trucks heading to Nepal across India's border, cutting off Nepal's access to vital energy supplies.<sup>25</sup> China, which earned much goodwill in Nepal with its swift assistance following the devastating earthquake in April 2015, responded once again, sending fuel and opening trade routes that had been closed since the earthquake.<sup>26</sup> In response, Nepal signed several agreements with China, including a permanent arrangement for energy supplies and a transit treaty granting Nepal access to Chinese ports.<sup>27</sup> India's blockade ended in February 2016.<sup>28</sup> In an effort to normalize the relationship with India, then prime minister of Nepal K.P. Sharma Oli traveled to India in March 2016—his first foreign trip after assuming the position in 2015—and the two sides signed nine agreements, including for infrastructure, rail, and road transit.<sup>29</sup>

#### **India “Acts East” and Puts Its “Neighborhood First”**

Under Prime Minister Modi, India has been pursuing better relations with its neighbors and countries in broader Asia through two important policy initiatives. The first has been the transformation of India's “Look East” policy into an “Act East” policy. The Look East policy dates back to the 1990s, when a worsening domestic economic situation prompted India's government to seek economic opportunities beyond South Asia; the policy later developed to include a strategic dimension.<sup>30</sup> Prime Minister Modi used the November 2014 Association of Southeast Asian Nations (ASEAN)-India summit to unveil the Act East policy, which emphasizes more active economic and security cooperation with the region.<sup>31</sup> On the economic side, Prime Minister Modi focused on—among other goals—boosting trade and increasing connectivity, proposing a new investment vehicle “to facilitate project financing and quick implementation.”<sup>32</sup> On the security side, Prime Minister Modi broke with the tradition of India's neutrality on the South China Sea territorial dispute, saying, “For peace and stability in South China Sea, everyone should follow inter-

Human Rights Watch included repatriation and “excessive use of force by police, preventive detention, torture and ill-treatment when detained, intrusive surveillance, and arbitrary application of vaguely formulated and overly broad definitions of security offenses.” Human Rights Watch, “Under China's Shadow: Mistreatment of Tibetans in Nepal,” March 2014, 1, 33–36.

\*When Nepal's new constitution came into effect in September 2015, protests opposing the constitution erupted in the southern parts of the country along the Indo-Nepal border (which is an open border, meaning Nepalese and Indian nationals may move freely across the border without passports or visas and may live and work in either country). Among other issues, the communities living along the border—the Madhesi (who share close ethnic ties with Indian people) and Tharu ethnic minorities—expressed concerns that the new constitution would marginalize them. The Indian foreign ministry issued a statement expressing concern over unrest on the border and saying, “We urge that issues on which there are differences should be resolved through dialogue in an atmosphere free from violence and intimidation, and institutionalized in a manner that would enable broad-based ownership and acceptance.” Sanjoy Majumder, “Why Is India Concerned about Nepal's Constitution,” BBC, September 22, 2015.

**India “Acts East” and Puts its “Neighborhood First”—  
*Continued***

national norms and law,” without referring to China explicitly.\*<sup>33</sup> The Act East policy reaches beyond ASEAN and includes cooperation with Japan and Australia, reflecting Prime Minister Modi’s greater emphasis on maritime security.<sup>34</sup>

The other important initiative is the “Neighborhood First” policy, aimed at reinforcing India’s commitment to smaller South Asian countries. Dr. Ollapally noted in her testimony to the Commission that the Neighborhood First policy has been evident “both in symbolic terms like the invitation to all neighboring leaders to [Prime Minister] Modi’s inauguration,” and in practical terms like the resolution of the longstanding border dispute with Bangladesh.<sup>35</sup>

As the examples of Sri Lanka, Bangladesh, and Nepal demonstrate, far from passively accepting China’s growing influence as a substitute for India’s historic dominance in the region, small South Asian countries try to balance the two powers against each other. James Moriarty, then senior advisor at Bower Group Asia, noted in his testimony to the Commission, “When the government of one of these other countries runs into a difficult patch in its relations with India, that government tries to garner support and assistance from China.”<sup>36</sup>

***Expand Influence and Capabilities in the Indian Ocean***

The Indian Ocean is growing in importance to China, which relies on sea lines of communication running through the Persian Gulf, Arabian Sea, Indian Ocean, Malacca Strait, and South China Sea for its growing energy needs. Beijing is highly sensitive to the fact that these resources, which are essential to China’s economic productivity (and by extension to China’s domestic stability and the Chinese Communist Party’s political legitimacy), could be interdicted by hostile state or nonstate actors.<sup>37</sup> Other strategic interests China perceives it needs to protect include a growing number of Chinese nationals working and living along the Indian Ocean littoral<sup>38</sup> and the aforementioned economic investments of Chinese companies in the region.<sup>39</sup>

The fruits of China’s naval modernization have been manifesting in the Indian Ocean since December 2008, when the People’s Liberation Army (PLA) Navy sent its first antipiracy task force to the Gulf of Aden. Since then, 24 consecutive task groups have maintained a near-continuous presence in the Indian Ocean; the PLA Navy has conducted at least four submarine patrols in the Indian Ocean since 2013;<sup>40</sup> the PLA Navy conducted its first combat readiness patrol in the Indian Ocean in 2014;<sup>41</sup> and in 2015 China announced it will establish its first ever overseas military logistics facility in

\*Leading up to the high-profile July 2016 ruling by the Permanent Court of Arbitration in The Hague in a case about China’s South China Sea claims, Beijing attempted to secure international support for its position. India refrained from taking a position on the case (although Beijing claimed it had Delhi’s support), but soon after the ruling was announced, the Indian minister of state remarked that India “has respected the decision of the International Tribunal to resolve maritime disputes” and “urges all parties to show the utmost respect for UNCLOS.” India’s Ministry of External Affairs, *Closing Remarks by Minister of State for External Affairs Dr. V.K. Singh at the 14th ASEAN-India Foreign Ministers’ Meeting in Vientiane (July 25, 2016)*, July 25, 2016.



Djibouti.<sup>42</sup> According to David Brewster, senior research fellow at Australian National University's National Security College, "China's overall military modernization program has the long term potential to significantly enhance its ability to project military power into the Indian Ocean region."<sup>43</sup>

### **China's "String of Pearls"**

Chinese investment in port facilities in strategic locations in the Indian Ocean (including Chittagong in Bangladesh, Gwadar in Pakistan, Colombo and Hambantota in Sri Lanka, Marao in the Maldives, Kyaukpyu in Burma [Myanmar], Lamu in Kenya, and Bagamoyo in Tanzania) is viewed by many in India as part of a concerted plan by China to develop a geopolitical "string of pearls"\* to contain India.<sup>44</sup> Although all of these facilities are intended for commercial use, some experts argue they could eventually serve strategic purposes for the Chinese navy, either as full-fledged naval bases or more limited facilities (as in the case of China's military logistics facility in Djibouti).<sup>45</sup> This concern was illustrated in 2011 when the Pakistani defense minister at the time told the *Financial Times* that Pakistan had asked China to build a naval base at Gwadar; another Pakistani defense official quoted in the report said, "The naval base is something we hope will allow Chinese vessels to regularly visit in [the] future and also use the place for repair and maintenance of their fleet in the [Indian Ocean region]."<sup>46</sup> India's worries were further stoked when a Chinese submarine made two port calls in Colombo in 2014, and another submarine surfaced in Karachi, Pakistan, in 2015.<sup>47</sup>

The Chinese government has sought to emphasize the commercial and unthreatening nature of these investments with initiatives like the 21st Century Maritime Silk Road,<sup>48</sup> but according to South Asian security expert C. Raja Mohan, who heads the Carnegie Endowment for International Peace's India center, the dividing line between a commercial port and a military base is not so distinct. In his words, "If the Chinese military can use a civilian facility, then is that facility still civilian or military? Their ships will have to dock somewhere."<sup>49</sup> Dean Cheng, senior research fellow at the Heritage Foundation, cautions that Chinese investment in Indian Ocean port facilities does not automatically result in the encircling of India, or at least not easily so, noting: "To become military bases, these investments would require a far larger, more overt military presence, including access treaties with the host countries, hardening of facilities to withstand attack, and most likely the presence of units of the People's Liberation Army."<sup>50</sup>

(See "Rising Competition in the Indian Ocean," later in this section, for an in-depth look at China's interests and activities in the Indian Ocean, and India's response.)

\*The "string of pearls" concept originated in 2005, and predicted China would enable the expansion of its military presence in the Indian Ocean region by investing in civilian infrastructure in friendly countries. *Washington Times*, "China Builds up Strategic Sea Lanes," January 17, 2005.

### ***Counter Terrorism and Religious Extremism***

As the threat of extremism and terrorism facing China grows,\* counterterrorism has become an increasingly important facet of Beijing's engagement with South Asia. Chinese leaders have for decades been concerned about Islamic extremism and terrorism in Xinjiang, China's westernmost region and home to the majority of China's Uyghurs, a mostly Muslim ethnic group. The extent and nature of this threat is difficult to assess given the Chinese government's tendency to conflate and crack down on religious expression, political dissent, extremism, separatism, and terrorism.<sup>51</sup> Nevertheless, open source reporting clearly demonstrates a rise in terrorist attacks in China in recent years.<sup>52</sup>

Many reported terrorist activities in China have been linked to groups based in (or otherwise supported by groups in) Pakistan and, to a lesser extent, Afghanistan and Central Asia.† In the past, the Chinese government downplayed the role specific foreign countries play in its domestic extremism and terrorism problems. In recent years, however, as terrorist activities have become more frequent and high profile, Beijing has been more willing to apply pressure—privately and publicly—on Pakistan in particular to take steps to eliminate any Pakistan-based extremist, separatist, or terrorist activities that could potentially be directed at China or Chinese citizens abroad.<sup>53</sup> Further, cognizant of the influence official and unofficial Pakistani entities have in Afghanistan, Beijing is increasingly insistent that Islamabad commit to promoting the peace and reconciliation process there. China itself has been enhancing its bilateral security engagement with Afghanistan, perceiving a need to take greater responsibility for regional security as U.S. and coalition forces withdraw.<sup>54</sup>

China has engaged with South Asian countries on counterterrorism in multilateral contexts as well. In August 2016, China, Pakistan, Afghanistan, and Tajikistan created the Quadrilateral Cooperation and Coordination Mechanism, an institution that aims to counter terrorism and extremism by “provid[ing] mutual support” in areas such as intelligence sharing and military training and exercises.<sup>55</sup> In addition, India and Pakistan are both set to join the Shanghai Cooperation Organization,<sup>56</sup> a Beijing-dominated institution focused on counterterrorism that also includes Russia and Central Asian countries.‡

It is worth noting that even as the Chinese government begins to take the threat of terrorism seriously, it is selective in its treatment of terrorist organizations and actors in South Asia.<sup>57</sup> According to two experts who testified to the Commission, China's growing concerns about terrorism in South Asia do not extend to anti-India terrorist groups. In 2015, for example, China defended Pakistan's decision to release Zaki-ur-Rehman Lakhvi—a commander of a Pakistani anti-India terrorist group Lashkar-e-Taiba—who had been

\*For a comprehensive assessment of China's terrorism challenge and its response, see Murray Scot Tanner and James Bellacqua, “China's Response to Terrorism,” *CNA* (prepared for the U.S.-China Economic and Security Review Commission), June 2016.

†Xinjiang shares a border with Afghanistan, India (claimed), Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Russia, and Tajikistan. For a discussion of the role terrorism plays in China's relations with Central Asia in particular, see U.S.-China Economic and Security Review Commission, *2015 Annual Report to Congress*, November 2015, 393–395, 406–410.

‡For more on the Shanghai Cooperation Organization, and China-Central Asia relations more broadly, see U.S.-China Economic and Security Review Commission, in *2015 Annual Report to Congress*, November 2015, 391–427.

imprisoned for his suspected role in planning the 2008 Mumbai terrorist attack that killed more than 160 people.<sup>58</sup> At the same time, China's history of committing domestic human rights abuses in the name of counterterrorism<sup>59</sup> and the Shanghai Cooperation Organization's failure to meet UN standards for human rights protection<sup>60</sup> raise questions about China's efforts to address terrorism in South Asia. According to Human Rights Watch:

*It's understandable that China, Pakistan and Tajikistan all fear the spillover security effects of the continuing war in Afghanistan. But [China's] rhetoric about how they should collaborate to "fight terrorism" is effectively code for imposing repressive security measures and clamping down on domestic dissent—in other words, the same strategy China has pursued in Xinjiang. ... China, Pakistan and Tajikistan do not provide the model Afghanistan needs to address the growing Taliban threat while upholding fundamental rights.<sup>61</sup>*

(For more on China's counterterrorism engagement with Pakistan and Afghanistan, see "Pakistan, China, and Terrorism" and "Afghanistan," later in this section.)

### **China-India Relations**

In general, China and India have maintained cordial relations in recent decades, and the likelihood of conflict between the two—either at the border or in the Indian Ocean—is low.<sup>62</sup> Tensions in the relationship are driven primarily by China's longstanding support for Pakistan (discussed later), Tibet and the border dispute, and to a lesser extent by growing distrust and competition in the Indian Ocean and by economic imbalances. Taken together, these various features of China-India relations have led many to perceive that China is pursuing a strategy of containment or encirclement of India, according to several experts with whom the Commission met in India.<sup>63</sup> For its part, China perceives India's growing ties with the United States—discussed later—as part of a U.S.-led effort to contain or encircle China.<sup>64</sup> As a result, both countries are deeply suspicious of each other.

### ***Tibet and the Dalai Lama***

Tibet has been a persistent irritant in China-India relations since 1951, when the People's Republic of China took control of Tibet. Tensions escalated in 1959 when the Dalai Lama fled from the Tibetan capital of Lhasa to India in the midst of a popular rebellion and PLA crackdown.<sup>65</sup> These events transformed Tibet from a strategic buffer to a lasting flashpoint in China-India relations.

The Chinese government perceives Delhi's decades-long willingness to host the Dalai Lama and the Tibetan Government in Exile in Dharamsala as an affront to China's sovereignty and evidence of nefarious intentions toward China.<sup>66</sup> As part of a larger effort to discredit the Dalai Lama, Beijing requests that Delhi prevent the Dalai Lama from engaging in "political activities" in India. Although neither government has defined "political activities," Indian leaders nevertheless have generally taken care over the decades to exert some control over the ac-

tivities of the Dalai Lama and the Tibetan refugee community out of sensitivity to Beijing (for example, Indian officials are not allowed to appear publicly with the Dalai Lama, and there are restrictions on Tibetan refugees' ability to participate in political activities like protests).<sup>67</sup> Indian government officials have also reiterated the Indian government's stance that Tibet is part of China.<sup>68</sup> It is clear to both sides, however, that India wields leverage over China when it comes to Tibet and that India could play "the Tibet card" against China if necessary<sup>69</sup>—for example, by stirring dissent among Tibetans in the disputed border region.<sup>70</sup> According to Jeff Smith, director of Asian Security Programs and Kraemer security fellow at the American Foreign Policy Council, although India historically has hesitated to rely on this point of leverage, "there are signs that if the Sino-Indian competition continues to sharpen in the decades ahead, Delhi may increasingly look to Tibet to balance perceived Chinese aggression."<sup>71</sup>

The influence the Dalai Lama heretofore has wielded over the political status of Tibet, the culture of Tibetan communities inside and outside Tibet, and the extent of India's leverage over China will become an increasingly urgent consideration in the coming years. The Dalai Lama is 81 years old, and the politically fraught problem of his reincarnation looms. He has not indicated how the next Dalai Lama will be identified, although the Chinese government has already indicated it will choose his successor. Since the 1990s, the Chinese government has made efforts to increase its influence and control over Tibetan Buddhism by claiming a role in the reincarnation process. In 1995, shortly after the Dalai Lama selected the Panchen Lama, the second-highest-ranking figure in Tibetan Buddhism, the Chinese government kidnapped and detained the 6-year-old Panchen Lama and hand-picked its own replacement; the whereabouts of the Dalai Lama's designated Panchen Lama have been unknown since then.<sup>72</sup> In 2007, the Chinese government began implementing laws requiring government approval for reincarnation.<sup>73</sup> In 2011, the Dalai Lama suggested he might not reincarnate at all but rather emanate, a Tibetan succession method that involves the designation of a lama's successor while the current lama is still alive. In his statement, he acknowledged "there is an obvious risk of vested political interests misusing the reincarnation system to fulfil their own political agenda. Therefore, while I remain physically and mentally fit, it seems important to me that we draw up clear guidelines to recognize the next Dalai Lama, so that there is no room for doubt or deception."<sup>74</sup> In a 2014 BBC interview, he suggested he may be the last Dalai Lama, saying, "The Dalai Lama institution will cease one day. These man-made institutions will cease."<sup>75</sup>

The confluence of several factors—including China's insecurities about Tibet and its resultant heavy-handed policies there, the unusual geographic and political circumstances of a major religious succession in exile, the current Dalai Lama's worldwide popularity, and Tibetan Buddhism's unique reputation in the world's collective imagination—suggest the transition will not be smooth. The succession process is complicated further by the fact that in 2011, the Dalai Lama voluntarily renounced the political authority of his position to the office of the prime minister of the Tibetan Government in Exile, ending a 400-year tradition in which the Dalai Lama was

both the spiritual and political leader of the Tibetan people in favor of a more democratic process. The current prime minister of the Tibetan Government in Exile, Lobsang Sangay, referred to this shift as an opportunity as well as a challenge as to “whether we can rally around a system and a principle, rather than the cult of a leader.”<sup>76</sup>

In addition to having potentially far-reaching implications for the future of Tibetan Buddhism, Tibetan identity, and Tibet’s political status in China, the transition from the current Dalai Lama’s leadership may impact China-India relations significantly.<sup>77</sup> Even if the transition is managed smoothly, the balance of power between China and India likely will shift depending on the outcome. If the Dalai Lama selects a successor in India, Delhi may find its existing leverage over China sustains or increases. Conversely, Delhi’s leverage could decrease if Beijing succeeds in appointing a pro-China successor in China and discrediting the Dalai Lama’s chosen successor. India might also have to contend with challenges such as the exacerbation of emergent political divisions in its Tibetan refugee communities (potentially to include the rise of more vocal pro-independence constituencies). Should the Dalai Lama select a successor from a disputed area along the China-India border (such as Tawang, a small but famous Buddhist enclave claimed by China but controlled by India, where the sixth Dalai Lama was born), the border dispute could intensify.<sup>78</sup>

Also of note, Chinese President and General Secretary of the Chinese Communist Party Xi Jinping’s recently announced military reforms will impact China’s military posture in Tibet. The reforms included the dismantling of the PLA’s former military regions and the establishment of a joint theater command structure with a regional combat orientation. One of these new theater commands is the Western Theater Command, which is focused in part on missions related to Tibet and the Indian border dispute.<sup>79</sup> One scholar with whom the Commission met in China noted that India is concerned that China’s development of rail infrastructure on the Tibetan Plateau would allow it to deploy troops to the region more quickly.<sup>80</sup> China’s road and rail infrastructure on the Tibetan side of the border is much more robust and reliable than that on the Indian side, allowing China to more quickly deploy personnel, materiel, and weapons in a contingency.<sup>81</sup>

### ***The Border Dispute***

The border dispute remains the most likely source of armed conflict between China and India, although the probability of such a confrontation is low, particularly if other facets of the relationship are relatively calm.<sup>82</sup> As noted previously, Tibet served as a buffer between China and India until the 1950s, when China’s invasion of Tibet “shrank the strategic distance” between the two countries, according to Srinath Raghavan, senior fellow at the Centre for Policy Research in New Delhi.<sup>83</sup> The PLA launched a surprise invasion across the border in 1962, winning decisively in 32 days; although there were no major border clashes after 1967, hostility continued until the two countries restored diplomatic relations in 1976. More recently, the dispute is characterized by diplomatic sparring, the buildup and occasional movement of troops, and regular claims of

incursions across the border from both sides<sup>84</sup> (India claimed 334 “transgressions” by Chinese border troops in the first nine months of 2014,<sup>85</sup> for example).

Geographically, the border dispute spans several sections of the two countries’ 2,500-mile-long border (see Figure 5). The Western Sector (Aksai Chin) refers to a 14,670-square-mile area that China has occupied since the 1962 war but which India claims as part of the state of Jammu and Kashmir (which in turn is contested by Pakistan), and a 580-square-mile area controlled by India but which China claims. The Middle Sector refers to several small pockets of disputed territory, as well as Sikkim, which is controlled by India but which China has claimed with varying degrees of resolve over time. The Eastern Sector, a 34,700-square-mile area controlled by India (which refers to it as the state of Arunachal Pradesh), is the most volatile and strategically significant section of the contested border due to its large population and rich resources, and because it is home to the town of Tawang.\*<sup>86</sup>

**Figure 5: China-India Border Dispute**



*Note:* Areas claimed by China but occupied by India are noted in black; areas claimed by India but occupied by China are noted in white.

*Source:* Adapted from Jeff Smith, *Cold Peace: China-India Rivalry in the Twenty-First Century*, Lexington Books, 2014, 23.

In 1981, China and India began border talks, and more than 30 rounds of negotiations and related meetings have been held to date.<sup>87</sup> Overall, little progress has been made on resolving the

\*Technically not part of the China-India border dispute, the 2,000-square-mile Shaksgam Valley was ceded to China by Pakistan in 1963, although India claims it and maintains that Pakistan did not have the authority to cede the territory. Jeff Smith, *Cold Peace: Sino-Indian Rivalry in the Twenty-First Century*, Lexington Books, 2014, 24–25.

dispute, and there are few signs of a breakthrough in negotiations in the near to medium term.<sup>88</sup> In fact, Mr. Smith argues that “domestic constraints are likely to materially restrict the ability of the leadership in Beijing and Delhi to make territorial concessions in the future,” suggesting “the window to reaching a border resolution may be closing.”<sup>89</sup> Nevertheless, the border talks have built valuable resiliency and predictability into the two countries’ relations. Some of the practical notable accomplishments of the negotiations have been the establishment of confidence-building measures and the de-linking of the border dispute from the broader diplomatic relationship.<sup>90</sup> These confidence-building measures, announced in 1996, include requirements such as reducing the number of military forces and armaments in specific areas near the border, avoiding large-scale military exercises close to the border, restricting flights of combat aircraft near the border, and sharing information about military presence and activities near the border. Subsequent agreements, such as the 2013 Border Defence Cooperation Agreement, have expanded these kinds of measures.<sup>91</sup>

China, with its fairly robust military infrastructure and troop presence in Tibet, historically has been in a more militarily advantageous position along the border than has India.<sup>92</sup> In the mid-2000s, however, the Indian government began an extended effort to upgrade and enhance access to the border and initiated a troop buildup on the Indian side.<sup>93</sup> Observers disagree whether this will ultimately build stability into the border dispute, or invite confrontation.<sup>94</sup>

#### **China-India Tensions over the Brahmaputra River**

All of China’s major rivers (including three of the world’s five largest rivers measured by discharge) originate in the Tibetan plateau.<sup>95</sup> One of these rivers, the Brahmaputra, flows from China through India and Bangladesh; the river is important for irrigation and transportation and affects the lives of more than 100 million people. It is also a source of tension between China and India. India fears China—which has a history of damming and diverting water from transboundary rivers without consulting downstream countries<sup>96</sup>—will disrupt the flow of the river, and some Indians have suggested China might seek to use its control over the river as leverage in a future conflict with India.<sup>97</sup> In recent years, China has assuaged India’s concerns somewhat by signing agreements to share hydrological data. For its part, China is concerned that India’s planned construction of dams in the disputed territory of Arunachal Pradesh is enabling India to consolidate its de facto control over the area.<sup>98</sup>

#### ***Rising Competition in the Indian Ocean***

As noted earlier, China seeks greater presence and influence in the Indian Ocean region, primarily to protect the sea lines of communication upon which its economy depends,<sup>99</sup> as well as to expand its influence. China will have to depend on the stability and goodwill of South Asian countries to ensure a peaceful maritime environment

conducive to sea lane protection, and much of Beijing's diplomatic efforts in the region are designed to cultivate such an environment. In addition to pursuing access through diplomacy, China is enhancing the PLA's ability to operate and protect Chinese interests in the Indian Ocean. The following developments point to China's growing military presence in the Indian Ocean:

- *China's 2015 defense white paper signals a shift to maritime security and sea lane protection:* China's 2015 defense white paper, *China's Military Strategy*, decisively elevates the maritime domain in China's strategic thinking, asserting that "the traditional mentality that land outweighs sea must be abandoned." Although the Indian Ocean was not mentioned, the paper notes China will increasingly shift from focusing exclusively on its near seas to a "combination of 'offshore waters defense' with 'open seas protection.'"<sup>100</sup>
- *China's antipiracy patrols in the Gulf of Aden:* The PLA Navy has maintained a near-continuous presence in the Indian Ocean for seven years since it began conducting antipiracy patrols, and has made significant contributions to the international effort to eradicate piracy in the region. Although piracy in the Gulf of Aden has declined significantly in recent years due to the success of international antipiracy efforts, the PLA Navy has not indicated it will conclude operations there. Dr. Brewster testified to the Commission that "Beijing is now using its antipiracy deployments as justification for expanding its naval presence in the Indian Ocean and making it more permanent."<sup>101</sup>
- *Chinese submarine deployments:* The PLA has conducted at least four submarine patrols in the Indian Ocean since 2013. Chinese officials claim these submarines support China's antipiracy activities. The more likely purpose of these deployments is to collect intelligence on U.S., Indian, and other forces in the Indian Ocean; test and enhance the ability of China's submarine crews to operate for long durations at extended distances from mainland China; prepare for potential crises and wartime operations in the Indian Ocean; and demonstrate China's growing interests in the region.<sup>102</sup>
- *China's military logistics facility in Djibouti:* In 2015, China announced it would establish its first overseas military logistics facility in Djibouti.<sup>103</sup> The facility, for which Chinese company China Merchant Holding International holds a ten-year lease, will augment the PLA Navy's existing presence in the region with replenishment and repair services. For more information on recent developments regarding the Djibouti facility, see Chapter 2, Section 1, "Year in Review: Security and Foreign Affairs."

Predictably, these developments cause anxiety in India, which already struggles to maintain parity with the Chinese military across the contested land border.<sup>104</sup> In addition to Indian interlocutors who spoke of Chinese "encirclement" or "containment" of India, one expert told the Commission that India worries China's recent aggres-

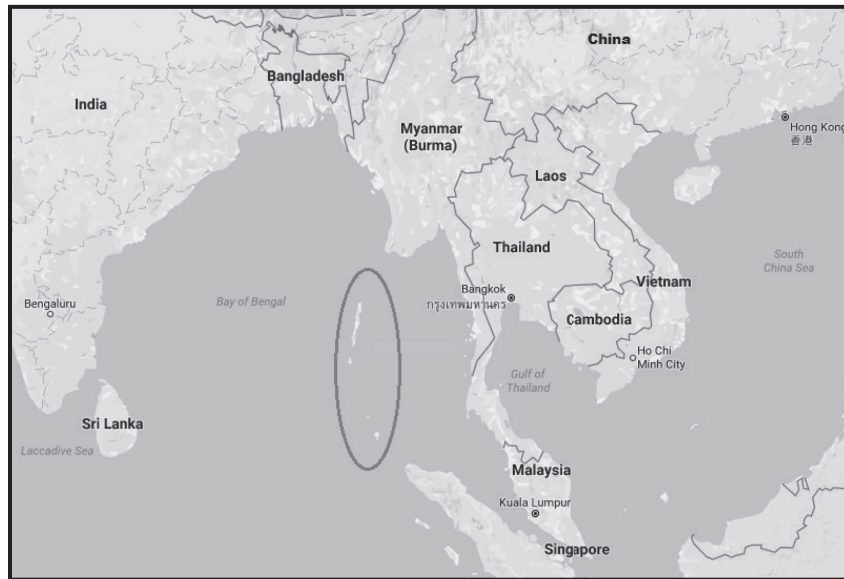


siveness in the South China Sea may manifest in its conduct in the Indian Ocean as its presence grows there.<sup>105</sup> Currently, India remains the dominant military power in the Indian Ocean, and India “takes a fairly proprietary view of the Indian Ocean,” according to Dr. Brewster’s testimony to the Commission. He elaborates, saying, “India aspires to be recognized as the leading naval power in the Indian Ocean in the long term, and many Indian analysts and decision-makers have a strong instinctive reaction against the presence of extra-regional powers in the Indian Ocean, essentially seeing such presence as unnecessary and even illegitimate.”<sup>106</sup> Beside security, India has a compelling economic reason for protecting its access to the Indian Ocean: India shares a land border with only one of its top 25 trade partners (China), with most of its trade, including energy imports, coming across the sea.<sup>107</sup> As a result, the Indian Ocean is likely to become an area of increasing competition between China and India. Early indicators suggest this competition will manifest in the following ways:

- *Greater emphasis on naval modernization in India:* Indian naval modernization has been ongoing since the mid-1980s, but progress has been slow. The recent uptick in Chinese naval activities in the Indian Ocean has accelerated this process, however, “[leading] the Indian Navy to effectively ‘rebalance’ its fleet from its Western Fleet facing Pakistan, towards its Eastern Fleet facing China,” according to Dr. Brewster.<sup>108</sup> In particular, the Indian Navy is seeking to enhance its position at the strategically located Andaman and Nicobar Island chain (see Figure 6), which stretches almost 400 nautical miles at the western end of the Strait of Malacca. It is increasing its intelligence, surveillance, and reconnaissance capabilities there with the deployment of P-8I Poseidon reconnaissance aircraft and expanding its naval and air infrastructure in several locations along the island chain.<sup>109</sup> Additionally, over the next decade, the Indian Navy plans to expand its power projection capabilities with more aircraft carriers, major surface combatants, diesel and nuclear-powered submarines, fighter aircraft, helicopters, and long-range surveillance aircraft.<sup>110</sup>
- *Growing Chinese naval presence in the region:* In addition to antipiracy patrols and activities out of China’s new facility in Djibouti, the PLA Navy can be expected to continue deploying submarines to and conducting combat readiness patrols in the Indian Ocean.
- *Competitive military diplomacy in the region:* As China seeks access and influence in the region, and as India seeks to reinforce its own, both countries can be expected to use military diplomacy—from arms sales to joint training and other incentives for cooperation—to further their interests. India is stepping up its maritime aid to countries like Mauritius and the Maldives,<sup>111</sup> while China has provided military technology to Bangladesh, Burma, the Maldives, Pakistan, and Sri Lanka.<sup>112</sup> As noted earlier, China has invested in maritime infrastructure throughout the region, including in places like Gwadar Port and

Karachi Port, that could eventually enable Chinese naval access to these areas.<sup>113</sup>

**Figure 6: India's Andaman and Nicobar Island Chain**



Source: Google Maps.

For the time being, India enjoys a significant advantage over China in the Indian Ocean: its influence over Indian Ocean states outweighs that of China, and more importantly, it enjoys a geographic advantage while China suffers from the “tyranny of distance.” According to Dr. Brewster, “China’s ability to project significant power in to the Indian Ocean remains highly constrained by the long distance from Chinese ports and air bases, the lack of logistical support, and the need for Chinese naval vessels to deploy to the Indian Ocean through chokepoints.”<sup>114</sup>

The nature of Sino-Indian competition in the Indian Ocean currently is fairly low-intensity, for a couple of reasons. First, China’s primary security interests still reside in the Western Pacific, with Taiwan and maritime disputes in the East and South China seas being Beijing’s (and the PLA’s) top priorities.<sup>115</sup> China’s preoccupation with these areas, combined with the PLA Navy’s limited (albeit growing) ability to sustain a robust presence far from China’s shores, will limit its influence and capabilities in the Indian Ocean for now.<sup>116</sup> Second, China’s primary interest in the Indian Ocean—sea lane security—does not in and of itself pose a threat to or challenge the interests of other countries (in contrast to China’s efforts to advance its maritime claims in its near seas). However, China’s recent record of flouting international norms and laws and employing bullying tactics against weaker states to advance its interests—particularly in the maritime realm—throws doubt on this

assumption, and likely will cause India and other countries to be suspicious of China's real intentions in the Indian Ocean.

### ***Economic Tensions***

Sino-Indian economic competition, security tensions, and India's wariness of China's expanding influence in the region contribute to the relative weakness of economic ties between the two Asian giants, but the two countries do cooperate, especially on the multilateral front. India is the second-largest shareholder in the China-led Asian Infrastructure Investment Bank and a cofounder (with other BRICS\* countries) of the New Development Bank. India and China are not members of the U.S.-led Trans-Pacific Partnership (TPP), but are parties to the China-led Regional Comprehensive Economic Partnership (RCEP), a "mega-regional" agreement currently being negotiated by the ten members of ASEAN and six major economies in the Asia Pacific (for further discussion of TPP and RCEP, see Chapter 4, "China and the U.S. Rebalance to Asia").

India wants to attract Chinese investment. Prime Minister Modi's "Make in India" initiative is aimed at boosting Indian manufacturing capability and attracting capital investment, in large part from China.<sup>117</sup> India also seeks to sell more to China, with which it runs a persistent trade deficit (reaching over \$50 billion, or 2 percent of India's GDP, in 2015).<sup>118</sup> To facilitate economic exchanges, India and China have established a Strategic Economic Dialogue, a Joint Economic Group, and a Financial Dialogue; there are also plans for a new dialogue between India's Department of Economic Affairs and China's Development Research Center of the State Council.<sup>119</sup>

Realizing enhanced economic cooperation will not be easy. While China is India's top source of imports and third-largest export market (after the United States and United Arab Emirates), India is a minor trade partner for China (accounting for 2 percent of China's exports and 1 percent of imports in 2014).<sup>120</sup> Several factors contribute to this imbalanced relationship; chief among them is India's growing imports of Chinese manufactured goods, which sharply contrasts with China's tepid interest in India's main exports—agriculture and services.<sup>121</sup> During the Commission's trip to India, Indian business representatives and think tank scholars noted that growing imports from China are displacing local producers and hurting India's manufacturing industry.<sup>122</sup> Responding to rising concerns, in 2015 and 2016 India's government imposed import restraints on select products from China, including steel, mobile phones, and milk.<sup>123</sup> Security suspicions continue to undermine deeper engagement: according to one report, when President Xi visited India in 2014, he intended to announce investment deals worth \$100 billion, but ended up promising only \$20 billion after a border standoff between Indian and Chinese soldiers began days before the visit.<sup>124</sup> Chinese border incursions have coincided with major bilateral meetings in the past;<sup>125</sup> on this occasion, 1,000 troops from each side were locked in an "eyeball-to-eyeball confrontation" after China advanced across the temporary border, according to an Indian media report.<sup>126</sup>

\*BRICS refers to the informal grouping of emerging economies Brazil, Russia, India, China, and South Africa.

### India and OBOR

India has not endorsed China's OBOR initiative, which it views with suspicion. Tanvi Madan, director of the India Project at the Brookings Institution, testified to the Commission that many Indian policymakers disapprove of Beijing's "unilateralist" approach to OBOR.<sup>127</sup> Indian Foreign Secretary S. Jaishankar described OBOR as a "national initiative devised with national interest," noting, "The Chinese devised it, created a blueprint. It wasn't an international initiative they discussed with the whole world, with countries that are interested or affected by it."<sup>128</sup>

Scholars and analysts who met with the Commission in India emphasized that India's government is particularly troubled by the China-Pakistan Economic Corridor (CPEC), the centerpiece of China's OBOR initiative in South Asia.<sup>129</sup> In June 2015, India declared that CPEC was "not acceptable" because it would pass through the territory India claims in the disputed Kashmir region.<sup>130</sup> Analysts at the Observer Research Foundation, an Indian think tank, said, "A formal nod to [CPEC] will serve as a de facto legitimization to Pakistan's rights on Pakistan-occupied Kashmir."<sup>131</sup> (For a more detailed discussion of CPEC, see "China-Pakistan Economic Corridor," later in this section.) At the same time, India is investing in alternative connectivity frameworks that circumvent China and Pakistan. In May 2016, India signed an agreement to develop a transport corridor between Afghanistan and Iran, anchored at the Iranian port of Chabahar, which is located across the border from Pakistan's Chinese-backed Gwadar Port.<sup>132</sup> Indian interlocutors told the Commission that India is pursuing the port deal with Iran in part to mitigate the security and economic challenges India might face from China's OBOR projects, and from CPEC in particular.<sup>133</sup>

India's approach to OBOR is complicated, however, by its tentative endorsement of the Bangladesh-China-India-Myanmar (BCIM) economic corridor, a project that predates OBOR, but which the Chinese government has since tried to integrate as the southwestern route of the initiative.<sup>134</sup> BCIM would link Kolkata (India) with Kunming (the capital of China's Yunnan Province) by high-speed rail and other infrastructure, passing through Burma and Bangladesh.<sup>135</sup> On the one hand, BCIM presents an attractive prospect for India because it will "cross horizontally through India's underdeveloped northeastern states, a region Prime Minister Modi has targeted as a priority for development," according to Mr. Smith.<sup>136</sup> On the other hand, interlocutors who met with the Commission in Beijing and New Delhi noted India is wary of having China-led projects "at its front door."<sup>137</sup> On the security side, India fears China's presence on its border—for example, to protect Chinese workers; on the economic side, there are worries BCIM will flood India with Chinese-made products, which will compete with domestically produced goods.

### **China-Pakistan Relations**

China's relationship with Pakistan has been uniquely close (although the two are not formal allies) since the early 1960s when China-India relations began to unravel. Officials from both countries term China and Pakistan "all-weather friends,"<sup>138</sup> and Pakistani officials often describe Sino-Pakistani friendship as "higher than mountains, deeper than oceans, and sweeter than honey."<sup>139</sup> Security relations, particularly as they relate to India, are at the heart of Sino-Pakistani ties, although in the past two years economic cooperation has come to the fore with the establishment of CPEC. At the same time, as China's interests in Afghanistan have expanded, so has its engagement with Pakistan on issues related to Afghanistan's security and the wider threat of terrorism in the region. The following are key facets of the relationship.

#### ***Bolstering Pakistan's Defense vis-à-vis India***

As previously noted, China's support for Pakistan is driven in large part by shared concerns about India: for China, India represents a potential challenge to China's regional dominance. For Pakistan, India represents the country's top security threat, a perception informed by their history of partition, four wars, territorial disputes, terrorism, and overall deep-seated distrust.<sup>140</sup> Mr. Small summarized this longstanding dynamic in testimony to the Commission, saying, "China benefitted from Pakistan's role as a counter-balance to India, while Pakistan benefitted from China's willingness to provide the capabilities it needed to do so effectively."<sup>141</sup> Although China has never intervened in an India-Pakistan conflict on Pakistan's behalf, its diplomatic, material, training, and intelligence support have enabled Pakistan to present a formidable military challenge to India.<sup>142</sup> This support drives India's concerns about having to face a "two-front war" with both Pakistan and China.<sup>143</sup>

#### **China's Arms Sales to Pakistan**

China, now the world's third-largest supplier of arms, exports more to Pakistan than to any other country, according to the Stockholm International Peace Research Institute (SIPRI).<sup>144</sup> China was instrumental in enabling Pakistan's indigenous ballistic missile capability in the 1980s and 1990s (even in the face of U.S. sanctions), and China's generosity in military cooperation reached its zenith when Beijing assisted Islamabad in building its first nuclear bomb. Beijing's assistance with Pakistan's nuclear program continues today, though mostly in the civilian sphere.<sup>145</sup> And although China's military assistance over these years had a game-changing effect on Pakistan's military capabilities, many of the conventional military items Beijing provided were fairly rudimentary.

More recently, according to Mr. Small, "As the PLA's technical capabilities improve, Pakistan is becoming one of the principal beneficiaries of these advances."<sup>146</sup> SIPRI data show Pakistan received 35 percent of China's arms exports in the period from 2011 to 2015. Arms transferred (or, in some cases, licensed) by China

### **China's Arms Sales to Pakistan—Continued**

to Pakistan since 2014 have included antiship missiles, torpedoes, combat helicopters, a surface-to-air missile system, a patrol vessel, and most recently, eight air independent propulsion equipped diesel-electric submarines (half of which will be built in China; the other half will be built in Pakistan).<sup>147</sup> Pakistan's first armed unmanned aerial vehicle, which conducted its first acknowledged operational strike in 2015, also appears to have been produced with China's cooperation.<sup>148</sup>

In 2016, *IHS Jane's* reported that Pakistan appears to have taken delivery of two Chinese transporter erector launchers for its new Shaheen-III medium-range ballistic missile, allegedly conventional- and nuclear-capable with a range of 2,750 kilometers (1,700 miles). Transporter erector launchers are designated items covered by the Missile Technology Control Regime, which China is not party to, but which it has applied to join and pledged to abide by.\*<sup>149</sup>

The Sino-Pakistani defense relationship has left Islamabad greatly indebted to Beijing,<sup>150</sup> although it benefits Beijing as well. In addition to ensuring that India will always be too preoccupied with its ongoing rivalry with Pakistan to devote sufficient strategic energy and resources to countering China, Islamabad on occasion has offered China more concrete benefits, including access to advanced U.S. arms. For example, unexploded U.S. Tomahawk cruise missiles used in Afghanistan in the 1990s were acquired by the Pakistani military and passed to the PLA; reverse-engineered cruise missiles began appearing in Pakistani and Chinese arsenals shortly thereafter.<sup>151</sup> In 2011, Pakistan allowed Chinese analysts to examine the U.S. stealth helicopter that crashed in Abbottabad during the Osama Bin Laden raid.<sup>152</sup>

China's support for Pakistan's defense has its limits. Beijing values Pakistan's ability to act as a check on Indian power, but it also values stability in the region and thus is uninterested in enabling or encouraging Pakistan to instigate a major confrontation with India.† Beijing's decision to provide Pakistan with the means to develop nuclear weapons would seem to contradict this, although Chinese officials would argue that helping Pakistan develop the bomb would create parity and strategic stability with India.<sup>153</sup> In 1975, at the height of China's cooperation on Pakistan's nuclear program and one year after India's first successful nuclear test, China's soon-to-be leader Deng Xiaoping remarked that China does "not advocate for nuclear proliferation at all, but we even more strongly oppose nuclear monopolies."<sup>154</sup> As discussed

\*The Missile Technology Control Regime is a nontreaty association of 35 countries including the United States that aims to control the proliferation of missiles and related technologies. Member countries are to "exercise restraint in the consideration of all transfers" of designated items. Missile Technology Control Regime, "Missile Technology Control Regime (MTCR) Annex Handbook – 2010," 2010, 12.

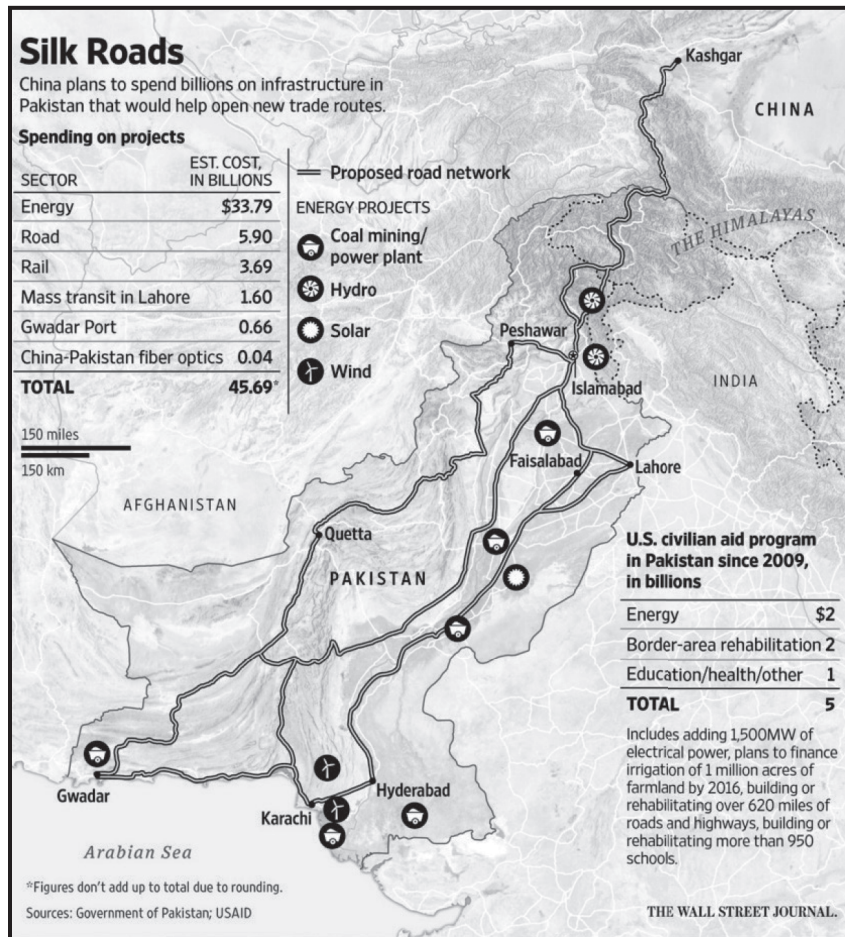
†This was the case as far back as the 1971 war between Pakistan and India when, to Islamabad's disappointment, China declined to intervene in the war on Pakistan's behalf. Again in 1999, Chinese officials emphasized to their counterparts in Islamabad that China would not support Pakistan in an ongoing conflict over the India-Pakistan border. Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics*, Oxford University Press, 2015, 14–16, 56–57, 59–61; Jeff Smith, *Cold Peace: China-India Rivalry in the Twenty-First Century*, Lexington Books, 2014, 131.

later, China’s enabling of Pakistan’s nuclear program could yet have major implications for regional stability, particularly if Pakistan’s nuclear weapons were to fall into the hands terrorists or rogue elements of the defense establishment.<sup>155</sup>

**China-Pakistan Economic Corridor**

China’s commitment to Pakistan has always been strategic in nature, driven by their mutual rivalry with India, with the economic dimension of the relationship lagging. Although China is Pakistan’s top source of imports and second-largest export market (after the United States), the amounts involved account for a negligible portion of China’s trade (\$9.2 billion in exports and \$2.7 billion of imports in 2014).<sup>156</sup> The potential game-changer for Pakistan is the \$46 billion CPEC (see Figure 7).

Figure 7: CPEC in Detail



Source: Saeed Shah and Jeremy Page, “China Readies \$46 Billion for Pakistan Trade Route,” *Wall Street Journal*, April 16, 2015.

For China, the goals of CPEC are threefold. First, China seeks to create an alternative trade route through Pakistan to facilitate the transit of its energy imports from the Middle East and exports of its goods to the Middle East, Africa, and Europe. As in the case of China's engagement with Central Asian states, the overland route taken by CPEC may allow China to reduce its reliance on energy shipments through vulnerable chokepoints in the Indian Ocean and South China Sea (the so-called "Malacca Dilemma").<sup>157</sup> Second, through economic development, China hopes to counter Islamic terrorism and extremism in Xinjiang, and in Pakistan and Afghanistan.<sup>158</sup> Finally, China hopes the investment will support Pakistan, which has been struggling with unstable economic and security environments.<sup>159</sup>

In many ways, CPEC is the most well-articulated project under the OBOR umbrella, primarily because factors driving China's deeper economic engagement with Pakistan—in particular the need to stabilize its western border—predate OBOR and CPEC. As Mr. Small noted in his testimony, under President Xi, "China has also more actively sought to use economic tools as means to achieve regional stability, including in Pakistan itself."<sup>160</sup>

Although China's OBOR projects usually involve construction of transportation corridors—and CPEC does include a number of such projects\*—CPEC's main emphasis is on energy projects, to which nearly \$34 billion of the proposed investment is dedicated.<sup>161</sup> This makes it especially important for Pakistan, which suffers from chronic energy shortages; the shortfall was estimated at 4,500 megawatts (MW) in 2015.<sup>162</sup> In January 2016, China and Pakistan broke ground on the \$1.65 billion Karot hydropower plant, a flagship CPEC energy project. Other projects include the construction of the world's largest solar power plant in Punjab Province and a coal power plant in Port Quasim. All told, China plans 21 energy projects in Pakistan, which would provide an additional 16,400 MW of energy, roughly equivalent to Pakistan's current capacity.<sup>163</sup>

Despite high-level bilateral commitment to the project from China and Pakistan, CPEC faces a number of challenges, including domestic opposition from provinces along CPEC and significant security concerns:<sup>164</sup>

- *Territorial disputes:* CPEC's gateway from China to Pakistan is in Gilgit-Baltistan, which is part of Jammu and Kashmir, a territory claimed by both India and Pakistan. India views China's activities in Kashmir as a security challenge, and has launched an official protest, declaring CPEC "unacceptable."<sup>165</sup>
- *Insurgency threats:* CPEC will also have projects in the provinces of Khyber Pakhtunkhwa and Balochistan, both of which are plagued by militancy, separatism, and rampant human rights abuse by the military. Pakistan says it will establish a special security division of Pakistani guards to protect Chinese workers there. According to Chinese government scholars who met with the Commission in Beijing, Pakistan will provide a

\*Pakistan's government announced three new highway routes and construction or upgrading of existing railways, as well as a cross-border optical cable project. Board of Investment, Prime Minister's Office Government of Pakistan, *China Pakistan Economic Corridor (CPEC)*, January 13, 2016. <http://boi.gov.pk/ViewNews.aspx?NID=%20892>.



20,000-strong security force, including 10,000 police and 10,000 military troops.<sup>166</sup>

- *Corruption*: Pakistan has a history of awarding projects to those in political favor. Already, the governments of Khyber Pakhtunkhwa and Balochistan have complained that their concerns about CPEC routes and resource allocation were being ignored.<sup>167</sup>
- *Human rights abuses*: Pakistani military forces tasked with protecting CPEC projects in Gilgit-Baltistan and Balochistan reportedly displaced citizens from areas designated for projects, and cracked down on local dissent over CPEC.<sup>168</sup>

Even if CPEC is realized successfully, questions remain about its ability to satisfy China's priorities. For example, in his testimony before the Commission, Daniel S. Markey, adjunct senior fellow for India, Pakistan, and South Asia at the Council on Foreign Relations, expressed reservations about CPEC's ability to help solve China's Malacca Dilemma, noting:

*The terrain through Pakistan and over the Himalayas into western China is some of the most difficult in the world. Pipelines through restive Balochistan can hardly be considered more secure than the maritime tanker trade, and the sheer volume of China's energy demand—projected to double U.S. energy consumption by 2040—could not be slaked by this route, even if China follows through on every penny of the promised investments in Pakistan's port and transit infrastructure.*<sup>169</sup>

More importantly, there is no guarantee that China's investments into Pakistan's economy will address China's fears of growing terrorist and separatist threats on its western periphery.

### **Pakistan, China, and Terrorism**

Some manifestations of extremism, militancy, and terrorism in China have roots in Pakistan. Groups such as the East Turkestan Islamic Movement (ETIM)\* and the Islamic Movement of Uzbekistan have Uyghur membership, are designated terrorist organizations by the United States and the UN, and have been implicated in several terror plots or activities directed at China.†<sup>170</sup> They also have at some time been based in—or received support from groups in—Pakistan.<sup>171</sup>

As far back as the 1990s, China relied on its official contacts in Islamabad to apply pressure on militant Uyghur groups and their sponsors residing in Pakistan. The Pakistani military—and Pakistan's Inter-Services Intelligence (ISI) in particular—was well placed to play this role, given its ties to Pakistan's militant groups:

\*ETIM's organization has at various points in its history been known as, or associated with, the Turkistan Islamic Party, the Turkistan Islamic Movement, and the East Turkestan Islamic Party. The location, leadership, and makeup of these groups have evolved, but in many ways they are one and the same.

†According to the Chinese government, "Incomplete statistics show that from 1990 to 2001, the 'East Turkestan' terrorist forces inside and outside Chinese territory were responsible for over 200 terrorist incidents in Xinjiang." The Chinese government has not updated this figure, nor has the figure been corroborated by other sources. China's Information Office of the State Council, 'East Turkestan' Terrorist Forces Cannot Get Away with Impunity, January 21, 2002.

according to Mr. Small, “The ISI used its influence to dissuade the groups that it sponsored from directing any of their energies towards China. It also facilitated meetings for Chinese officials and intelligence agents to strike deals with whomever they needed to in order to isolate the Uyghur militants from potential supporters among extremist organizations in Pakistan and Afghanistan.”<sup>172</sup> At China’s behest, Pakistani officials would also crack down on Uyghur communities in Pakistan (whether or not there was legitimate evidence of terrorist activities in these communities) and attempt to prevent cross-border flows of militants, their arms, and their propaganda.<sup>173</sup>

More recently, Beijing has not been able to count on Islamabad to contain ETIM and other militant groups targeting China. This has prompted an increasingly frustrated China to publicly implicate Pakistan in ETIM attacks on Chinese soil on several occasions.<sup>174</sup> Moreover, in the latter part of the 2000s, Pakistan was the most dangerous overseas location for Chinese citizens.<sup>175</sup> In times of desperation—such as in 2007 when several Chinese workers were kidnapped in a mosque in Pakistan and authorities in Islamabad seemed unable to extract them—Beijing bypassed diplomatic channels and liaised directly with militant contacts in the hopes of retrieving the hostages, who were later freed.<sup>176</sup>

According to one expert, the inability or unwillingness of Islamabad to eradicate Pakistan-linked terror threats against Chinese targets is leading some Chinese analysts to conclude that the creeping “Islamization” of the Pakistani armed forces (particularly ISI) it has long supported is beginning to undermine China’s strategic interests. In his 2015 book on Sino-Pakistani relations, Mr. Small warns, “Inevitably, as the Pakistani state’s relationship with various militant organizations has fractured, its capacity to persuade them to steer clear of the Uyghurs’ cause has diminished. . . . These groups have been willing to make a specific target of China—especially its economic activities in Pakistan—if it helps to exert pressure on the Pakistani government. They certainly have not been deterred from affording protection to Uyghur militants.”<sup>177</sup> Assessing the links between Pakistan’s security apparatus and its terrorist groups and the implications of this relationship is beyond the scope of this Report. However, Pakistan’s apparent inability to address the seemingly minor challenge of neutralizing dozens of Uyghur militants raises other questions about the professionalism of Pakistan’s military, the security of Pakistan’s sophisticated array of weaponry,<sup>178</sup> and the wisdom of China’s past and continuing work with Pakistan in the nuclear realm.

### ***Afghanistan***

China has slowly expanded its diplomatic and security engagement with Afghanistan in recent years.\* China’s recognition that it must shoulder greater responsibility in shaping Afghanistan’s future is driven by the following factors: First, China seeks to ensure Afghanistan does not provide a safe haven for extremists who might

\*For a summary of China’s diplomatic and security engagement with Afghanistan through 2015, see U.S.-China Economic and Security Review Commission, *2015 Annual Report to Congress*, November 2015, 410–412.

target China.<sup>179</sup> Second, and relatedly, China fears the departure of the International Security Assistance Force from Afghanistan could leave the country in turmoil, potentially negatively impacting the security situations of neighboring countries, including China.<sup>180</sup> Third, Beijing seeks to create opportunities for Chinese companies to operate safely and profitably in Afghanistan; it also wants to spur investment and economic growth in Afghanistan, which it hopes will encourage greater stability and security in the country.\*<sup>181</sup>

The most notable element of China's engagement with Afghanistan in 2016 was its involvement in the Quadrilateral Working Group. After laying the groundwork in 2015, China, the United States, Afghanistan, and Pakistan established the group in 2016 in an effort to start peace talks between the Afghan government and the Taliban,<sup>182</sup> with which China has had longstanding, if unofficial, contact.† The Quadrilateral Working Group met several times in 2016, but so far has failed to convince the Taliban to enter negotiations, and it remains uncertain whether the group will emerge as a serious contributor to the peace and reconciliation process. Other examples of China's small but growing security outreach to Afghanistan include \$70 million in military aid pledged as of early 2016<sup>183</sup> and a proposal for a regional antiterror mechanism with Afghanistan, Pakistan, and Tajikistan—all countries that border Xinjiang. The details of the proposal are not clear, although Afghan President Ashraf Ghani has already endorsed it.<sup>184</sup>

China's concerns about Pakistan's ability and willingness to eliminate ETIM and counter Islamic extremism more generally manifest in Afghanistan as well, where ISI has deep ties with the Taliban and other terrorist groups. One Chinese official has noted, "Pakistan's interests are still central to our Afghanistan policy but we don't see things the same way. ... They're more optimistic about the Taliban than we are, and more optimistic about controlling them. We're not so sure."<sup>185</sup>

### **Implications for the United States**

China's evolving relationship with South Asia, and its growing presence in the Indian Ocean, present an array of potential challenges and opportunities for the United States.

#### ***China-India Rivalry and U.S.-India Cooperation***

Although the United States has had generally positive ties with India over the past several decades, significant ideological differences prevented a close partnership, including India's remaining out-

\* China made initial investments in Afghanistan's natural resource sector, although these have stalled and show no signs of resuming in the near term. Frank Jack Daniel and Mirwais Harooni, "Chinese Demands, Rebels, and Buddhist Ruins Stall Afghan Copper Dream," Reuters, April 11, 2015.

† Before September 11, 2001, Beijing maintained good relations with the Afghan Taliban, offering engagement in exchange for the Taliban's promise that it would not provide cover or assistance to Chinese Uyghurs engaging in militant or extremist activities. Following the September 11 attacks and the start of the U.S. war in Afghanistan, China became more circumspect in its dealings with the Taliban, but it continued to quietly maintain ties. Now that reconciliation between Kabul and the Taliban is a stated priority for the Afghan government, China is reaching out as well, not least of all because it seeks a favorable position in the event the Taliban continues to be a major political player in Afghanistan. Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics*, Oxford University Press, 2015, 128; Andrew Small, "Why Is China Talking to the Taliban?" *Foreign Policy*, June 21, 2013; and U.S.-China Economic and Security Review Commission, *Hearing on China-Europe Relations*, oral testimony of Christina Lin, April 19, 2012.

side the Treaty on the Non-Proliferation of Nuclear Weapons\* and its Cold War legacy of “nonalignment” (i.e., maintaining strategic autonomy).<sup>186</sup> It was not until the George W. Bush Administration that Washington sought significantly enhanced strategic ties with Delhi.<sup>187</sup> In many respects, U.S.-China tensions in the Asia Pacific and Sino-Indian rivalry in South Asia have nurtured a much closer relationship between the United States and India. According to Ashley Tellis, senior associate at the Carnegie Endowment for International Peace, “Indian interests and American interests fundamentally converge with respect to China. ... Obama understands China is really the big game the [United States] has to get right, and I think it’s in that context that the relationship in India is viewed today.”<sup>188</sup>

The United States and India laid out a path of enhanced cooperation during President Barack Obama’s visit to India in January 2015, issuing a “Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region” emphasizing cooperation in economics and security. Although it did not mention China or the OBOR initiative, the statement makes a commitment to accelerate regional economic integration “in a manner that links South, Southeast and Central Asia, including by enhancing energy transmission and encouraging free trade and greater people-to-people linkages.” The two sides affirmed “the importance of safeguarding maritime security and ensuring freedom of navigation and over flight throughout the region, especially in the South China Sea.” The United States also welcomed India’s interest in joining the Asia-Pacific Economic Cooperation forum.<sup>189</sup>

The two countries built on this progress during President Modi’s June 2016 visit to Washington, DC, when they agreed to enhance defense technology sharing (including for aircraft carriers), begin a Maritime Security Dialogue, deepen cooperation on cybersecurity and outer space, and strengthen economic and trade ties, among other areas.<sup>190</sup> The United States named India a “Major Defense Partner” at this time as well, which commits the United States to working toward sharing defense technology with India “commensurate with that of [the United States]’ closest allies and partners” and the eventual provision of “license-free access to a wide range of dual-use technologies” to India.<sup>191</sup> The Obama Administration has repeatedly said India is part of the U.S. Rebalance strategy, and the U.S. defense establishment has increasingly begun to use the term “Indo-Asia-Pacific” in statements and policy documents about the Rebalance and U.S. Asia policy more generally, suggesting U.S. policymakers are taking an increasingly holistic approach to East Asia and South Asia.

The U.S.-India economic relationship has never been particularly strong (in 2014, India accounted for only 1 percent of U.S. exports and 2 percent of U.S. imports).<sup>192</sup> The two countries, however, are taking

\* Because India has not signed the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), it is excluded from the Nuclear Suppliers Group (NSG), which controls international trade in nuclear energy technology. In 2008, India received a special waiver from the NSG, granting it most benefits of membership, but India’s efforts to get full membership have not been successful. In June 2016, India’s most recent bid to join failed, in part due to opposition from several countries—such as Norway, New Zealand, South Africa, Brazil, and China—to granting membership to a nonsignatory of the NPT. India has singled out China as one of the most vocal countries opposing India’s membership, with India’s Foreign Minister Sushma Swaraj stating that China had created “procedural hurdles” by particularly questioning how a non-NPT signatory could become a member. Manu Balachandran, “China Has Foiled India’s Bid to Join the Nuclear Suppliers Group,” *Quartz*, June 24, 2016; *Indian Express*, “Centre Names China as Country Blocking India’s Entry into Nuclear Suppliers Group,” July 21, 2016.

steps to strengthen their trade and investment flows (for example, through the annual U.S.-India Strategic Dialogue, which has been expanded to include a commercial component, and a significant number of other dialogues, including the Trade Policy Forum and the U.S.-India Economic and Financial Partnership).<sup>193</sup> China's economic slowdown is also presenting an opportunity for India to attract U.S. and other foreign companies, since India's growth shows no signs of slowing down (it reportedly grew at 7.6 percent in 2015).<sup>194</sup> Despite these steps, U.S.-India trade faces significant obstacles, including disagreements at the World Trade Organization and India's own domestic economic constraints, including continued dominance of the state, limits on foreign investment, and bureaucratic inefficiency.<sup>195</sup>

Meanwhile, the United States and India have been growing closer on issues related to the global commons. On Prime Minister Modi's second official visit to the United States in June 2016, he announced India's intention to formally join the Paris climate change agreement by the end of 2016—a coup for the Obama Administration, which has championed multilateral action on climate change.\*<sup>196</sup> The two countries also announced several joint initiatives to finance clean energy development, including a \$20 million U.S.-India Clean Energy Finance initiative and a \$40 million U.S.-India Catalytic Solar Finance Program.<sup>197</sup>

As China's influence and assertiveness in East Asia has grown in recent years, there has been much speculation over whether India would become part of a formal or informal coalition of countries that could cooperate in deterring the more destabilizing aspects of China's rise (namely, China's behavior in the South China Sea).<sup>198</sup> U.S.-India naval cooperation has expanded in recent years, particularly under Prime Minister Modi, and in March 2016, Commander of the U.S. Pacific Command Admiral Harry Harris proposed reestablishing the U.S.-India-Australia-Japan Quadrilateral Security Dialogue to “[support] the international rules-based order” in the region.<sup>199</sup> Whether India will be receptive to this is unclear. Earlier efforts to institutionalize such a quadrilateral failed, and while India's growing concerns about China's rise will continue to drive expanding U.S.-India defense ties, Delhi's nonalignment proclivities may preclude it from overtly challenging China (for example, by joining the U.S. Navy in a freedom of navigation operation in the South China Sea) in the near future.<sup>200</sup> On the economic front, in a subtle counterpoint to China's OBOR, the U.S.-India-Japan Trilateral Ministerial dialogue promotes regional economic linkages, identifying “collaborative efforts that can help strengthen regional connectivity, including between South and Southeast Asia.”<sup>201</sup>

#### **Facets of U.S.-India Defense Relations**

The U.S.-India defense relationship is “one of the biggest, fastest moving defense relationships in the world, period,” according to Frank Wisner, U.S. ambassador to India during the Bill Clinton Administration.<sup>202</sup> U.S.-India defense ties came to the forefront of the bilateral relationship in 2005, when the two countries signed

\*India ratified the Paris climate change agreement on October 2, 2016. *Hindu* (India), “Paris Climate Pact to Enter into Force on Nov. 4,” October 6, 2016.

### Facets of U.S.-India Defense Relations—Continued

their first formal defense agreement.\* That ten-year agreement was renewed and expanded with another ten-year agreement in 2015.<sup>203</sup> As noted earlier, in 2016, the United States formally recognized India as a “Major Defense Partner.”<sup>204</sup> The following are some of the most notable areas of U.S.-India defense cooperation:

- *Military Exchanges and Exercises:* Bilateral and multilateral military exercises between the two countries have expanded in number and scope since the first U.S.-India military exercise in 1992;<sup>205</sup> today, India conducts more annual military exercises with the United States than it does with any other country.<sup>206</sup> Malabar, the flagship U.S.-India naval exercise that Japan permanently joined in 2015 after sporadic participation since 2007,<sup>†</sup> occurs annually and takes place alternately in the Indian Ocean and the Western Pacific. It aims to enhance interoperability and features complex surface, undersea, and air operations.<sup>207</sup> In addition to Malabar, the U.S. and Indian militaries conduct five major exercises annually, as well as dozens of defense exchanges.<sup>208</sup>
- *Defense Cooperation Agreements:* In August 2016, the United States and India signed a long-awaited Logistics Exchange Memorandum of Agreement, which will enable (but not obligate) the two countries’ militaries to use each other’s facilities for military logistics support. According to U.S. Secretary of Defense Ashton Carter, the agreement will “make the logistics of joint operations so much easier and so much more efficient.”<sup>209</sup> Pending agreements include the Communication and Information Security Memorandum of Agreement, which would enable India to use the United States’ proprietary encrypted communications system, allowing commanders from both militaries to communicate securely;<sup>210</sup> and a Basic Exchange and Cooperation Agreement for Geospatial Cooperation, which would enhance bilateral geospatial intelligence sharing.<sup>‡</sup><sup>211</sup>
- *Defense Technology Trade:* U.S.-India defense technology trade has grown significantly in recent years, although Russia remains India’s primary arms supplier.<sup>212</sup> In 2012, the two countries established the Defense Technology and Trade Initiative, which seeks to strengthen India’s indigenous defense industry, expand coproduction and codevelopment of

\*Among other things, the 2005 agreement sought to enhance cooperation in the following areas: military exercises and exchanges, counterterrorism, counterproliferation, defense trade, defense science and technology exchanges, missile defense, disaster relief, and intelligence exchanges. It also created several mechanisms to coordinate efforts in these new areas of cooperation. U.S. Department of Defense, *Framework for the U.S.-India Defense Relationship*, June 28, 2005.

†In 2007, Malabar was expanded to include other militaries for the first time, with Australia, Japan, and Singapore participating in addition to the United States and India. China lodged a formal protest in response to the exercise, and India has since been careful to avoid multilateral exercises with several East Asian countries that exclude China. S. Amer Latif and Karl F. Inderfurth, “U.S.-India Military Engagement: Steady as They Go,” *Center for Strategic and International Studies*, December 2012, 24.

‡The United States and India also share a General Security of Military Information Agreement, which provides security measures for the protection of classified military information; it was signed in 2002. U.S. Department of State, *2002 Treaty Actions (July 2003 Update)*. <http://www.state.gov/s/ll/treaty/13897.htm#1>.

### **Facets of U.S.-India Defense Relations—Continued**

defense technologies, and overcome bureaucratic obstacles to defense transfers between the United States and India.<sup>213</sup> Since 2010, the United States has also sold or licensed (or plans to sell) several military systems and components to India, including P-8I Poseidon antisubmarine aircraft, C-130 Hercules and C-17 Globemaster transport aircraft, Apache combat helicopters, CH-47F Chinook transport helicopters, aircraft engines, and munitions.<sup>214</sup>

Although the bilateral defense relationship has achieved notable accomplishments recently, U.S. defense planners often find cooperation materializes slowly, with the United States warming to defense cooperation much more quickly than India. India's reluctance is due to several factors, including its lethargic defense bureaucracy, its nonalignment legacy and the principle of "strategic autonomy,"\* and its distrust over the United States' continued military cooperation with Pakistan.<sup>215</sup>

China is highly sensitive to U.S.-India defense cooperation, perceiving it as an effort to counter China's rise. As U.S.-India security cooperation advances, China almost certainly will view it with suspicion. As a result of this and other factors (such as India's instinctive aversion to alliance-like arrangements due to its history of nonalignment), Delhi likely will go to some lengths to avoid unnecessarily stoking tensions with Beijing. To this end, pursuing region-centric, rather than U.S.-centric, security cooperation is likely to be India's primary line of effort. India, in particular under Prime Minister Modi, has expanded high-level engagement with many countries in China's periphery with whom the United States has alliances (such as Australia, Japan, and South Korea) or growing partnerships (such as Vietnam).<sup>216</sup>

### **Indian Ocean Security**

China's unorthodox and destabilizing approach to advancing its maritime interests in its near seas—which has been criticized by the United States and others—raise questions about how China will pursue its objectives in the Indian Ocean, where the United States and others have an interest in upholding freedom of navigation.

Aside from the now-marginal threat of piracy and the potential for natural disasters and accidents, the Indian Ocean currently is a zone of relative peace and stability. This is due in large part to the fact that India and the United States have been the primary and uncontested maritime security providers in the region.

### **The Future of Tibet**

On the question of Tibet, the United States has taken a nuanced approach. The U.S. government officially recognizes Tibet as part

\*According to Dr. Brewster, "One of the biggest challenges in developing a [U.S.-India] security relationship is India's attachment to 'strategic autonomy'—the idea that India should never need to rely upon other countries." David Brewster, "PacNet #70: The Challenges of Building an Australia-India-US Partnership in the Indo-Pacific," *Center for Strategic and International Studies*, September 13, 2016.

of China, but has advocated for the protection of human rights, religious freedom, and the cultural and linguistic identity of the Tibetan people.<sup>217</sup> U.S. policy toward Tibet is guided primarily by the Tibetan Policy Act of 2002, which established the position of Special Coordinator for Tibetan Issues within the Department of State, and lists the Coordinator's "central objective" as promoting "substantive dialogue between the Government of the People's Republic of China and the Dalai Lama or his representatives."<sup>218</sup> With the Dalai Lama advancing in years, observers are increasingly speculating about the fate of Tibet after his death. As discussed earlier, the Chinese government has made it known that the authority of managing the Dalai Lama's succession lies with the central government—not with the current Dalai Lama, Tibetan people, or the Tibetan Buddhist religious establishment. The U.S. government has been critical of the Chinese government's position. In a June 2015 speech, Sarah Sewall, the United States Special Coordinator for Tibetan Issues, noted that "the basic and universally recognized right of religious freedom demands that any decision on the next Dalai Lama must be reserved to the current Dalai Lama, Tibetan Buddhist leaders, and the Tibetan people."<sup>219</sup> As a practical matter, however, the U.S. government has not made it known how it would respond if, following the death of the current Dalai Lama, the Chinese government chose to interfere in the process.

### ***The U.S.-China-Pakistan Nexus***

Pakistan holds the unique position of being a "major non-NATO ally" of the United States while also being China's closest partner. This presents both opportunities and challenges for the United States. Regarding the former, Pakistan presents opportunities for U.S.-China and U.S.-China-Pakistan cooperation on counterterrorism, both in Pakistan and in Afghanistan. The ongoing Quadrilateral Cooperation Group talks on Afghanistan's future are a potentially promising example of this kind of cooperation. However, Pakistan has also shared sophisticated U.S. defense technology with China, as in the cases of the downed U.S. stealth helicopter in Abbottabad and the transfer of an unexploded Tomahawk missile from the battlefield in Afghanistan to China via Pakistan. Pakistan also has a history of exploiting U.S.-China tensions or competition to its advantage, a situation that could intensify as the region becomes more strategically important and U.S.-China competition for influence increases. Moreover, India is deeply skeptical about U.S.-Pakistan cooperation, and views U.S. military support for Pakistan as strengthening Pakistan's capability to harm India's security.<sup>220</sup>

### **Conclusions**

- China's key interests, concerns, and objectives in South Asia fall into four broad categories: (1) checking India's rise by exploiting the India-Pakistan rivalry, (2) expanding economic activity and influence in the region, (3) enhancing access to the Indian Ocean, and (4) countering terrorism and religious extremism. China's engagement in South Asia serves to expand its influence in the region and on the global stage.



- By virtue of its size, location, and historical and cultural influence, India has been the traditional regional power in South Asia. China, on the other hand, has forged a strong relationship with Pakistan since the 1960s, but otherwise has been a minor player in the region. Over the past decade, however, China's economic engagement (including trade, loans, and investment) with South Asia has expanded dramatically, challenging India's position. China has also been investing in infrastructure in the region, particularly ports in the Indian Ocean littoral states. South Asian countries take advantage of the Sino-Indian competition for influence in the region by playing the two countries against one another.
- Although China and India have begun to cooperate on issues of mutual interest, including Afghanistan and global economic integration, mutual suspicions undermine deeper engagement. Tensions in the relationship are driven by China's close relations with Pakistan, China's growing regional presence, the border dispute, and Tibet. To a lesser extent, tensions are aggravated by competition in the Indian Ocean and economic imbalances. Many of these trends have led Indians to perceive China is pursuing a strategy to encircle or contain India.
- In response to China's expanding activities in South Asia, India appears to have moved away from its traditional strategy of nonalignment toward more proactive engagement with its neighbors and countries in broader Asia, as well as the United States. Indian Prime Minister Narendra Modi's "Act East" and "Neighborhood First" policy initiatives, which include diplomatic, security, and economic components, are part of this effort.
- China's security concerns in South Asia historically have centered on its desire to enable Pakistan to thwart India's rise as a challenger to China's dominance in broader Asia. While this remains the most important determinant of Chinese security support to Pakistan, the rise of terrorism as a major perceived threat to China's security may be prompting a shift in this calculus as Beijing grows more concerned about Pakistan's complicated relationship with terrorist groups.
- Although China's relationship with Pakistan continues to be primarily based on shared security concerns, it has recently expanded to encompass economic and diplomatic components. China's economic commitment to Pakistan got a boost with the launch of the China-Pakistan Economic Corridor (CPEC), a \$46 billion infrastructure investment plan under the One Belt, One Road umbrella. For China, the goals of CPEC are threefold: (1) to create an alternative trade route through Pakistan and gain access to ports on the Arabian Sea; (2) to contain Islamic terrorism and insurgency in Xinjiang, and in Pakistan and Afghanistan through economic development; and (3) to stabilize Pakistan's economic and security environment. For Pakistan, CPEC presents an opportunity to address major infrastructure shortfalls, particularly energy shortages.

- Recent U.S.-China tensions in the Asia Pacific and Sino-Indian rivalry in South Asia have nurtured a much closer relationship between the United States and India. In 2015, the United States and India issued a “Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region,” emphasizing cooperation in economics and security. The relationship was further enhanced during Prime Minister Modi’s visit to Washington, DC, in 2016, which culminated in extensive agreements to enhance defense technology sharing, begin a Maritime Security Dialogue, deepen cooperation on cybersecurity and outer space, and strengthen economic and trade ties. This, in turn, has led China to perceive that the United States and India are seeking to counter China’s influence in the region.
- Despite these agreements, U.S.-India cooperation in the economic, diplomatic and security realms is expected to develop slowly due to India’s adherence to the principle of “strategic autonomy,” or the idea that India should not rely on other countries.

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