

CHINA–SOUTH ASIA RELATIONS

HEARING

BEFORE THE

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

**ONE HUNDRED FOURTEENTH CONGRESS
SECOND SESSION**

THURSDAY, MARCH 10, 2016

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UNITED STATES-CHINA ECONOMIC AND SECURITY REVIEW
COMMISSION

WASHINGTON: 2016

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The Commission was created on October 30, 2000 by the Floyd D. Spence National Defense Authorization Act for 2001 § 1238, Public Law No. 106-398, 114 STAT. 1654A-334 (2000) (codified at 22 U.S.C. § 7002 (2001), as amended by the Treasury and General Government Appropriations Act for 2002 § 645 (regarding employment status of staff) & § 648 (regarding changing annual report due date from March to June), Public Law No. 107-67, 115 STAT. 514 (Nov. 12, 2001); as amended by Division P of the “Consolidated Appropriations Resolution, 2003,” Pub L. No. 108-7 (Feb. 20, 2003) (regarding Commission name change, terms of Commissioners, and responsibilities of the Commission); as amended by Public Law No. 109-108 (H.R. 2862) (Nov. 22, 2005) (regarding responsibilities of Commission and applicability of FACA); as amended by Division J of the “Consolidated Appropriations Act, 2008,” Public Law No. 110-161 (December 26, 2007) (regarding responsibilities of the Commission, and changing the Annual Report due date from June to December); as amended by the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015, P.L. 113-291 (December 19, 2014) (regarding responsibilities of the Commission).

The Commission’s full charter is available at www.uscc.gov.

April 21, 2016

The Honorable Orrin Hatch
President Pro Tempore of the Senate, Washington, D.C. 20510
The Honorable Paul Ryan
Speaker of the House of Representatives, Washington, D.C. 20515

DEAR SENATOR HATCH AND SPEAKER RYAN:

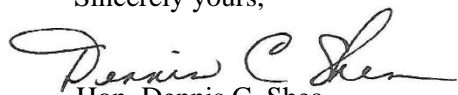
We are pleased to notify you of the Commission's March 10, 2016 public hearing on "China-South Asia Relations." The Floyd D. Spence National Defense Authorization Act (amended by Pub. L. No. 113-291) provides the basis for this hearing.

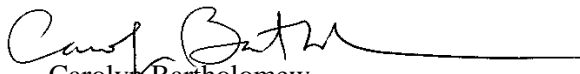
At the hearing, Commissioners received testimony from the following witnesses: Ms. Lisa Curtis, Senior Research Fellow, Heritage Foundation; Ambassador James F. Moriarty, Senior Advisor for South Asia, BowerGroupAsia; Dr. David Brewster, Senior Research Fellow, National Security College, Australian National University; Mr. Jeff M. Smith, Director, Asian Security Programs, and Kraemer Strategy Fellow, American Foreign Policy Council; Dr. Tanvi Madan, Director, The India Project, and Fellow, Foreign Policy, The Brookings Institution; Dr. Deepa M. Ollapally, Research Professor of International Affairs, and Associate Director, Sigur Center for Asian Studies, Elliott School of International Affairs, George Washington University; Mr. Andrew Small, Transatlantic Fellow, German Marshall Fund of the United States; Dr. Daniel S. Markey, Senior Research Professor in International Relations and Academic Director, Global Policy Program, Johns Hopkins University School of Advanced International Studies and Adjunct Senior Fellow for India, Pakistan, and South Asia, Council on Foreign Relations; and Ms. Shamila Chaudhary, Senior South Asia Fellow, New America; Senior Advisor, Johns Hopkins University School of Advanced International Studies. This hearing explored the economic, geopolitical, and security elements of China's South Asia strategy, and examined in detail China's relations with India and Pakistan in particular. In addition, the hearing assessed how China's evolving engagement in the region impacts U.S. interests.

We note that prepared statements for the hearing, the hearing transcript, and supporting documents submitted by the witnesses are available on the Commission's website at www.USCC.gov. Members and the staff of the Commission are available to provide more detailed briefings. We hope these materials will be helpful to the Congress as it continues its assessment of U.S.-China relations and their impact on U.S. security.

The Commission will examine in greater depth these issues, and the other issues enumerated in its statutory mandate, in its 2016 Annual Report that will be submitted to Congress in November 2016. Should you have any questions regarding this hearing or any other issue related to China, please do not hesitate to have your staff contact our Congressional Liaison, Anthony DeMarino, at (202) 624-1496 or via email at ADeMarino@uscc.gov.

Sincerely yours,


Hon. Dennis C. Shea
Chairman


Carolyn Bartholomew
Vice Chairman

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CHINA–SOUTH ASIA RELATIONS

THURSDAY, MARCH 10, 2016

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

Washington, D.C.

The Commission met in Room 2325 of Rayburn House Office Building, Washington, DC 9:00 a.m. Commissioners Dennis Shea and Commissioner Katherine Tobin, Ph.D. (Hearing Co-Chairs), presiding.

OPENING STATEMENT OF COMMISSIONER KATHERINE TOBIN HEARING CO-CHAIR

HEARING CO-CHAIR TOBIN: Good morning and welcome to the third hearing of the U.S.-China Economic and Security Review Commission's 2016 Annual Report cycle. I want to thank you for joining us today.

Today's hearing will consider the drivers of China's engagement with South Asia, its impacts on regional economic security and stability, and its implications for U.S. policy objectives in the region. This hearing continues the Commission's examination of China's "One Belt, One Road" initiative, which we started last year with hearings and fact-finding trips to Central and Southeast Asia.

This year's focus on South Asia comes at an important time. Last week at the Raisina Dialogue in New Delhi, U.S. Pacific Commander Admiral Harry Harris gave an important speech, calling for the United States and India to forge a "defining partnership" in the greater Indo-Asia-Pacific Region. As Admiral Harris said, "Considering the \$5.3 trillion in trade that traverses each year from the Indian Ocean and through the South China Sea, we all have a vested interest in ensuring the entire region remain secure, stable and prosperous."

China is certainly aware of the region's importance, and its footprint in South Asia is growing, including through trade, infrastructure investment, and security cooperation. For India, the traditional power in South Asia, these developments pose a thorny dilemma. On the one hand, it considers China a strategic rival for influence in the region. On the other hand, China is now India's largest trading partner in goods.

China's close ties with Pakistan also raise tension on the subcontinent. The China-Pakistan relationship has always been strategic in nature, driven by their mutual rivalry with India. However, China's other priorities, including combating religious extremism in its western regions and establishing overland access to the Indian Ocean, have added an economic dimension to this partnership.

To help us better understand the complexities of China's engagement in South Asia and the region's response, we are joined today by distinguished experts and long-time observers of South Asia. We look forward to hearing from each of you, but before I turn the floor over to my co-chair for this hearing, Chairman Dennis Shea, I would like to thank Chairman Lamar Smith and the staff of the House Committee on Science, Space and Technology

for securing this room for us today, and also Chairman Shea and I want to recognize the excellent planning carried out by Caitlin Campbell, our Senior Policy Analyst for Security and Foreign Affairs, and Nargiza Salidjanova, Senior Policy Analyst for Economics and Trade.

Together they worked closely with the Chairman, myself, and our nine witnesses to make today's hearing possible so special thanks to both of you.

Mr. Chairman.

**PREPARED STATEMENT OF COMMISSIONER KATHERINE TOBIN
HEARING CO-CHAIR**

Hearing on “China-South Asia Relations”

**Opening Statement of Commissioner Katherine Tobin, Ph.D.
March 10, 2016
Washington, DC**

Good morning, and welcome to the third hearing of the U.S.-China Economic and Security Review Commission’s 2016 Annual Report cycle. I want to thank you all for joining us today.

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**OPENING STATEMENT OF COMMISSIONER DENNIS SHEA
HEARING CO-CHAIR**

CHAIRMAN SHEA: Sure. Well, thank you, Commissioner Tobin, and welcome to our panelists and guests.

As many of you know, the drivers of China's interests in South Asia extend back for several decades. The China-India border conflict has been an irritant in the bilateral relationship since the 1950s, as have Tibet and the Dalai Lama's residence in India. This, in turn, gave rise to China's close relationship with Pakistan, which continues today.

A more recently developed facet of China's engagement with South Asia has been its military presence in the Indian Ocean, the maritime thoroughfare through which the majority of China's trade is shipped. As China's military modernization program, and its naval program in particular, begin to bear fruit, we have observed the People's Liberation Army increasing its presence in the Indian Ocean. This began in late 2008 with China's first antipiracy patrol in the Gulf of Aden where the Chinese navy continues to maintain a near-continuous presence.

Since 2013, China has sent at least four submarine patrols to the Indian Ocean, and in 2014, the PLA Navy completed its first combat readiness patrol in the Indian Ocean.

Most recently, China announced it would establish its first overseas military facility in Djibouti in the northwest Indian Ocean.

These developments highlight the PLA's expanding expeditionary capabilities, something the Commission explored in its January hearing, and point to the development of a truly global PLA. They also raise questions about whether the Indian Ocean will become an area of competition or cooperation among the many stakeholders operating there, including the U.S. Navy.

Today, we look forward to exploring these issues and hope to find creative ways the United States can encourage and work with China to play a positive role in South Asia.

As a reminder, the testimonies and transcript for today's hearing will be posted on our website, www.uscc.gov. You'll find a number of other resources there, including our Annual Reports, staff papers, and links to important news stories about China and U.S.-China relations. And please mark your calendars for the Commission's next hearing, "Assessing the U.S. Rebalance to Asia," which will take place on March 31.

**PREPARED STATEMENT OF COMMISSIONER DENNIS SHEA
HEARING CO-CHAIR**

Hearing on “China-South Asia Relations”

**Opening Statement of Chairman Dennis Shea
March 10, 2016
Washington, DC**

Thank you, Commissioner Tobin, and welcome to our panelists and guests.

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PANEL I INTRODUCTION BY COMMISSIONER DENNIS SHEA

CHAIRMAN SHEA: With that, I'd like to introduce our first panel today, entitled "China's South Asia Strategy: Drivers, Reactions, and Implications." The panel will explore China's interests and objectives in South Asia; how countries in the region perceive Asia--perceive China--excuse me; and what China-South Asia relations mean for U.S. interests.

First, we'll hear from Lisa Curtis. Ms. Curtis is a Senior Research Fellow on South Asia at the Heritage Foundation, where she focuses on U.S. national security interests and geopolitics in the region. Her research has centered on the U.S.-India strategic and defense partnership, U.S. counterterrorism policies in Afghanistan and Pakistan, and trends in Islamist extremism and religious freedom throughout the region.

Before joining Heritage, Ms. Curtis spent 16 years working for the U.S. government on South Asian issues, including as a member of the professional staff of the Senate Foreign Relations Committee, where she was in charge of the South Asia portfolio for the chairman at the time, Senator Richard Lugar, and I remember, remember those days well.

Next, we have Ambassador James F. Moriarty, who served as U.S. Ambassador to Bangladesh and Nepal, as Special Assistant to the President, and Senior Director for Asia at the National Security Council, and as the head of the political section at the U.S. Embassy in Beijing and at the American Institute in Taiwan. I think you're an expert on this subject.

He worked in either Beijing or Taipei for a total of ten years and is fluent in Chinese. Since retiring from 36 years as a U.S. diplomat, Ambassador Moriarty has worked with BowerGroupAsia, a leading U.S. business consultancy, and has continued to do government-related consulting on China.

Finally, we have David Brewster, who traveled quite a way to be here with us today. He's one of Australia's leading analysts on Indian Ocean affairs. Dr. Brewster is a Senior Research Fellow at Australian National University's National Security College as well as a Distinguished Research Fellow with the Australia India Institute at the University of Melbourne, and a Fellow with the Royal Australian Navy Sea Power Centre.

He has authored several reports and books on India's strategic role in the Asia Pacific; Sino-Indian competition and cooperation in the Indian Ocean; and India-Australia security and defense ties.

As you know, please keep your remarks to seven minutes. We're not bashful about asking questions, but we don't have a hook so we won't be too severe here. But Ms. Curtis, we'll begin with you. Thank you.

**OPENING STATEMENT OF MS. LISA CURTIS
SENIOR RESEARCH FELLOW, HERITAGE FOUNDATION**

MS. CURTIS: Thank you.

Chairman Shea, Commissioner Tobin, ladies and gentlemen, thank you for inviting me to testify today.

China's interests in South Asia are essentially threefold. First, China seeks to promote stability and security in both Afghanistan and Pakistan in order to curb the influence of Islamist extremists and prevent them from spreading their influence to western China.

Second, China wants to enhance relations with the other nations of South Asia, including Nepal, Bangladesh, Sri Lanka, and the Maldives, as part of a broader diplomatic effort to extend its influence, but also to access trade and energy corridors through the region to Europe and the Middle East.

Third, China seeks to build strategic and military ties with Pakistan in order to contain Indian power and to prevent India from extending its influence outward and essentially prevent it from focusing its attention and military resources towards China.

So China's recent interest in increasing its diplomatic activities in Afghanistan is certainly welcome and it constitutes a rare opportunity for Beijing and Washington to cooperate toward a common security goal. China along with Afghanistan, the U.S. and Pakistan have created a Quadrilateral Coordination Group, or a QCG, aimed at facilitating reconciliation talks between the Afghan government and the Taliban insurgents, and they've already held four meetings since the beginning of the year.

And as I mentioned, while China's interest in facilitating peace in Afghanistan stems in part from accessing the country as a gateway to central Asia, really its primary interest is driven by the desire to prevent conflict from spilling over from Afghanistan to western China.

Still, it's unclear how China is going to square its desire for greater stability in Afghanistan with its interest in promoting Pakistan's military which partly directs its efforts toward supporting Taliban insurgents in Afghanistan.

China continues to focus more attention on building Pakistan up strategically and militarily than it does on convincing Pakistan to crack down on terrorist groups that are causing instability in the region.

China's pledge last April to invest 46 billion in transport and energy projects as part of the China-Pakistan Economic Corridor, or CPEC, has strengthened Beijing's strategic commitment to Islamabad. Some observers view the CPEC initiative as a direct response to the U.S.-Asia pivot strategy and China's way of showing that it will extend its power and influence westward as the U.S. does so eastward.

Other South Asian nations, Sri Lanka, Bangladesh, Nepal, for example, view good ties with China as a way to serve as a counterweight to Indian dominance in the region. And while the U.S. seeks to leverage its engagement and aid in these South Asian nations for greater human rights and democracy, Chinese assistance comes with no strings attached.

For instance, China provided substantial military aid to the Sri Lankan government in the final years of the civil war with the LTTE at a time when the U.S. and India were curtailing their military supplies because of human rights concerns. Sri Lanka's willingness to allow a Chinese submarine to dock twice at Colombo port in late 2014 alarmed Indian officials.

Sri Lanka has since toned down its relation with China following the defeat of the

Rajapakse regime in January 2015, and the new President Sirisena has said that Colombo will balance its approach between India and China.

Another aspect of China's South Asia strategy is to increase its presence in the Indian Ocean region to help it secure energy and trade access. The concept of a Chinese "string of pearls," a phrase that was introduced in 2004 in a Booz Allen study, refers to the Chinese development of a network of naval facilities and access points along the Indian Ocean littoral.

While these Chinese commercial investments so far don't pose a direct military threat to India, they reflect China's growing interest in this region.

The Indian government has responded to China increasing its presence in the IOR and has been more forward-leaning in working with Washington, particularly on maritime issues. This was evident in the signing of the January 2015 Joint Strategic Vision for the Asia-Pacific and Indian Ocean, which was signed by President Obama and Prime Minister Modi. This statement was significant because it talked about the U.S. and India cooperating to ensure freedom of navigation and overflight, specifically in the South China Sea, a clear signal that the U.S. and India would work together to curb China's maritime ambitions.

So moving forward, as far as U.S. policy goes, I think the U.S. should be proactive and plan for the likelihood that China will continue to open avenues of naval access in the Indian Ocean region and eventually use these points of access for potential military objectives.

The U.S. should focus on building Indian naval capabilities and expanding India's access to advanced technology so that India can maintain its edge in dominating the IOR.

With regard to Afghanistan, the U.S. should continue to work closely with China to try to bring a peaceful solution to the conflict, but the U.S. also must convince China to press Pakistan to crack down on Taliban elements on its side of the border.

The U.S. should also work to convince China that overcoming the Islamist extremist threat in the region will require Pakistan to give up its reliance on terrorists that attack India. China can show its commitment in this regard by banning Pakistani terrorist organizations and individuals within the U.N. Security Council, something it has not been doing lately.

Lastly, the U.S. should support the CPEC, the China-Pakistan Economic Corridor. The U.S. can help evaluate the progress of the CPEC and encourage U.S. companies to support those projects that are both economically feasible and that will contribute to economic development in Pakistan as well as regional economic integration.

Thank you.

**PREPARED STATEMENT OF MS. LISA CURTIS
SENIOR RESEARCH FELLOW, HERITAGE FOUNDATION**

“China’s South Asia Strategy”

**Testimony before
The U.S.-China Economic and Security Review Commission**

March 10, 2016

Lisa Curtis

Senior Research Fellow

The Heritage Foundation

My name is Lisa Curtis. I am Senior Research Fellow at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

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Members of The Heritage Foundation staff testify as individuals discussing their own independent research. The views expressed are their own and do not reflect an institutional position for The Heritage Foundation or its board of trustees.

Introduction

China's major interests in South Asia include promoting stability in both Afghanistan and Pakistan in order to curb the influence of Islamist extremists, and to facilitate trade and energy corridors throughout the region that China can access. China also is focused on enhancing its influence with other South Asian states, including Bangladesh, Nepal, Sri Lanka, and the Maldives, to further help it secure energy and trade flows from the Middle East and Europe, and as part of a global effort to extend its diplomatic and economic influence. Furthermore, China seeks to contain Indian power by building close ties with Pakistan and bolstering Islamabad's strategic and military strength. China likely assesses that, by tilting toward Pakistan, it can keep India tied down in South Asia and divert its military force and strategic capabilities away from China.

China has recently demonstrated willingness to play a more active economic and diplomatic role in efforts aimed at stabilizing Afghanistan. Washington welcomes Beijing's increased involvement in Afghanistan and views efforts such as the establishment of the Quadrilateral Coordination Group (made up of U.S., Afghan, Chinese, and Pakistani officials) as a rare opportunity for Washington and Beijing to work together toward a common security goal.

Still, it is unclear how China will square its desire for greater stability in Afghanistan with its goal of building Pakistan's military capabilities, part of which are directed toward supporting Taliban insurgents that are fighting Afghan security forces. I testified before this commission in May 2009 that China's security concerns about Pakistan could eventually move the Chinese in the direction of working more closely with the international community to press Pakistan to crack down on terrorist groups operating from its soil. I had cited as one example Beijing's refusal in 2008 to offer Islamabad a large-scale bailout from its economic crisis, thus forcing Islamabad to accept an IMF program with stringent conditions. I also noted that in December 2008 Beijing agreed to support efforts within the UN Security Council to ban a Pakistan-based terrorist organization associated with the 2008 Mumbai attacks.

Seven years later, however, China continues to focus more attention on shoring up Pakistan's military and strategic position in the region than it does on convincing Pakistan to crack down on terrorist groups that stoke regional conflict. Last June, for example, China blocked action at the UN Security Council to question the circumstances of Pakistan's release from jail of Mumbai attack mastermind Zakiur Rehman Lakhvi. China also has stepped up the scope and pace of its civilian nuclear cooperation with Pakistan, despite questions about the legality of such assistance, given Pakistan's status as a non-signatory of the Nuclear Nonproliferation Treaty (NPT). In short, China remains unwilling to directly pressure Pakistan to crack down on terrorists that contribute to regional instability, even as Beijing has suggested that future economic investments will hinge on the level of overall stability and security within the country.

India–China economic relations have expanded in recent years, but India remains wary of Chinese overtures to its neighbors and efforts to expand China's maritime presence in the Indian Ocean Region (IOR). Unresolved border disputes continue to bedevil relations, and there have been border flare-ups that raised bilateral tensions on at least two occasions in the last three years.

China Takes More Active Role in Afghanistan

Coinciding with the drawdown of U.S. and NATO forces from Afghanistan, China has taken a more active role in international diplomatic efforts aimed at stabilizing the country. In October 2014, China hosted the fourth Foreign Ministerial Conference of the Istanbul Process on Afghanistan in Beijing. In that same month, Afghan President Ashraf Ghani made his first foreign visit, after assuming power, to China. During the visit, Chinese President Xi Jinping agreed to deepen cooperation with Afghanistan and committed more than \$320 million worth of aid over a four-year period. Beijing further pledged to train 3,000 Afghan personnel in various fields over a five-year period and offered scholarships for 500 Afghan students.¹ While these aid pledges demonstrate growing Chinese commitment to Afghanistan's future, they pale in comparison to what has been contributed by other countries, such as the U.S., the UK, Japan, Canada, and India.

In a departure from its traditional hands-off approach to other country's internal conflicts, Beijing also has become more active in trying to facilitate a peace process between the Afghan government and Taliban insurgents. Last May, China hosted low-key peace talks between Afghan officials and Taliban leaders in Urumqi, the capital of the western province of Xinjiang. China did not officially acknowledge that the talks occurred, but a Chinese academic said that Beijing had provided neutral ground for the two sides to talk in a bid to bring stability to the war-torn country.²

More recently, China has agreed to join the U.S., Pakistan, and Afghanistan as part of the Quadrilateral Coordination Group (QCG) to facilitate peace and reconciliation in Afghanistan. The first meeting of the QCG was held on January 11 in Islamabad, where the participants highlighted the need for direct talks between the Afghan government and the Taliban, while also committing to preserving Afghanistan's unity, sovereignty, and territorial integrity.³ The QCG held three additional meetings on January 18, February 6, and February 23 in Kabul and called for peace talks to begin the first week of March (although no such talks had begun as of the writing of this testimony). It is noteworthy that China is willing to be part of the U.S.-supported QCG peace effort. In the past, China avoided any association with U.S. policies in the region, fearing that doing so would land them in the cross-hairs of Islamist extremists.

While China's interest in facilitating peace in Afghanistan stems in part from its desire to access the country as a gateway to Central Asia and Europe, it is primarily driven by its desire to prevent conflict from spilling over into western China in the Xinjiang Autonomous Region.⁴ According to Wang Xu, Assistant Director of the Center for South Asian Studies, Peking University, "instability of Afghanistan... would bring negative impacts to the security situation in

¹ Huang Baifu, Vice Chairman of China Institute for International Strategic Studies, "Step up Strategic Communication and Work Concertedly to Deliver Lasting Peace and Stability in Afghanistan," *A Collection of Papers for the International Symposium on Afghanistan and Regional Security*, December 10–11, 2014, Beijing, China, p. 80.

²Edward Wong and Mujib Mashal, "Taliban and Afghan Peace Officials Have Secret Talks in China," *The New York Times*, May 25, 2015, at <http://www.nytimes.com/2015/05/26/world/asia/taliban-and-afghan-peace-officials-have-secret-talks-in-china.html>.

³ Joint Press Release of the Quadrilateral Coordination Group on Afghan Peace and Reconciliation, *Media Note*, Office of the U.S. State Department Spokesperson, Washington, DC, January 11, 2016, at <http://www.state.gov/r/pa/prs/ps/2016/01/251105.htm>.

⁴ Zhou Gang, "Trend of Situation in Afghanistan and China's Afghan Policy," *A Collection of Papers for the International Symposium on Afghanistan and Regional Security*, December 10–11, 2014, Beijing, China, p. 103.

(the) west part of China.”⁵ Chinese officials worry that the Uighurs, a Turkic-speaking Muslim ethnic group that resides primarily in the Xinjiang region, are being influenced by radical Islamists outside China, and that this is motivating them to carry out attacks inside the country.⁶

China hopes that, eventually, long-term stability in Afghanistan will allow it to build railways, roads, electricity, and water projects in the country as part of its Silk Road Economic Belt. China has already become a major investor in Afghanistan, through projects like the Mes Aynak copper mine—a \$3.5 billion project in Logar province run by a Chinese state-owned enterprise—the largest direct foreign investment in Afghanistan’s history. However, the Chinese project has been stalled due to ongoing security threats and inadequate infrastructure and transportation routes, and only a small portion of the total project cost has so far been invested. As one observer recently noted, “China’s economic incentives for helping with the peace process are secondary to trying to establish stability... How are you going to invest in, excavate and ship out all that copper if the war has never stopped?”⁷

While China’s interest in promoting stability in Afghanistan has been welcomed in the U.S., there are questions about the degree to which Beijing will press its traditional ally in the region, Pakistan, to break its ties with the Taliban insurgency. Some regional experts, such as Barnett Rubin, former State Department Senior Advisor to the late Richard Holbrooke, believe that Pakistan’s policy of using Islamist militants to achieve regional objectives now threatens Chinese interests. China thus seeks to incentivize Pakistan to crack down on these elements through offers of investment. Rubin views China’s role in an Afghan peace process as essential to moving Pakistan in the right direction with regard to influencing the Taliban.⁸

Some Indian observers, on the other hand, believe that China will collaborate with Pakistan in Afghanistan to the detriment of India’s interest.⁹ China expert and Senior Associate at the Carnegie Endowment for International Peace Michael Swaine also believes that China would not want its increased involvement in Afghanistan to jeopardize its close ties with Islamabad, or to undermine Pakistan’s position in Afghanistan vis-à-vis India.¹⁰

China’s increasing involvement in Afghanistan is unlikely to translate into support for Chinese forces being posted inside the country. It is possible that Beijing would send police or civilian security elements to protect its own investments and construction projects. But Chinese officials would almost certainly balk at even the suggestion that they send peacekeeping forces under UN auspices.

⁵ Wang Xu, “Afghanistan Post-2014 and Its Implications towards the Region,” *A Collection of Papers for the International Symposium on Afghanistan and Regional Security*, December 10–11, 2014, Beijing, China, page 136.

⁶ Edward Wong and David Jolly, “China Considers Larger Role in Afghanistan Peace Process,” *The New York Times*, January 24, 2016, at <http://www.nytimes.com/2016/01/25/world/asia/china-considers-larger-role-in-afghanistan-peace-process.html>.

⁷ Ibid.

⁸ Barnett Rubin, “Afghanistan and the Taliban Need Pakistan for Peace Talks,” *Al Jazeera*, January 10, 2016, at <http://www.aljazeera.com/indepth/opinion/2016/01/afghanistan-taliban-pakistan-peace-160110055820128.html>.

⁹ Kanwal Sibal, “China’s Growing Influence in India’s Neighborhood and Implications for India,” *Journal of the United Services Institution of India* (October–December 2015), p. 449.

¹⁰ Michael D. Swaine, “China and the “AfPak” Issue,” *Carnegie Endowment for International Peace China Leadership Monitor*, February 23, 2010, at <http://carnegieendowment.org/files/CLM31MS.pdf>.

Enduring Commitment to Pakistan

Pakistan and China have long-standing strategic relations, dating back to the mid-1950s when Beijing reached out to several developing nations. Beijing's ties with Islamabad were further solidified following the 1962 Sino–Indian border war, and have remained consistently strong ever since. Chinese policy toward Pakistan is driven primarily by its interests in containing India and diverting Indian military and strategic attention away from China. The China–Pakistan nexus serves both China's and Pakistan's interest by presenting India with a potential two-front theater in the event of war with either country.

While China favors a certain level of Indo–Pakistani friction in order to bog India down in its own region, Beijing has often played a helpful role in tamping down Indo–Pakistani tensions during periods of crisis, like the 1999 Kargil border war and the 2001–2002 Indo–Pakistani military mobilization.

China has built up Pakistan's conventional military as well as nuclear and missile capabilities over the years to help keep India off balance and focused on threats emanating from Pakistan.¹¹ China has an interest in maintaining strong security ties with Pakistan, but the notion that Chinese ties could replace U.S. ties has been overstated by Pakistani officials. The U.S. has provided considerably higher amounts of economic and military aid to Pakistan since 2002 (nearly \$27 billion), and serves as a link to other Western nations, which otherwise might be inclined to sanction Pakistan for its nuclear and terrorism activities.

China has also provided civilian nuclear technology to Pakistan, often without consent of the Nuclear Suppliers Group (NSG). In 2013, China agreed to build two new civil nuclear reactors in Pakistan, including an indigenous Chinese reactor with a 1,100 megawatt capacity. China says that its nuclear cooperation with Pakistan is limited to peaceful purposes and falls within international safeguards as determined by the International Atomic Energy Agency. But as a member of the 48-nation NSG, China has committed to refraining from exporting civilian nuclear technology and equipment to any country that is not a signatory to the Nuclear Nonproliferation Treaty.¹²

Moving forward, China will have to balance its interest in using Pakistan to contain Indian power with its rising concerns about Islamist extremist trends in the country. China views Pakistan (and Afghanistan) as breeding grounds for radical Islam and is concerned about these forces making common cause with Uighur separatists in Xinjiang. When ethnic violence broke out in Urumqi, the capital of Xinjiang province, in July 2009, killing 197 and injuring 1,700, the Chinese government partially blamed radical influence from Pakistan. Attacks in Xinjiang in July 2011 that killed 20 people also prompted Chinese criticism of Pakistan's failure to crack down on Uighur separatists in the tribal areas bordering Afghanistan.

China's pledge last April to invest \$46 billion in transport and energy projects as part of a China

¹¹ Lisa Curtis and Derek Scissors, "The Limits of the Pakistan–China Alliance," Heritage Foundation *Backgrounder* No. 2641, January 19, 2012, at <http://www.heritage.org/research/reports/2012/01/the-limits-of-the-pakistan-china-alliance>.

¹² Lisa Curtis, "U.S. Should Press China to Abide by NSG Rules on Pakistan Nuclear Cooperation," Heritage Foundation *Intelligence Brief* No. 4070, October 18, 2013, at <http://www.heritage.org/research/reports/2013/10/china-pakistan-and-the-nuclear-suppliers-group-commitments>.

Pakistan Economic Corridor (CPEC) linking Kashgar to Gwadar has strengthened Beijing's strategic commitment to Islamabad and boosted business confidence among Pakistanis. Many observers view the CPEC initiative as a direct response to the U.S. "Asia Pivot" strategy, and as China's way of showing that it will extend its power and influence westward as the U.S. does so eastward. There is some skepticism about whether China will follow through with the level of investment it has promised in Pakistan. A research report by The Heritage Foundation published in January 2012 found that Pakistan often exaggerates the economic dimension of the China–Pakistan relationship. Pakistani media routinely cite huge numbers for Chinese investment and financing that cannot be verified through any independent source, including the Chinese government or the Chinese companies supposedly involved.¹³

In the past, security concerns in northern Pakistan and in Baluchistan have stalled Chinese infrastructure projects, including at the Gwadar Port. To address these security concerns, Pakistani Prime Minister Nawaz Sharif and Pakistani Chief of Army Staff Raheel Sharif reportedly promised President Xi that Pakistan would create a special army division totaling 10,000 troops that would focus specifically on securing Chinese projects in the country.¹⁴

Chinese Overtures to other South Asian Nations

Other South Asian nations—namely Sri Lanka, Bangladesh, and Nepal—view good ties with China as a useful counterweight to Indian dominance in the region. While the U.S. seeks to leverage its aid to encourage respect for human rights and democracy, Chinese aid comes with no strings attached. The introduction of the One Belt, One Road (OBOR) initiative, which seeks to enhance connectivity and cooperation among countries from the Pacific Ocean to the Baltic Sea, includes plans to significantly enhance Chinese presence in South Asia.

Sri Lanka: China provided substantial military aid to the Sri Lankan government in the final years of the civil war with the Liberation Tigers of Tamil Eelam (LTTE) at a time when the U.S. and India curtailed military supplies because of human rights concerns. China became Sri Lanka's biggest donor and made a \$1 billion investment to develop the southern port at Hambantota. Sri Lanka's willingness to allow Chinese submarines to dock at Colombo port twice in late 2014 alarmed Indian officials, who are wary of China's increasing influence in its backyard. India fears that Chinese investment in South Asian ports not only serves Chinese commercial interests, but also facilitates Chinese military goals.

Sri Lanka has toned down its relationship with China since the defeat of the Rajapakse regime in January 2015 by a defector from his own cabinet, Maithripala Sirisena. Shortly after his election to power, President Sirisena pledged to put ties with India, China, Japan, and Pakistan on equal footing—a significant departure from Rajapakse's pro-China policies. Sirisena went so far as to declare: "We will have a balanced approach between India and China, unlike the current regime, which was antagonizing India almost by its closeness to China." The Sirisena government also put on hold the \$1.4 billion Chinese Port City project in Colombo, saying it would review the terms of the contract and evaluate how to make the project more transparent.

¹³ Curtis and Scissors, "The Limits of the Pakistan–China Alliance."

¹⁴ Bruce Riedel, "One Year of Modi Government: Us versus them," *The Indian Express*, May 25, 2015, at <http://indianexpress.com/article/opinion/columns/one-year-of-narendra-modi-government-us-versus-them/>.

Bangladesh: China is an important source of military hardware for Bangladesh and has overtaken India as Bangladesh's top trading partner over the last decade.¹⁵ Bangladesh and China hold regular military exchanges, and Beijing has provided Dhaka with five maritime patrol vessels, two small warships (corvette class), 44 tanks, and 16 fighter jets, as well as surface-to-air and anti-ship missiles.¹⁶ In addition, Bangladesh has ordered two Ming-class diesel-electric submarines from China that are expected to enter the Bangladeshi fleet in 2016. China played a large role in developing and modernizing Bangladesh's port at Chittagong, but more recently Dhaka has decided to cancel plans for China to construct a deep-sea port at Sonadia in southeastern Bangladesh.¹⁷

Nepal: China's main interest in Nepal stems from its concern over the large Tibetan refugee community there, numbering around 20,000. Beijing has pressed Kathmandu to tighten its borders with Tibet, which has led to a major decrease in the number of Tibetans able to flee to Nepal in recent years. Furthermore, Beijing has pressed Kathmandu for more restrictions on the activities of the Tibetan exile community already in the country.¹⁸ China also is bolstering trade with Nepal and pursuing road building and hydropower projects, and offered \$500 million in reconstruction assistance following Nepal's devastating earthquake last April.

Nepal currently imports all of its petroleum products from India, but is considering allowing China to fill some of its energy import requirements, even though that would almost certainly be a more expensive option. Following the disruption in oil supplies from India into Nepal, which coincided with protests by the Madhesi people against Nepal's new constitution last fall, China signaled it was ready to help Nepal meet its energy needs.¹⁹ Last month, Nepali Prime Minister KP Sharma Oli made his first foreign visit to India, ending speculation that he might break with tradition and make China his first overseas stop. The visit to India may indicate the Nepali government's recognition of its economic dependence on India. However, it will also be important to watch whether Prime Minister Oli signs a major energy supply deal with China when he visits the country later this month.

China's Maritime Ambitions

Another aspect of China's South Asia strategy is to increase its presence in the Indian Ocean Region (IOR) to help it secure energy and trade access. The concept of a Chinese "string of pearls"—a phrase coined in a 2004 Booz Allen study for the U.S. Department of Defense Office of Net Assessments—refers to the Chinese development of a network of naval facilities and

¹⁵ Alyssa Ayres and Ashlyn Anderson, "Economics of Influence: China and India in South Asia," Council on Foreign Relations *Expert Brief*, August 7, 2015, at <http://www.cfr.org/economics/economics-influence-china-india-south-asia/p36862>.

¹⁶ Zhang Tao, "China Delivers Two Corvettes to Bangladesh Navy," *China Military Online*, December 14, 2015, at http://english.chinamil.com.cn/news-channels/china-military-news/2015-12/14/content_6815636.htm, and Shannon Tiezzi, "China, Bangladesh Pledge Deeper Military Cooperation," *The Diplomat*, December 4, 2015, at <http://thediplomat.com/2015/12/china-bangladesh-pledge-deeper-military-cooperation/>.

¹⁷ "Bangladesh Scraps China-Proposed Deep Sea Port, India Offers to Help Develop Another," *zeenews.india.com*, February 8, 2016, at http://zeenews.india.com/news/south-asia/bangladesh-scraps-china-proposed-deep-sea-port-india-offers-help-to-develop-another_1853296.html.

¹⁸ Barbara Demick, "Tibetans Lose a Haven in Nepal under Chinese Pressure," *Los Angeles Times*, August 6, 2015, at <http://www.latimes.com/world/asia/la-fg-tibet-nepal-20150806-story.html>.

¹⁹ Yubaraj Ghimire, "Should India Worry About Nepal's 'Special Relations' with China?" *The Indian Express*, December 27, 2015, at <http://indianexpress.com/article/explained/should-india-worry-about-nepals-special-relations-with-china/>.

access points along the Indian Ocean littoral. According to Heritage Foundation Senior Research Fellow Dean Cheng, who specializes on China, Chinese investments in port facilities in nations along the Indian Ocean littoral are largely commercial and infrastructure development programs. 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 (PLA).²⁰ While the Chinese investments may not pose a direct military threat to India at the moment, they reflect China's growing interest in the IOR and provide China the ability to monitor Indian naval movements.

India indeed is increasingly concerned about China's efforts to build ports in Pakistan, Bangladesh, and Sri Lanka, believing that China ultimately intends to use the ports to extend its naval presence and could potentially use them for military purposes. Recent visits by Chinese submarines to Pakistani and Sri Lankan ports have further stoked Indian concern.

The Indian government under Prime Minister Narendra Modi is proactively countering Chinese maritime moves in the IOR, and is making its own diplomatic overtures in the region, especially toward Bangladesh and Sri Lanka. With Bangladesh, India last summer finally signed a historic Land Boundary Agreement (LBA) that would allow the exchange of border enclaves, granting tens of thousands of people citizenship and removing them from decades of stateless limbo. Last March, Prime Minister Modi was the first Indian Prime Minister to make a bilateral visit to Sri Lanka since 1987. India recognizes that it is far behind China with regard to investment in Sri Lanka (India has loaned about \$1.7 billion to Sri Lanka, compared to China's \$5 billion, over the last decade).

Prime Minister Modi has also been more forward-leaning in working with Washington, particularly on maritime matters, as a way to hedge against China's commercial and military expansion. The January 2015 signing of the "Joint Strategic Vision for the Asia-Pacific and Indian Ocean," committing the U.S. and India to cooperation outside of South Asia, was a landmark agreement. It specifically mentioned "ensuring freedom of navigation and over flight" in the South China Sea, confirming their mutual commitment to maritime security and to curbing China's maritime and territorial ambitions.

The Indian government's willingness to elevate the U.S.–India–Japan trilateral talks to the ministerial level and to allow Japanese participation in last fall's Malabar naval exercise further shows Prime Minister Modi's preference to operate on a broader front through multi-nation efforts, even at the risk of raising hackles in Beijing.

India's wariness about Chinese maritime ambitions in the IOR stem in part from recent Chinese provocations along their disputed borders. China and India have engaged in border talks for the past 20 years, but there is little hope of resolution in the near term. China claims about 35,000 square miles of India's northeastern state of Arunachal Pradesh, while India says that China is occupying 15,000 square miles of its territory in the Aksai Chin plateau of Jammu and Kashmir.

²⁰ Dean Cheng, "China's Growing Military Pressure Against India," The Daily Signal, September 29, 2014, at <http://dailysignal.com/2014/09/29/chinas-growing-military-pressure-india/>.

In April 2013, Chinese forces crossed six miles into Indian territory in the eastern Ladakh region and set up tents there for nearly three weeks. The incident angered the Indian public, and New Delhi signaled Beijing that it was prepared to call off a scheduled visit by the Chinese foreign minister in the absence of a resolution to the standoff. Beijing eventually agreed to pull back its troops, and both sides pledged to restore the status quo ante along the disputed border shortly before Chinese Premier Li Keqiang landed in India for his first overseas visit on May 19.

It is unclear why the Chinese chose to ratchet up tensions along the border weeks before the premier's planned visit to New Delhi. The incident may have been aimed at pressuring India to pull back on patrolling in the area. Some media reports claimed that the agreement to defuse the border flare-up involved India's removal of bunkers that had been used to shelter patrolling troops.

Eighteen months later, in September 2014, Chinese President Xi's visit to India was overshadowed by border tensions provoked by unusual movements of Chinese soldiers along the disputed frontier in northern Ladakh.

Despite the border tensions and maritime competition, Prime Minister Modi is interested in expanding economic and commercial ties between India and China. China is India's biggest trading partner, with bilateral trade totalling around \$71 billion in 2014. One of Modi's key goals for his trip to China last year was to narrow the two countries' large trade deficit by convincing China to open up its pharmaceutical, auto parts, and agricultural sectors to Indian imports. During the visit, the two countries signed 24 agreements and nearly \$30 billion worth of business deals. Prime Minister Modi stopped short of accepting China's invitation to join its One Belt, One Road initiative, however, demonstrating that the two nations will continue to compete for regional influence.

Policy Recommendations

While there is some debate about Chinese strategic intentions in the IOR, and whether or not the "string of pearls" concept has been overstated, it is clear that China is interested in increasing its maritime presence in the region. Given the trend of Chinese assertiveness in pushing its maritime claims in the South and East China Seas, and its steady march to modernize and expand its naval capabilities, the U.S. must be proactive and plan for the likelihood that China will continue to open avenues of naval access in the IOR and eventually use these points of access for military objectives.

The U.S. should take advantage of deepening ties between India and the U.S., particularly under the current Modi government, and focus on building Indian naval capabilities and expanding its access to advanced naval technologies, so that India will maintain its edge in dominating the IOR. The U.S. will likely increasingly rely on India to help maintain freedom of navigation in the IOR as U.S. defense budgets remain strained and its global maritime commitments increase in the Asia Pacific. If India signs foundational defense agreements with the U.S., such as the Logistics Supply Agreement (LSA), the Communications Interoperability and Security Memorandum of Agreement (CISMOA), and the Basic Exchange and Cooperation Agreement (BECA), it would certainly enhance the case for expanding technology transfer to India.

The U.S. should also strengthen trilateral U.S.–India–Japan naval cooperation and look for opportunities to include Australia in such endeavors. The recent announcement by the U.S. Pacific Commander Admiral Harry Harris that the U.S., India, and Japan will conduct joint naval exercises in the north Philippine Sea this summer is welcome. India, in the past, has been reluctant to take part in joint naval patrols outside the IOR. While the Modi government has shown more boldness in its willingness to cooperate closely with the U.S., Japan, and Australia on mutual maritime goals, Washington must keep its expectations of India realistic. Washington should recognize that Indian strategists understand that they are still behind China with regard to military capabilities and economic strength. Thus they will balance their desire to show Beijing that they have strategic maritime security options with their need to maintain peaceful relations with China and avoid military hostilities along their disputed land borders.

The U.S. should build on Admiral Harris' recent reference to quadrilateral naval cooperation among the U.S., India, Japan, and Australia. Increased naval cooperation among the quad countries could include sharing intelligence and conducting joint surveillance and reconnaissance operations. The idea is not to contain China, but to enhance understanding about what is taking place in both the Indian Ocean and Asia Pacific regions, and determining what is necessary to maintain free and open seaways.

Incidentally, The Heritage Foundation recently co-hosted a “Quad-Plus Dialogue” in India that brought together experts from the U.S., India, Japan, Australia, Sri Lanka, Indonesia, and Malaysia to discuss potential areas for cooperation, maritime security being one of the most salient. While there may be reluctance to officially reconvene the Quadrilateral Security Dialogue in order to avoid provoking the Chinese, the Quad-Plus participants agreed that there was tremendous merit in meeting at the Track II level to generate ideas for cooperation and foster better understanding of each country's security concerns.

With regard to Afghanistan, the U.S. should continue to work closely with China to bring a peaceful solution to the conflict. But the U.S. must also convince China that unless Pakistan cracks down on the Taliban on its side of the border, the insurgents will continue to make military gains in Afghanistan. While Pakistan has a critical role to play in encouraging Afghan reconciliation, it must prove that it is willing to pressure Taliban leaders to reduce the violence in Afghanistan. It is not enough for Pakistan to merely convince the Taliban to come to the negotiating table. Otherwise, a reconciliation process would merely turn into a way for the Taliban to bide its time while making military advances in Afghanistan.

The U.S. should also seek to convince China that overcoming the Islamist extremist threat in South Asia will require Pakistan to give up its reliance on terrorist proxies that attack India. The U.S. should convince China to cooperate on banning Pakistani terrorist organizations and individuals within the UN Security Council as a way to delegitimize terrorism more broadly. Washington must emphasize that, by giving Pakistan a pass on supporting terrorist groups that attack India, China is, in fact, encouraging overall extremist trends in Pakistani society.

Lastly, the U.S. should support the China Pakistan Economic Corridor (CPEC). The U.S. should help evaluate the progress of CPEC and encourage U.S. companies to support projects that are economically feasible and that will contribute to economic development in Pakistan and regional

economic integration. Although questions persist about China's willingness to commit to major investments in the projects, and about Pakistan's capacity to absorb the same, any steps that might even marginally improve the energy sector and infrastructure in Pakistan are welcome.

**OPENING STATEMENT OF AMBASSADOR JAMES F. MORIARTY
SENIOR ADVISOR FOR SOUTH ASIA, BOWERGROUPASIA**

MR. MORIARTY: Thank you.

Chairman Shea, Vice Chairman Bartholomew, Commissioner Tobin, other members and staff of the Commission, ladies and gentlemen, I am honored to be here today to discuss a topic that brings together two issues that I have been working on for over three decades: China and South Asia.

In recent years, China has tremendously increased its focus on and activities in South Asia. There is some possibility that faced with an economic slowdown and huge demands closer to home, China might actually be nearing the peak of its activism in South Asia.

No matter what course China follows in South Asia, however, the United States must move vigorously to advance its interests in South Asia. An increasingly close U.S.-India relationship will be crucial to the stability of the region, of the South Asia region, and should be a linchpin of U.S. policy in the Indo-Pacific as a whole.

China's ties with South Asia have transformed over the years. As the chairman noted earlier, China's resounding victory in a war with India in 1962 led to a pattern of relationships with South Asia that endured for decades: China's relations with India were marked by mutual suspicion; China's relations with Pakistan evolved into an extremely close economic and security partnership; and China's relations with the remaining countries of South Asia remained cordial but largely lacked substance. South Asia, frankly, was not a major focus for China.

This pattern shifted under Presidents Jiang Zemin and Hu Jintao. During the two decades from 1992 to 2012, China's export-led model of growth created the demand for new markets. China increasingly sought to secure the lines of communication necessary to transport exports out of China and resources and other inputs into China. Thus, China's policymakers and businesses increasingly focused on South Asia, a region with fast-growing economies and nearly two billion potential customers and vast infrastructure needs, and also a region that straddled the Indian Ocean, the conduit for most of China's imported oil and much of its exports.

China pushed hard to increase its exports to South Asia. China also began constructing ports in Pakistan and Sri Lanka and developing land routes between China and both South and Southeast Asia. And China began a security presence in the Indian Ocean, keeping naval units employed since 2008 in joint antipiracy patrols in the Gulf of Aden and regularly transiting naval vessels through the Indian Ocean.

Since 2012, under President Xi Jinping, China has stepped up these efforts in South Asia. China's exports have continued to increase, and Chinese construction firms are busy throughout the region. China has increased patrols in the Indian Ocean and, as we have heard, has leased a naval facility in Djibouti. China portrays South Asia as an integral part of its "One Belt, One Road" initiative to link vast stretches of Asia and Africa with the Chinese economy. And China has helped set up two new development banks, at least in part as an effort to finance this One Belt, One Road initiative.

China, however, faces constraints in advancing its agenda in South Asia. India remains deeply suspicious of any actions it views as designed to supplant Indian influence among its neighbors. Moreover, India has ties of history, language, religion, and culture with the other countries of South Asia that China cannot match. Moreover, India has shown a willingness to use all policy tools at its command whenever it feels that one of its neighbors is moving too

quickly in the direction of China.

As a result, Pakistan excepted, India remains the dominant foreign trade partner and investor in the economies of the other countries of South Asia except for Bangladesh. Most important, and this is a point I want to stress, China seems to want to avoid actions in South Asia that might push India into a closer security relationship with the United States.

The other countries of South Asia see China largely through the prism of their relations with India. For the other countries of South Asia, Beijing does not represent a security threat. Rather, China is viewed as a relatively distant source of consumer items and a potential business partner and, importantly, as we have heard, possible leverage to be used with India.

Future trends in China's relations with the countries of South Asia will, to a large extent, depend on developments domestically in China. For example, if China enters a period of relative economic austerity, then funding for construction projects in South Asia with low rates of return may get cut in favor of more lucrative or politically advantageous projects elsewhere.

There is a possibility, of course, that China might view ambitious initiatives, such as One Belt, One Road, as the only way to keep busy large state-owned enterprises in such areas as construction, steel and cement. China has also begun to slow the growth of its military budget. That could lead China to slow the growth in its security commitments in South Asia in favor of more urgent strategic challenges closer to home, such as in the South China Sea.

That said, U.S. policy choices in South Asia remain clear. As I noted earlier, an increasingly close U.S.-India relationship will be key to U.S. success in the Indo-Pacific region. The fast-growing economies and strategic locations of other countries of South Asia require that the United States also maintain close, positive relations with those countries. When U.S. interests in those countries do not coincide with India's, the U.S. should pursue its own interests while being as transparent as possible with India over policy differences.

The United States is rightly rebalancing to Asia, already the most important region of the world for many reasons. The U.S. rebalance to Asia requires that the "Indo-Pacific" move from being a catch-phrase to being a guiding principle in the formulation of policy. That means an integrated strategy for the Indo-Pacific, and that in turn requires institutional arrangements that force departments and agencies to plan for the region as a whole.

Congress has an important role to play--through budgets, hearings, and general oversight of policy--in ensuring a well-integrated U.S. strategy for the Indo-Pacific. Congress will also face three specific decisions that could shape U.S. policy for decades. I therefore urge Congress to:

First, don't make it all about China. Doing so only scares other countries into believing U.S.-China confrontation is inevitable and is being driven primarily by the United States. Work with China when it is in the U.S. interests. We've heard about Afghanistan obviously. But also consider joining multilateral institutions founded by China if those institutions play a useful role and conform to international best practices, and I would argue that the Asian Infrastructure Investment Bank is probably moving in that direction.

Second, think carefully before punishing Pakistan. The United States cannot afford not to have decent working relations with a nuclear-armed nation facing serious terrorism issues and one that is already a leading source of migrant flows into Europe.

Third, pass the Trans-Pacific Partnership. Failure to pass TPP will make all Asians believe that the rebalance is only about U.S. security concerns. Passage of TPP will increase prosperity in the United States and other members and demonstrate U.S. determination to remain an economic partner and power in Asia.

Thank you for your attention.

**PREPARED STATEMENT OF AMBASSADOR JAMES F. MORIARTY
SENIOR ADVISOR FOR SOUTH ASIA, BOWERGROUPASIA**

March 10, 2016

**Ambassador (ret.) James F. Moriarty
Senior Advisor, Bower Group Asia**

**Testimony before the U.S.-China Economic and Security Review Commission
Hearing on China and South Asia**

I appreciate the opportunity to offer for the Commission's consideration observations regarding China's involvement in South Asia and suggestions on how to advance U.S. interests in the current environment.

President Xi and the Evolution of China's Relations with South Asia

China's attitudes towards the countries of South Asia have shifted over time, but Beijing's policies under Xi Jinping towards that region reflect a large degree of continuity with those of his immediate predecessors, Presidents Hu Jintao and Jiang Zemin.

In the first decades after the establishment of the People's Republic of China (PRC), territorial disputes, particularly with India, shaped Beijing's relations with the countries of South Asia. India had initially hoped for a close relationship with Mao Zedong's China. New Delhi early on established diplomatic relations with the PRC and pushed for its entry into the UN. By 1954, India had also acknowledged the incorporation of Tibet into the PRC. In the following years, however, India looked on with increasing dismay at the PRC's political, cultural and religious oppression inside Tibet. In 1959, following a failed rebellion in Tibet, India granted the Dalai Lama asylum, angering China.

Tensions between India and China also increased as both countries aggressively sought to establish a military presence in disputed mountainous territory along their shared border. These tensions flared into the Sino-Indian War in the Himalayas in 1962, in which India suffered a resounding defeat. That outcome not only colored Sino-Indian relations for decades but also dramatically changed China's relations with Pakistan. Pakistan abandoned its border claims that conflicted with China's and established an extremely close relationship with Beijing. Throughout these decades, China maintained cordial formal relations with the other countries of South Asia. These relations featured mutual proclamations of anti-imperialist solidarity but contained little substance. Until the 1990s China's relations with South Asia remained characterized by close ties with Pakistan, mutual suspicion with India, and proper but not strong ties with the remaining countries of the region.

During the 1990s, following Tiananmen, Deng Xiaoping recognized that the Chinese Communist Party could only retain power through providing prosperity to the Chinese people. This recognition resulted in an export-led model of growth. During the tenures of Jiang Zemin (1992-2002) and Hu Jintao (2002-2012), this emphasis on exports fueled a search for foreign markets. It also led to a concern about the security of the lines of communication necessary to transport resources and inputs into China and exports out of China.

These two considerations reshaped China's attitudes towards South Asia. South Asia had a market of close to two billion potential consumers and a huge need for both consumer items and infrastructure. That made it an attractive target for Chinese exporters. At the same time, around 25 percent of China's overall exports and as much as 80 percent of its energy imports crossed the Indian Ocean. That focused Beijing's leaders on the need to ensure the security of that key transportation link. Throughout the 90's and ought's, Chinese exports to the South Asia region, including industrial inputs and infrastructure construction, increased, and China began to build ports in and overland links to South Asia. Moreover, by 2009, China had begun its first long-term, long-distance naval deployment as part of the multinational anti-piracy effort in the Gulf of Aden. Those deployments have led to frequent transits of the Indian Ocean by the Chinese Navy and port stops throughout the region, including Sri Lanka, Pakistan and Myanmar.

In 2012, Xi Jinping assumed control in China. Since then, with respect to South Asia, he has continued the policy direction begun by his predecessors and greatly expanded China's commitments to the region. His One-Belt, One Road initiative echoes earlier attempts to tie South Asia's economies to China's by building transportation links; the \$40 billion Silk Road Fund promises additional money for building China's investment and trade ties with South Asia. Xi also looks set to continue the previous policy of expanding the Chinese navy's presence in the Indian Ocean. The anti-piracy patrols continue in the Gulf of Aden, and in 2015, China signed an agreement with Djibouti to establish a naval facility there. Overall, under President Xi, China looks set to continue expanding its influence in South Asia and the Indian Ocean while trying to avoid alarming or provoking India.

Perceptions of and Policies toward China among the Smaller Countries of South Asia

India and its predecessor states have so dominated the region for so long that both the elites and general populace of Bangladesh, Bhutan, the Maldives, Nepal, and Sri Lanka look at relations with China through the prism of their countries' relationships with India. All these other countries view ties with Beijing to a large degree as leverage to use in their relationship with New Delhi.

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. The most recent example was when Nepal reached out to China last September after New Delhi unofficially closed the land border between India and Nepal. (The Indian government believed that Nepal's new constitution provided insufficient rights to Nepali citizens of Indian extraction.) The border closure quickly resulted in shortages of oil, food, and medicine in Nepal. Beijing's response to the Nepali government's pleas was instructive: China provided a few small shipments of oil, while carefully avoided criticizing India's actions and clearly indicating it had no intention of supplanting India as the primary supporter of Nepal's economy.

China's increasing wealth and growing interest in South Asia have somewhat altered perceptions in the smaller countries of South Asia. Governments and business elites increasingly view China as a no-questions-asked business partner and source of large numbers of tourists and funding for infrastructure investment. The general populace in these countries welcomes the Chinese-made

consumer items flooding the region and hopes that China's economic activity in their countries will lead to increased prosperity.

Neither the elites nor the general populace of these countries tends to view China as a security threat. These countries' lack of border issues with China and strong ties with India lead to a perception of China as being a relatively distant and benign power. Some security professionals in the region, particularly those with close ties to India, might worry about China's increasing aggressiveness in the South China Sea and long-term plans in the Indian Ocean; such concerns, though, seem remote for most people in the smaller countries of South Asia.

One concern that has cropped up in Bangladesh and Sri Lanka is the quality and cost of infrastructure construction done by Chinese companies. In both countries, infrastructure projects (roads, ports, bridges) which had been advertised as Chinese assistance have turned out to be single-source construction awards financed by loans at commercial rates. In several cases, the construction has proven to have serious flaws. For example, in Sri Lanka, China constructed a series of vanity projects (e.g., a convention center, airport, and harbor) in the home district of the former President, at commercial rates considerably higher than normal concessional financing. The new government that came to power in Sri Lanka in 2015 has alleged corruption with respect to some of the construction and negotiated a lowering of interest rates for some of the projects.

Opportunities and Challenges in Integrating Strategy for China and South Asia

Most of the U.S. Government does not do well at integrating strategy on China and South Asia. Other than the U.S. Pacific Command, few U.S. Government departments and agencies have line offices that look at the Indo-Pacific as an integrated whole, and few have individuals with much experience in both regions. For the first five years of the George W. Bush administration, the National Security Council had an Asia Directorate covering all of East, South, and Southeast Asia and Oceania, but there currently exists no comparable body overseeing inter-agency policy on, or trying to devise an integrated strategy for, China and South Asia.

Individual officials throughout the government do their best to attempt to integrate strategy on China and South Asia. My experience suggests that officials working on South Asia are more likely to factor in China during consideration of policy questions than officials working on China are likely to factor in South Asia. This likely reflects the greater weight currently given to China in the formulation of overall U.S. foreign policy. Officials working on South Asia also want to make sure the region receives sufficient attention as the United States rebalances to Asia. Currently, in any given U.S. government agency, the personal and professional relationships between the two officials charged respectively with policy towards China and South Asia determine to a large extent how interested and active that agency will be in trying to integrate China and South Asia policy into a coherent strategy.

Going forward, an important way to ensure integration of policy towards China and South Asia would be to move from personalized relationships to institutionalized ones. Within a department or agency, the officials in charge of China and South Asia (e.g., the Assistant Secretaries for East Asia and the Pacific and for South and Central Asia in the State Department) could be required

(by the Secretary or Under-Secretary for Political Affairs) to prepare an annual plan on integrating China and South Asia policy and then be required to meet together periodically (e.g., monthly) to review progress on implementing the plan. Regular consultations on the Indo-Pacific with allies and partners could also spur U.S. integration of policy on China and South Asia. Japan and Australia, in particular, appear well ahead of the U.S. in viewing the Indo-Pacific as one region.

An even more ambitious institutional response could be to have more U.S. Government agencies follow the example of the Pacific Command, where one officer in charge of all of East Asia, South Asia, and the Pacific. Admittedly, such an approach could run into considerable bureaucratic resistance.

Ultimately, however, the best way to ensure a strategy that seamlessly integrates China and South Asia is to have the U.S. President and department and agency heads continually insist on such a strategy. This would require maintained, rather than the currently episodic, interest at the very top of the U.S. government in viewing the Indo-Pacific as an integrated whole and setting policy accordingly.

China's versus India's Influence among South Asian States

China has a problem in attempting to compete with India in the smaller South Asian nations: it has no way of altering geography, history, culture, and vital national interest. India is simply much closer to most of the countries in question; even those that share a border with China (Nepal and Bhutan) are separated from the Chinese heartland by forbidding mountains and long distances. The histories of the countries of South Asia are much more intertwined with India's than with China's. The cultures, languages, and religions of the other South Asian countries connect with those of India more than with China's. It is hard to imagine that Chinese soft power would ever supplant the appeal of Bollywood in the smaller nations of South Asia. Just as important, Indian policy makers focus on the countries of South Asia to a degree that China – even as it increases its attention on South Asia - is unlikely to match. Those countries are simply much more important to India than to China.

India has reacted strongly whenever it suspected that Chinese activities in the smaller countries of South Asia threatened Indian influence. On several occasions when India has had strains in its relations with neighboring countries, China has attempted to warm its relations with those countries, for example, by sending submarines for a visit to Sri Lanka (2014) and providing Nepal's Maoist-led government with diplomatic and financial support (2008-2009). On each occasion, India pressured the government concerned, stepped up assistance to that country and succeeded in restoring India's stature as the preeminent foreign power in the country.

These outcomes also reflect a Chinese desire not to unduly provoke India. In recent decades, China had not seen India as a serious competitor. China viewed itself as a much wealthier, more powerful country than India, which it viewed as purely regional power. Over the past ten years or so, however, India's warming ties with the United States have created worries in Beijing. China fears that ever-closer Indo-U.S. ties, particularly in the military sphere, could eventually result in India's becoming a lynchpin of a U.S. strategy to contain China. From Beijing's perspective,

Chinese gains in the smaller countries of South Asia would be counter-productive if they came at the cost of an India more closely aligned with the United States.

The Strategic Value of South Asian Markets to China

Economic ties represent one sphere where China feels it can safely compete with India among the smaller countries of South Asia. The record to date in this area is mixed, but it looks like India is largely holding its own. Bangladesh is the only one of those countries whose trade with China is greater than that with India. (This is in large part due to purchase of inputs from China by the Bangladesh ready-made garment sector.) Similarly, India's direct investments exceed those of China in the smaller countries of South Asia except Bangladesh, where the figures are about equal. India's grants and concessional assistance to each of the five countries also appear greater than China's, although Chinese figures remain opaque. And finally, remittances from India are an important part of the economy in each of the smaller South Asian countries (total of \$7.5 billion), and are 70 times greater than those countries' remittances from China. To put these economic ties in perspective, total Chinese trade with the smaller countries, roughly \$12.8 billion represents a small fraction of China's trade with India itself (\$60 billion), which in turn represents a tiny portion of China's total trade globally, \$4.3 trillion. (2014 figures)

With the economies of India, Bangladesh, and Sri Lanka all growing at a healthy clip, China clearly wants to expand its exports to the region. Beijing is, for example, reportedly negotiating a free trade agreement with Sri Lanka. The South Asian portion of the "One Belt , One Road" initiative represents an attempt by Beijing to tie the economies of the region more closely to China's. By building infrastructure linked to that of China, the initiative should lead to increased flow of Chinese goods into South Asia. At the same time, large-scale infrastructure projects in the region could provide markets for Chinese industries facing problems of over-capacity at home (e.g., construction, steel, cement).

In India there has been considerable interest in the "One Belt, One Road" initiative. Proponents argue that the initiative could prove a boon to the Indian economy and to greater integration in the region. The Indian government, however, views the initiative as an attempt to redirect South Asia's trade towards China and a potential threat to India's strategic interests. Speaking at a conference on regional and global connectivity on March 3, Indian Foreign Secretary Subrahmanyam Jaishankar stressed that India welcomed greater connectivity in the region, but would only support initiatives that pursued that goal through multilateral consultations. Without directly naming the One Belt, One Road initiative, Jaishankar expressed opposition to unilateral connectivity initiatives: "We can not be impervious to the reality that others may see connectivity as an exercise in hard-wiring that influences choices...In the absence of agreed security architecture in Asia, it could give rise to unnecessary competitiveness. Connectivity should diffuse national rivalries, not add to regional tensions."

China's and India's Roles in Multilateral Agreements and Institutions

China and India have different goals for multilateral institutions. Beijing wants a rectification of multilateral organizations that will reflect China's strength and advance China's interests. While playing an increasingly active role in a variety of multilateral organizations, particularly the

United Nations, China also seeks to establish new multilateral institutions. China sees these new organizations as rivaling, if not replacing, global institutions set up after World War II and still dominated by the Western powers and Japan.

The January 2016 launch of the Asian Infrastructure Investment Bank represents China's most notable achievement to date in setting up new multilateral organizations. With 30 founding members and projected capital of \$100 billion, the AIIB implements a 2013 commitment by Xi Jinping to establish a regional investment bank to help fund Asia's huge infrastructure needs. Despite opposition to the bank by the United States and Japan, a number of close U.S. allies became founding members, including South Korea, Germany, the UK, and Australia. These countries maintain that their joining the AIIB led Beijing to agree to a charter that will ensure the bank is run according to international best practices. Indeed, the fact that Beijing will control only 26% of the voting shares in the bank suggests that it will be difficult for China to manipulate the bank's lending.

Similarly, the BRICS grouping of countries (Brazil, Russia, India, China, and South Africa) have set up the BRICS New Development Bank, headquartered in Shanghai, with committed capital of \$50 billion. The NDB will concentrate on mobilizing resources for infrastructure and sustainable development projects in the BRICS and other developing countries. This bank appears to be on somewhat shakier footing than the AIIB given difficulties several founding members might have in meeting their funding commitments.

On the security side, the most notable multilateral accomplishment of China to date has been the 1996 establishment of the Shanghai Cooperation Organization (SCO), an organization that brings together Russia, China, and the countries of Central Asia to discuss terrorism concerns. (Pakistan and India are in the process of joining the SCO.) In other regions, including South Asia, China shows a marked preference for dealing with security issues on a bilateral basis.

India seeks not so much to create new multilateral institutions as to strengthen its role in existing ones and to join new ones that might benefit India. For years, India's top priority with respect to multilateral institutions has been to obtain a permanent seat on the UN Security Council. Such a seat, however, would have to be part of a broader package for reforming the UN Charter that would require the acquiescence of all five permanent members of the Council and of two-thirds of all UN member countries. The prospects for such a broad reform package remain dim.

India would like to see reforms that would increase India's influence within international financial institutions. For years, it pushed hard for quota reform within the International Monetary Fund (IMF) and thus welcomed the U.S. legislation that allowed a long-delayed quota reform package to make India in January the eighth largest shareholder in the Fund.

India was a founding member of both the Asian Infrastructure Investment Bank and the BRICS New Development Bank. The Indian government welcomes those new banks as additional sources of development funding. India has also worked closely with China in multilateral organizations where their interests overlap - for example, in climate change negotiations. The Indian government was eager to join the AIIB and NDB, because both had clear charters and were potentially beneficial to India. In contrast, New Delhi has as noted above shown a distinct

lack of enthusiasm for the One Belt One Road initiative, which it views as a unilateral initiative lacking transparency and primarily designed to promote China's interests.

The U.S. attitude toward China's role in multilateral organizations should be similar to India's. The U.S. should welcome China's participation, so long as those organizations are transparent, rules-based and conform to international best practice. A China that adheres to international norms and obligations should be a more predictable, less aggressive China. The United States should actively consider joining multilateral organizations founded by China that meet the above criteria; joining would allow the United States to work with China to ensure that new organizations conform to international best practices. The United States should indicate that it would welcome Chinese participation in groupings such as the Trans Pacific Partnership when China is ready to meet the standards and obligations of these organizations.

The U.S. Approach to South Asia as Afghanistan's Importance Dwindles

As Afghanistan declines in strategic importance for the United States, U.S. policy makers will begin to consider shifting resources from Pakistan and Afghanistan to other priorities. Decades of mistrust and misunderstanding will lead some in the United States to push to seriously downgrade the U.S. relationship with Pakistan. I personally think such a downgrading would be disastrous for U.S. interests. Our walking away from Pakistan in the 1990s led to an acceleration of the Pakistan nuclear program, increased tensions between Pakistan and India, and an explosion of terrorism in South Asia. In the current global environment, a similar break would likely lead to considerable instability within Pakistan and in the region.

A lessening of U.S. strategic interest in Afghanistan and Pakistan would in previous decades likely have led to a broader shift of policy attention away from South Asia. I doubt that would be the case now. There appears to be a broad recognition among U.S. policy makers of the growing importance of South Asia, both in and of itself, but also in terms of broader U.S. strategic interest. India has the fastest growing major economy in the world and will soon be the world's most populous country. Bangladesh is the eighth most populous country in the world, has an economy that has grown over six percent a year for all but one of the last ten years, and has made great strides in everything from life expectancy to female literacy; it is the second largest exporter of ready-made garments in the world and a major player on climate change. Sri Lanka possesses the most strategic ports in the Indian Ocean, is shaking off civil war and authoritarian rule, and adopting bold economic reforms. Nepal is the key buffer state between China and India. These are all countries playing important roles in areas on which U.S. policy will continue to focus.

An increasingly close relationship with India will be absolutely key if the United States is to successfully manage its relations with China. A cooperative partnership between the United States and India in all spheres – economic, science and technology, and cultural every bit as much as security – will be the best guarantee of stability in the Indian Ocean. A prosperous and stable South Asia with positive ties to the United States could help dissuade China from aggressive policies in the Indian Ocean as it advances its interests.

As the United States continues to improve relations with India, we should keep in mind, but not

be intimidated by, how India views the smaller countries of South Asia. India will always consider Bangladesh, Bhutan, the Maldives, Nepal, and Sri Lanka as falling within New Delhi's sphere of influence and will look with suspicion on attempts by any country to expand ties with those countries, particularly in the security sphere. However, India's interests in those countries will not exactly coincide with U.S. interests, nor will India's policy execution always be flawless. Thus, the United States should not shy away from working closely with the other countries of South Asia to advance U.S. interests but should be transparent with India about our goals in doing so. Such an approach will ease Indian suspicions while also maintaining U.S. leverage in the region.

Policy Recommendations for Congress

Congress will continue to play an important role in shaping and advancing U.S. strategy across the vital Indo-Pacific region. Efforts such as the India Caucus and Bangladesh Caucus represent a valuable investment of Congressional time. They help members and staff gain expertise and drive forward well-informed legislation designed to further U.S. interest. Congress also plays a key role in ensuring that U.S. policy reflects the fact that South Asia can no longer be treated as a relatively unimportant, far-away region. Congressional hearings on the progress of implementing the re-balance to Asia and other subjects represent an excellent opportunity to encourage the administration to treat South Asia as an integral part of a much broader Indo-Pacific region of absolutely vital importance to U.S. interests. An impending Congressional hearing is a fine way to force government officials to focus on a given issue.

With that background, I will recap a few very specific recommendations for Congress that I have raised above and add one important one that I have not mentioned previously.

- First and foremost, approve the Trans-Pacific Partnership. There is simply nothing else that the Congress could do that would alter trends in the entire Indo-Pacific region in such a positive fashion. China has been putting forth (and in many cases beginning to implement) plan after plan to increase wealth and trade in the region. U.S. failure to pass the TPP would look as though the United States was moving in the opposite direction, not interested in the prosperity of this vital region. The rebalance would be seen as only advancing U.S. security interests in Asia. Moreover, U.S. failure to pass TPP would create in South Asia and the rest of the Indo-Pacific the impression that the United States accepted a future in which China was Asian countries' preferred economic partner, while the United States would only play the role of security guarantor. In contrast, the adoption of TPP would boost the economies of the United States and its partners, encourage other countries in the region to join the agreement and abandon protectionist policies, and demonstrate conclusively that the United States will remain an Indo-Pacific economic partner and power.
- Avoid the temptation to punish Pakistan. As Afghanistan becomes less of a strategic priority for the United States, the temptation in Congress to punish Pakistan for various misdeeds will increase. The most attractive options will appear to be sanctions and cutting off of assistance and military ties. U.S. policy, however, should reflect the fact that such moves have not worked well in the past and that the United States can ill-afford

not to have working relations with a nuclear-armed country of nearly 200 million Muslims facing serious terrorism issues. The large numbers of Pakistanis in the recent flow of migrants to Europe remind us that a poor and unstable Pakistan would have not only regional but also global impact. In that context, the United States should think long and hard before cutting ties with the Pakistan Army, an institution that will continue to dominate Pakistan's security and foreign policy for the foreseeable future.

- Don't make it all about China. Doing so would only scare off the countries of South Asia. The United States should advance its interests throughout the Indo-Pacific, including South Asia, and should be ready if necessary to counter aggressive moves by China. None of the countries of South Asia want a Sino-U.S. confrontation in their backyard; all would welcome a U.S. role if China were to become increasingly aggressive. The United States should also, however, welcome positive contributions by China on global issues, including in South Asia, and should welcome Chinese participation in rules-based organizations. The United States should not portray the TPP as an anti-China trade bloc but rather as a state-of-the-art trade agreement to boost wealth and prosperity in the Indo-Pacific. The United States should make clear that we do not rule out Chinese participation in the TPP, if Beijing is willing to meet the high standards of the agreement. Similarly, the United States should be willing to join Chinese-founded organizations, such as the AIIB, if we can determine that those organizations are transparent and rules-based and not just tools to promote Chinese interests.

**OPENING STATEMENT OF DR. DAVID BREWSTER
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DR. BREWSTER: Thank you.

Chairman Shea, Vice Chairman Bartholomew, Commissioner Tobin and other Commissioners, it's a great pleasure to be back here in Washington. I lived here some 25 years ago, and I'm happy to see that the city has put on some good weather for me.

[Laughter.]

DR. BREWSTER: I'm going to be talking about China's maritime interests and strategy in the Indian Ocean, and the starting point for my testimony today is the need to understand China's fundamental strategic vulnerability in the Indian Ocean and the difficulties Beijing faces in mitigating those vulnerabilities.

As we know, China's overwhelming strategic imperative in the Indian Ocean is the protection of its sea lines of communication, and Beijing is keenly aware that they are vulnerable to both state and non-state actors. Rightly or wrongly, Beijing believes that an adversary will use the threat of a distant blockade of those SLOCs as a bargaining chip in a wider dispute.

But we have to remember that China also has some other very significant strategic interests in the region. One is the protection of Chinese nationals, and another is the protection of Chinese investments, and those imperatives will become increasingly important and a driver of Chinese strategic behavior in coming years.

So for some years, the discussion of China in the Indian Ocean has been dominated by the idea that China is pursuing a "string of pearls" strategy. In my view, it's better to understand Chinese strategy in the Indian Ocean as evolving. Beijing is currently broadening its perspectives beyond its traditional focus on South Asia, and Chinese thinking about the region could probably be characterized as part of a broader anti-encirclement strategy involving the construction of new pathways westward across the Eurasian continent and through the Indian Ocean.

But whether or not Beijing has a clearly articulated strategy in the Indian Ocean, it is being forced to address its vulnerabilities in that theater in several ways, including through building limited naval capabilities and through closer relations with friendly states.

China's naval presence in the Indian Ocean has been growing incrementally in connection with its anti-piracy deployments, and these are now being used to justify a more permanent naval presence. But we should be cautious about the likelihood of a Chinese naval presence in the Indian Ocean in the near future. China's maritime focus remains overwhelmingly on the West Pacific and is unlikely to shift quickly.

The PLAN has little tradition of operating beyond coastal waters and has limited blue water capabilities. Its ability to project power into the Indian Ocean is constrained by the long distance from Chinese ports, by the lack of logistical facilities, and the need to deploy to the Indian Ocean through chokepoints.

In other words, a strategy of sea control in the Indian Ocean seems well beyond China's capabilities in the near future. In my view, China will instead focus on what's called "military operations other than war," in particular, anti-piracy and capabilities to evacuate Chinese nationals.

China's submarine deployments in the Indian Ocean also point to an intention to

develop limited sea denial capabilities, and these could provide Beijing with asymmetrical options in the event of the interdiction of Chinese SLOCs or other contingencies.

Over time, China could also develop limited area denial capabilities in the Indian Ocean--but limited.

Chinese vulnerabilities in the Indian Ocean also create imperatives to secure access to port facilities, to provide it with options in the event of contingencies. And what this will look like is not yet clear. Some developments such as the development of facilities in Djibouti are certainly consistent with the string of pearls theory, but there is certainly no clear evidence the Beijing intends to establish a string of permanent naval bases across the Indian Ocean in a manner analogous with say U.S. worldwide naval strategy post-1945.

More likely, China will follow a "places, not bases" strategy in which the PLAN would have access to facilities only for specific purposes or contingencies, and this means that China will primarily focus on negotiating arrangements for contingent and limited access to infrastructure in countries where it has friendly and stable relationships.

Now that in turn points to considerable political jostling in the region between China, India and other players. We know that these developments are, of course, a particular concern to India, and this means that the maritime dimension is becoming another quite important source of irritation between the two countries.

India has long taken quite a proprietary view of the Indian Ocean. It aspires to be the leading naval power there in the long term. Indians have a strong instinct against the presence of any extra-regional powers in the Indian Ocean seeing that presence as unnecessary and even illegitimate. These concerns are particularly evident in and around South Asia.

China's security relationships in the region are generally not perceived in Delhi as being a legitimate reflection of Chinese interests. Rather China's regional relationships are frequently perceived as being directed against India, either as a plan of maritime encirclement or otherwise to keep India strategically off balance.

China has emerged as the Indian Navy's principal long-term source of concern, and this has led the Indian Navy to effectively rebalance its naval assets from its Western Fleet facing Pakistan to its Eastern Fleet facing China.

But while a Chinese presence is often discussed in terms of a threat to India, in fact, the Indian Ocean is the one area in which India holds a clear military advantage over China. In reality, Indian strategists are concerned to maintain India's strategic advantage against China in the Indian Ocean.

It should be of no surprise that Pakistan takes quite a different view about China's presence, and as the balance of power moves against Pakistan, it is seeking an ever-greater Chinese role in the region.

India's other neighbors tend to take a position somewhere between India and Pakistan. They generally see China as a useful friend, a source of investment, a supplier of cheap defense technology, and as a partial balance against India. But for the most part, these countries also grudgingly understand that India will tolerate their security and defense relationships with China only within certain parameters and that they shouldn't overstep those parameters.

So, in summary, United States is key to the strategic balance in the Indian Ocean. The U.S. now recognizes India as a major net security provider in the region, but that's not enough. The United States still lacks a comprehensive long-term Indian Ocean strategy, and I see this as a significant weakness.

China currently implicitly accepts the U.S. as the key guarantor of SLOC security in and around the Persian Gulf, but this relatively passive position won't last forever. In particular, China is very unlikely to accept India as the leading security provider in the Indian Ocean. Therefore, any reduction in the U.S. security commitment to the Indian Ocean would create a perceived power vacuum, leading to very significant strategic competition between China, India, and others.

Other regional powers have very important roles to play. Although Japan is even more dependent on the Indian Ocean SLOCs than China, it's only just beginning to fully understand its own vulnerabilities in the region. We need to encourage Japan to play a more active role in the Indian Ocean balance of power, including in countries such as Myanmar, Bangladesh, and Sri Lanka.

Australia is another major player. It has the largest maritime jurisdiction by far in the Indian Ocean and the region's second most powerful navy. Australia is currently in the process of realigning its strategic perspectives to much better include the Indian Ocean, and this involves or includes a close strategic partnership with India, one hopes, and a continued rebalance of Australian defense assets towards its west coast. The U.S. needs to work with Australia more closely in supporting the development of minilateral arrangements in the Indian Ocean, including opportunities for enhanced U.S.-Australia-India trilateral cooperation.

The two countries also need to work together in strengthening regional institutions and frameworks to support international norms. The current weakness of these existing institutions and frameworks only increase the risks of instability as China's regional presence grows.

Thank you.

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**Testimony before the U.S.-China Economic and Security Review Commission
Hearing on China and South Asia
10 March 2016**

**Dr David Brewster
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Key points of Testimony

- China is strategically vulnerable in the Indian Ocean and it will find it difficult to significantly mitigate its vulnerability in the near to medium term.
- Although SLOC security is China's key strategic imperative in the Indian Ocean, other concerns, such as the protection of nationals and investments, are likely to become a major driver in Chinese strategic behaviour in the region.
- China may not yet have a comprehensive strategy towards the Indian Ocean region, but is increasingly viewing the region as part of a broader 'western' or 'anti-encirclement' strategy.
- China's naval presence in the Indian Ocean is increasing incrementally, but this does not necessarily mean that Beijing is pursuing a strategy of sea control.
- Beijing is pursuing an active defence diplomacy among India's South Asian neighbours. This is causing the maritime dimension to become another important source of irritation and tension between India and China.
- Pakistan is encouraging a greater Chinese naval presence to balance against India. India's smaller neighbours are seeking to maximise potential benefits from China without undue damage to their relationships with India.
- India's deployment of maritime surveillance aircraft to the Andaman Islands provides opportunities for the United States to work with India, Australia and others in developing shared maritime domain awareness in the eastern Indian Ocean.
- Although there are many issues of mutual concern in the Indian Ocean region, maritime security cooperation between China, South Asian states and others remains very limited.
- The United States has recognised India as a net security provider to the region and crucial to the regional balance of power. However Washington lacks a comprehensive strategy towards the Indian Ocean region as a whole, including China's role there.
- Any perceived reduction in the US security commitment in the Persian Gulf or elsewhere in the Indian Ocean could lead to considerable - and detrimental - strategic competition between China, India and other players.

China's maritime interests and strategy in the Indian Ocean

The Indian Ocean is a largely enclosed ocean, with few entry points and vast distances between. This creates a strategic premium for those powers that can control the so-called chokepoints and deny their rivals access to key ports. Exploitation of this strategic premium forms an explicit

part of Indian naval strategy.¹ In contrast, China is at a considerable strategic disadvantage.

China's overwhelming strategic imperative in the Indian Ocean is the protection of its sea lines of communication (its so-called 'SLOCs'), particularly for the transport of energy. Beijing is keenly aware that its Indian Ocean SLOCs are highly vulnerable to threats from state and non-state actors, especially through the narrow 'chokepoints' through which most trade must pass. Somewhere around 40% of China's oil imports transit the Strait of Hormuz at the entrance of the Persian Gulf and around 80% of China's oil imports transit the Malacca Strait through Southeast Asia.² Former Chinese President Hu Jintao reportedly identified this last chokepoint as creating a so-called 'Malacca Dilemma' for China.³ Chinese strategists are concerned that a potential adversary may be tempted to interdict Chinese trade in the Indian Ocean as a bargaining chip in the context of a wider dispute.

While SLOC protection is extremely important, China also has other significant strategic interests in South Asia and elsewhere in the Indian Ocean region. One is protection of the growing number of Chinese nationals working in the region. Another is protection of Chinese investments, including in the energy and resources sector and infrastructure. The imperative to protect people and investments is likely to become an increasingly important driver in China's strategic behavior, especially as large numbers of Chinese workers are deployed to politically unstable countries.

Does China have an Indian Ocean strategy?

There is some debate about whether China has a comprehensive economic/political/military strategy for the region. Although China's interests in the Indian Ocean region are clearly becoming a topic of greater discussion in Chinese strategic circles, some analysts argue that China does not yet have an 'Indian Ocean strategy' as such.⁴

For some years, strategic discussion about China in the Indian Ocean among foreign analysts has been dominated by the idea that China is pursuing a 'String of Pearls' strategy of building a string of naval bases or ports for use by the Chinese navy (PLAN), and some see China's Maritime Silk Road initiative (MSRI) as confirmation of this. But it is probably better to understand Chinese intentions in the Indian Ocean as evolving. Beijing is being forced to broaden its regional perspectives beyond its traditional focus on South Asia and the India-Pakistan relationship. Chinese strategic thinking about the Indian Ocean region could also be seen as part of a broader 'western' or 'anti-encirclement' strategy in which China is building new pathways through Eurasia and the Indian Ocean.

Whether or not China has a clearly articulated security strategy towards the Indian Ocean region, Beijing is in practice addressing its strategic imperatives in the region in several ways. These

¹ Indian Navy, *Indian Maritime Doctrine*, 2009; and Indian Navy, *Ensuring Secure Seas: Indian Maritime Security Strategy*, 2015.

² US Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2012* (Washington DC: United States Government, 2012).

³ Although there are questions over the accuracy of the attribution of this comment.

⁴ Zhao Gancheng, 'Interest and Role in the Indo-Pacific: A Chinese Perspective', in Mohan Malik (ed.), *Maritime Security in the Indo-Pacific: Perspectives from China, India and the United States* (Lanham: Rowman & Littlefield, 2014), pp.97-107, p.99.

include through developing limited naval capabilities in the Indian Ocean; through closer security relations with friendly states; and through diversifying its energy transportation options.

China's growing naval presence in the Indian Ocean

China's naval presence in the Indian Ocean has been growing incrementally for some years, but the strategic objective of that presence is not entirely clear. China had no material naval presence in the Indian Ocean during the twentieth century but over the last decade its regional role has grown in connection with its anti-piracy deployments in the western Indian Ocean. Since December 2008, the PLAN has almost continually deployed at least 2-3 surface vessels in the Arabian Sea in some 19 separate deployments. This has been an important demonstration of China's ability to provide public goods in the region.

Beijing is now using its anti-piracy deployment as justification for expanding its naval presence in the Indian Ocean and making it more permanent. This has included recent short term deployments of conventional and nuclear attack submarines to the northern Indian Ocean as well as expanding the PLAN's access to infrastructure in the region, including developing facilities for use by the Chinese military in Djibouti.

These developments, while significant, should not *necessarily* be read to mean that China currently intends to pursue a sea control strategy in the near to medium term. There are reasons to be cautious about the likelihood of a major Chinese naval presence in the Indian Ocean in the near future. Despite the apparent 'call to the sea' contained in its 2015 White Paper 'China's Military Strategy', China's strategic perspectives have historically been almost wholly land-focused, and any fundamental shift towards the far seas is unlikely to occur quickly. Although China's maritime horizons are clearly expanding, its focus remains overwhelmingly on the Taiwan Strait and the Western Pacific. Despite recent anti-piracy deployments, the PLAN as a whole has little experience or tradition in operating beyond coastal waters. Notwithstanding its military expansion program, China has a limited number of blue water naval combatants and few long range air strike capabilities. China's ability to project significant power into 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, and those constraints will continue for the foreseeable future.

Some Chinese analysts argue that these constraints mean that China should focus on protecting its energy supplies by political and not military means. For example, Feng Liang and Duan Yanzhi of the Chinese Naval Command Academy argue that the issue of China's SLOC security is in reality one of the political stability of oceans. Even with a strong naval force, China would not be able to protect its long Indian Ocean SLOCs. They argue that for this reason the creation of a secure geopolitical environment in the Indian Ocean, rather than the projection of military power, is an important pre-condition to China's sustained development.⁵

Indeed, a strategy of sea *control* in the Indian Ocean would be well beyond China's capabilities

⁵ M. Taylor Fravel and Alexander Liebman, 'Beyond the Moat: The PLAN's Evolving Interests and Potential Influence,' in Phillip C. Saunders, Christopher Yung, Michael Swaine and Andrew Nien-Dzu Yang, *The Chinese Navy: Expanding Capabilities, Evolving Roles* (Washington D.C.: National Defense University Press, 2011), pp.41-80 at p.73.

in view of its geostrategic disadvantages in the region. More plausibly, China may instead seek to develop its naval capabilities gradually, including publicly focusing on its engagement in Military Operations Other Than War (MOOTW) such as anti-piracy and non-combatant evacuations of Chinese citizens in response to contingencies. This could also increasingly include elements of the PLA Air Force (PLAAF) making use of facilities in Pakistan and Djibouti. Beijing is also likely to seek opportunities to expand its influence with potentially friendly regimes so as to provide it with further options.

China's increasing submarine deployments to the Indian Ocean in recent times also point to an intention to develop limited sea *denial* capabilities. This could provide Beijing with some asymmetrical options in the event of the interdiction of Chinese SLOCs or other contingencies. Over time, China could also develop land-based sea denial capabilities in the Indian Ocean, using either Pakistan territory or facilities in southern China. However, despite these important developments, China's overall naval capabilities in the Indian Ocean seem likely to be relatively constrained for some time to come.

Chinese interests in Indian Ocean ports

Whether or not China intends to pursue a strategy of sea control, China's geostrategic vulnerabilities in the Indian Ocean region create considerable imperatives for the PLAN to secure access in some form or other to port infrastructure in the Indian Ocean to provide options in the event of contingencies. As noted above, over the last decade many security analysts have claimed that China is pursuing a concerted 'String of Pearls' strategy to develop a chain of dependent ports or naval bases for use by the PLAN. Certainly some recent developments are consistent with this interpretation, particularly China's new exclusive-use port facilities at Obock in Djibouti to support limited naval capabilities in the western Indian Ocean. But there is no clear evidence that Beijing intends to establish a 'string' of permanent naval bases across the northern Indian Ocean in a manner analogous to, say, US worldwide naval strategy post 1945.

Analysts are now debating whether China is more likely to pursue a 'places not bases' strategy in the Indian Ocean under which the PLAN would have access to only limited facilities for specific purposes or contingencies. Although China needs military basing facilities in the Indian Ocean region, China may primarily focus on arrangements for contingent and limited access to critical infrastructure in countries where it has friendly and stable relationships.⁶ These could range from standing agreements for PLAN vessels to use port facilities on a commercial basis, to the positioning of Chinese 'civilian' service providers, to the prepositioning of spares or munitions, or to the use of facilities dedicated to the PLAN. Importantly, access to airport infrastructure and related maintenance facilities may also be required for the PLAAF.

The response of India and its neighbours to China's growing presence in the Indian Ocean

Beijing's interests in the Indian Ocean are driving an active defence diplomacy across the Indian Ocean region, particularly in South Asia. Countries such as Pakistan, Myanmar, Bangladesh, Sri Lanka and Maldives are gaining access to Chinese military technology and to significant

⁶ Christopher D. Yung and Ross Rustici, *Not an Idea We Have to Shun: Chinese Overseas Basing Requirements in the 21st Century* (Washington D.C., National Defense University Press, 2014).

commercial investments in maritime related infrastructure (now being rebranded as part of the MSRI). These developments are of particular concern to India and as a result the maritime dimension is becoming another important source of irritation and tension between India and China.

India's perspectives

India has long tended to take a fairly proprietary view of the Indian Ocean. India aspires to be recognised 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 a presence as unnecessary and even illegitimate. These concerns are particularly evident in and around South Asia, and are sometimes expressed in terms of an 'Indian Monroe Doctrine'. Although this never been India's official policy the term is a reasonable approximation of India's strategic instincts towards its role in and around South Asia and its perspectives of security relationships between its South Asian neighbours and extra-regional states.

During the 1970s these concerns were often directed against the United States, and they are now very much directed against China. Competition with China has become a significant factor in India's strategic thinking about southern Asia and the Indian Ocean region. While the Indian Navy's immediate strategic objectives in the Indian Ocean involve countering Pakistan and enforcing control over India's exclusive economic zone, the potential for China to project naval power into the Indian Ocean has emerged as its principal long-term source of concern. This has led the Indian Navy to effectively 'rebalance' its fleet from its Western Fleet facing Pakistan, towards its Eastern Fleet facing China.

China's growing security relationships in the region are generally not perceived by the Indian security community as being a legitimate reflection of Chinese interests and few Indian analysts acknowledge China's strategic vulnerabilities in the Indian Ocean as being a legitimate cause for concern by Beijing. Rather, many perceive China's regional relationships as being directed against India: either as a plan of maritime 'encirclement' or to keep India strategically off balance in the region.

But while Indian analysts often raise concerns about the Chinese presence in the Indian Ocean in terms of a threat to Indian interests, in fact the Indian Ocean is the one area in which India holds a clear military advantage over China. In strategic terms, the Indian Ocean represents 'exterior lines' for China and 'interior lines' for India. That is, India has a natural advantage there, including short lines of communication to its own bases and resources, and China has corresponding disadvantages. The maritime chokepoints between the Indian and Pacific Oceans offer another major advantage for India. As John Garver, an expert on Sino-Indian relations, comments: '... in the event of a PRC-ROI conflict, India might be tempted to escalate from the land dimension, where it might suffer reverses, to the maritime dimension, where it enjoys substantial advantages, and employ those advantages to restrict China's vital Indian Ocean trade'.⁷ Indian naval strategists are very concerned to maintain India's strategic advantage

⁷ John Garver, *Protracted Contest: Sino-Indian rivalry in the twentieth century* (Seattle, University of Washington Press, 2001), p.277.

against China in the Indian Ocean.

Perspectives of Pakistan and other South Asian states

It should be no surprise that Pakistan has a very different view of China's presence. Indeed as Pakistan's relative conventional military power declines as against India, it is becoming ever more desirous of a greater Chinese role in the Indian Ocean. In recent times this has included the purchase of Chinese frigates, shore-based anti-ship missiles and 8 *Yuan* class submarines, and reportedly, Pakistani requests for China to create a naval base at Gwadar (a suggestion that Beijing has so far avoided). China's interest in giving naval assistance to Pakistan may be driven, at least in part, by wanting to increase pressure on the Indian Navy in the Arabian Sea and distract it from developing its capabilities to the east of India.

India's smaller neighbours tend to take a position somewhere between India and Pakistan. They generally see China as a useful friend, a major source of investment, a supplier of cheap defence technology and as a partial balance against India's regional ambitions. But for the most part these countries grudgingly understand that India will tolerate their security and defence relationships with China only within certain parameters. Going beyond those parameters can provoke a major response from India. The decision of Sri Lanka's President Rajapaksa to allow a Chinese submarine to visit Colombo in September and November 2014 provoked a furious reaction from Delhi and may have contributed to the ouster of President Rajapaksa in an election held several weeks later.

The strategic role of India's Andaman and Nicobar islands

India's strategic position in the northeast Indian Ocean/Bay of Bengal is underpinned by its control of the Andaman and Nicobar islands, a 720 km-long island chain that runs north-south from the western end of the Malacca Strait. The islands are India's strategic outpost in Southeast Asia, potentially allowing it to dominate the western approaches to the Malacca Strait – just as China's artificial islands in the South China Sea could dominate the sea lanes at the other end of the Malacca Strait. They form a natural base for India to project power into the Malacca Strait and beyond into the South China Sea, and have been described by a Chinese naval writer as constituting a 'metal chain' that could lock the western end of the Malacca Strait tight.⁸

India has been building its military capabilities on the islands for decades, but its capabilities in intelligence, surveillance & reconnaissance (ISR) remain limited. India's recent temporary deployment of two P-8 maritime surveillance aircraft to Port Blair is part of a focus on improving ISR capabilities. The Indian Navy's new air station on Great Nicobar island in the south of the archipelago near the western end of the Malacca Strait is also being developed to accommodate larger aircraft.

The deployment of Indian P-8's to these islands could also have broader strategic consequences for India's defense relationships with the United States, Australia and Southeast Asian partners. The operation of P-8s by India, the United States and Australia (which has undertaken sustained maritime surveillance activities in and around the Malacca Strait for more than three decades)

⁸ Zhang Ming, 'The Malacca Dilemma and the Chinese Navy's Strategic Choices', *Modern Ships*, No.274, October 2006, p.23.

could form a good basis for cooperation in maritime surveillance in the region. The recent finalization of a US-India Logistics Support Agreement could help in developing a regional maritime domain awareness system encompassing Southeast Asia.

Issues of mutual concern between China and others in the Indian Ocean

Although there are many issues of mutual concern in the Indian Ocean region (including most significantly the protection of sea lanes from non-state and state actors), maritime security cooperation between China, South Asian states and others remains very limited. Although several smaller South Asian countries are happy to accept Chinese military hardware, there is generally considerable caution about pursuing other forms of defence cooperation. For its part, China has also shown little appetite for cooperation with extra-regional states. The PLAN has undertaken numerous anti-piracy deployments to the western Indian Ocean since 2008, which have operated in parallel to other international efforts, but operational coordination remains extremely thin. In practice, with the exception of Pakistan, there has been relatively little engagement by the PLAN beyond port visits required by its anti-piracy mission.

An interesting exception to this occurred in 2014, when the search for the missing Malaysian Airlines passenger jet MH370 moved to the south eastern Indian Ocean under Australian leadership. China contributed several surface vessels and surveillance aircraft to the multinational search, operating out of Western Australia. This was an important indication of its ability to move assets at short notice to distant parts of the Indian Ocean, and its preparedness to work with other countries in certain circumstances.

US strategy and the evolving balance of power in the Indian Ocean

The United States has a crucial role to play in the Indian Ocean region – not just in the Persian Gulf and its surrounds where the great majority of its defence assets are concentrated. For more than a decade the United States has recognised India as a key net security provider to the region and crucial to the regional balance of power. Nevertheless, Washington still appears to lack a comprehensive strategy towards the Indian Ocean region as a whole, including in relation to China's role in the Indian Ocean. China currently implicitly accepts the US role as the key provider of SLOC security in and around the Persian Gulf (among other things it has no choice in the matter). But this relatively passive position is unlikely to continue indefinitely. China is very unlikely to accept India as the predominant maritime security provider in the Indian Ocean. Accordingly, any reduction in the US security commitment in the Persian Gulf or elsewhere in the Indian Ocean would be perceived as creating a power vacuum and could lead to considerable strategic competition between China, India and other players to fill that vacuum.

Other regional powers have important roles to play in the Indian Ocean, including Japan, France and Australia. Although Japan is probably even more dependent on Indian Ocean SLOCs than China, it is only just beginning to realise that it must play an active role in the region, including through its growing security relationship with India. Japan could potentially play an important role in the Indian Ocean balance of power, including in countries such as Myanmar and Bangladesh.

Australia has the largest maritime jurisdiction by far of any Indian Ocean state and has the second most powerful navy in the region. Although Australia's strategic perspectives have historically been towards Southeast Asia and further north, it has been realigning its strategic perspectives westwards over the last decade or so, as part of its re-focus on the Indo-Pacific. In coming years this will include a closer Australia-India strategic partnership and the continued rebalance of Australian defence assets towards the Indian Ocean. US and Australian interests in the future balance of power in the Indian Ocean are closely aligned.

Policy recommendations

I would make the following recommendations in relation to China's growing strategic interests in and around maritime South Asia:

- ***Need for a more comprehensive Indian Ocean strategy:*** The United States must give greater focus towards developing a comprehensive or coherent strategy towards the Indian Ocean, beyond the Persian Gulf and its surrounds, including addressing scenarios for the future balance of power.
- ***Enhanced minilateral arrangements:*** The United States should actively support the development of minilateral arrangements covering the Indian Ocean, and related cooperation at an operational level. This would include opportunities for enhanced US-India-Australia trilateral cooperation, as well as developing minilateral arrangements with other key countries.
- ***Encourage an enhanced regional role for Japan:*** The United States should support an enhanced regional role for Japan in the Indian Ocean, including as an investor in port and related infrastructure and in helping to develop local maritime security capabilities.
- ***Support the development of regional institutions and frameworks:*** The United States should assist in strengthening regional institutions and frameworks to support international norms. The weakness of existing regional institutions and security frameworks creates a serious risk of instability and strategic competition as China's regional presence grows.

PANEL I QUESTION AND ANSWER

CHAIRMAN SHEA: Well, thank you, Dr. Brewster. That was--all three, thank you for your very valuable testimony.

We'll start with Commissioner Fiedler with the first question.

COMMISSIONER FIEDLER: I have two questions to start with. What are the Chinese doing to disrupt the developing security relationship between India and the United States--one.

MR. MORIARTY: Well, I think you might have noticed, for example, that Ambassador Harris has called for a very close quadrilateral partnership, a topic that was raised several years ago, and it's clearly on the record that the Chinese jumped all over everybody concerned except for us saying that this would be considered a very unfortunate and very unfriendly action.

And I think that's just the tip of the iceberg that there are pressures to try and keep some distance in the relationship, but, as I made clear in my testimony, I sort of believe that in a way it acts as much as a little bit of a brake on Chinese actions, that they realize that the worst possible outcome five years from now for them in the Indian Ocean and South Asia, in general, is to see a very close U.S.-India security partnership so they do that in terms of the negative, trying to warn people away, but I think it also is reflected on their realizing that there are red lines with respect to their relationships in security with the other countries.

You know, there haven't been any more submarines stopping in Sri Lanka, for example, since the Indians made such a great big deal of it, and frankly I doubt there will be even if the Rajapakse government returns in the near future.

MS. CURTIS: China is very concerned about the increasing relationship between the U.S. and India, going back to the U.S. offer of a civil nuclear deal to India. Shortly after that proposal in 2005, that China started toughening its position on the India-China border disputes and started calling the Indian state of Arunachal Pradesh, the Indian state that China claims, "South Tibet," which led to an increase in border tensions. China played this card to basically make it more costly for India to consider a closer security relationship with the U.S.

Another way China tries to slow U.S.-India relations is by enhancing its relationship with Pakistan. China is providing civil nuclear reactors and technology to Pakistan, despite the fact that such sales are outside of the Nuclear Suppliers Group requirements that China has signed up to.

Chinese commentators made veiled threats toward India just this past week following Admiral Harris' comments from India about joint U.S.-India patrolling in the North Philippine Sea. The Chinese commentators said there were steps China could take toward India that would make this a costly decision for them. They pointed out that Pakistan has invited China to make Gwadar port more of a military facility. China thus far has refused to go down that path but could change its mind.

So I think the way that they try to disrupt the U.S.-India security relationship is by making it more costly for India by enhancing Pakistan's strength within the military balance in the region, and also by putting pressure on India in terms of their border disputes. They seek to create the sense in India that they're surrounded--Pakistan on the one side, China on the other, and both sides cooperating.

DR. BREWSTER: I think India's relationship with the United States is really the one thing that makes China sit up and take notice of India. Otherwise, it doesn't pay a huge

amount of regard towards India. But I think that the Chinese view of India is still relatively unsophisticated.

The submarine visits to Sri Lanka and the border incursions which occurred during President Xi's visit to Delhi in 2014 really show a lack of understanding of Indian concerns and thinking. That might be changing now, but nevertheless the lack of Chinese consultation with India over the OBOR and the predictable Indian reaction to that shows really a continuing lack of understanding of how India will react to Chinese actions.

COMMISSIONER FIEDLER: I'll have a second round.

CHAIRMAN SHEA: Okay. I'll ask a question. Thank you.

When we were in India seven or eight years ago, something struck me, and it still remains with me. I asked a think tanker, who is India's best friend in the world, and he replied India. And that has remained with me.

[Laughter.]

CHAIRMAN SHEA: So I'm wondering--you know, this vision of this new Indo-Asian world, U.S. involvement, requires India to sort of reach out and be involved in multilateral relationships, not alliances necessarily, but multilateral relationships that approach that. And I'm wondering is this part of India's DNA? How does that sort of nonalignment mentality impact the ability of India to engage in the way that we would like India to engage?

MR. MORIARTY: If you had asked me this about the time you were visiting India, I would have said that the mentality is the big hang-up, that basically India was a very much self-focused country and one that had recently come out of a long, very close relationship with the former Soviet Union.

Now I would say that you're running into a number of issues, but probably the biggest ones are capacity and bureaucracy. The bureaucracy goes at the speed with which it wants to go and frequently goes in the direction it wants to go. Anybody here a fan of the old show "Yes, Prime Minister," British series about the permanent civil service bureaucrat who always found a way to get what he wanted no matter what the prime minister told him had to be done? It was a reminder that particularly in parliamentary systems, bureaucracy, senior civil servants have a lot more clout than we're used to.

And in the Indian case, that tends to be towards going along familiar tracks, and so if you're looking at increased activism in multilateral organizations, they want a seat on, a permanent seat on the Security Council, and frankly for reasons beyond their own control, they're unlikely to get that in a foreseeable future.

Beyond that, they look very closely at multilateral institutions and say okay, is there something in this for India? They're not constructing a new world vision; they're cobbling together what they view to be Indian advantage. So One Belt, One Road, they don't like it. The foreign secretary, without naming names, has spoken out very clearly against it as a unilateral organization to serve one country's interests.

On the other hand, the BRICS new development bank, the AIIB, the Asian Infrastructure Investment Bank, they immediately joined up because they figured that this would be available money for India to use in its development needs. They also figured that they could prevent Chinese domination of these new institutions.

So in a way, I think they actually take a self-centered but fairly sophisticated look at organizations: what's in it for me; what we can get out of this? But let's not just join every organization that comes up because some of these things might not help us and might be counterproductive.

MS. CURTIS: I agree with everything Ambassador Moriarty said. I would just add that instead of thinking about India associating itself with the nonaligned movement, we should recognize India will always want its strategic autonomy. It will always want options in pursuing any partnerships, and we certainly cannot expect an alliance type of relationship with India. So there are clearly limits on the India-U.S. security partnership moving forward.

But I think it's worth noting that we've seen significant changes under Prime Minister Modi, who came to power in May 2014, in terms of not being afraid to associate India more closely with the U.S. in strategic terms. You could see that by the fact that he invited President Obama to serve as the Chief Guest at the Republic Day Parade, the first time ever a U.S. president has been invited for that honor.

You could see it in the Strategic Vision statement, the willingness to specifically mention the South China Sea and U.S.-India cooperation there, and we're seeing it in the closer defense relationship that's been happening over the last couple of years through the expansion of the Defense Trade and Technology Initiative, where the two sides now are exploring the co-development of aircraft carriers and jet engines.

So things are definitely moving forward in a faster pace than they were under the previous Manmohan Singh government. This is partly because Prime Minister Modi is not ideologically tethered to the nonalignment movement ideology. He doesn't rely on a leftist political base like the Manmohan Singh government did so he has more freedom on the foreign policy front.

Now, of course, there are limits to US-India relations, as I explained earlier. One very clear signal of progress would be if India were to sign one or more of the foundational defense agreements-- like the Logistics Supply Agreement or the CISMOA Agreement (Communications Interoperability Agreement). There are signals that India might be moving in this direction within the next few months--if that happens, I think that will be a very clear signal that this Modi government is interested in stepping up the security partnership with the U.S.

CHAIRMAN SHEA: Thank you.

Dr. Brewster.

DR. BREWSTER: I would agree with the comments from Ambassador Moriarty and Ms. Curtis that the ideas of nonalignment and strategic autonomy still have quite a strong force in India although they're changing under Prime Minister Modi.

I think this leads to a view of India's relationship with the United States and allies such as Australia, U.S. allies such as Australia, in fairly tactical terms. They might be long-term but still relatively tactical. The one relationship which I think the Indians are very emotionally comfortable with for a lot of reasons is the strategic relationship with Japan.

Japan is a major Asian country, a country that India has a lot of respect for and aspires towards its economic development, and so it will be prepared to do a lot of things with Japan that India still will not be prepared to do with the United States.

CHAIRMAN SHEA: Thank you.

Commissioner Wessel.

COMMISSIONER WESSEL: Thank you very much for all your testimony and for your travel.

I'm sort of befuddled this year by the political campaigns, and I wish I had a crystal ball, but our report to Congress comes out in November right after what may be the most populist campaign that America has seen in decades.

Ambassador, you talked about how not everything should be about China, not

everything should be about security. Our trade deficit with India has grown more than 300 percent since 2000. The TPP, which you referred to, has been played as writing the rules so that China doesn't get to, and as part of our Asia pivot strategy, which some view as being part of a China containment strategy.

Recently, the Indians hosted U.S. businesses, and as I recall, there was an announcement of roughly \$27 billion of U.S. investments that would be made in India. Many of those, of course, will be using India as an export platform to reach either the region or back to the U.S. because as we all know India has taken a lot of signals from China on its own economic approach to domestic growth, et cetera, export-led, et cetera.

Help me understand--we're a congressional advisory body--that this isn't just about China, that this isn't just about--and with Pakistan, I think many in the public view it as our relationships are designed to address the terrorist threat and to make sure we have strong enough relations so that we can work with the government and deal with all those programs, terrorist threats.

How do we frame this in a longer-term, more cooperative, beneficial strategy on a broad base so that the public, which right now are worried about their jobs, wants to be engaged? What should we be telling Congress are our dynamic interests there that demand more than just investments to make sure that we have basing rights, et cetera? And that's for all the panelists, please.

MR. MORIARTY: That's an excellent question, and I think it's sort of the issue that's driving the current political debate, which I obviously am not going to get into.

COMMISSIONER WESSEL: Trust me, you don't want to.

[Laughter.]

MR. MORIARTY: Thank you for giving me a pass.

If you look at the world as a whole, where is the economic growth occurring, where has the population center shifted to, where will U.S. interests only grow, that is the Indo-Pacific broadly defined, and that's why I'm careful about arguing in favor of an Indo-Pacific policy. I do think that India's current lead in terms of being the fastest-growing major economy in the world will continue, but China is not going to disappear. It's going to continue to be an important factor.

If you look at the deficit, where does it come from, why do jobs go overseas, what makes our economy weaker, well, I do continue to believe that the U.S. economy can compete in most sectors. I do continue to believe that many parts of the Indo-Pacific, including India, feature very protective economies.

If you go back and look at discussions about the TPP, in India, they're not friendly at all, and they're not friendly because they realize that it would force them to open up sectors of their economy, including agriculture, pharmaceuticals, that they have been protecting very strongly.

So, in essence, in terms of what does something like the TPP do, it forces manufacturers, it forces companies to look at a much bigger market and say can we source from the United States and crack into large overseas markets? And the current 11 would-be members is a very good start. But seeing Indonesia say that it's interested in joining the TPP, you know, a country of 260 million people, the linchpin of ASEAN, which is the sixth most populous country in the world, so anyhow I do think that there is a really good economic argument to be made that autarky is not the answer. We can't be a self-contained island. We would never reach a prosperous standard of living just trading among 50 states.

You know, if you put it in those terms, I think a lot of people can understand it, particularly if you point at the failure of systems like the Soviet Union's, like India's in the earlier days when it was even more protectionist and more autarkic.

I think people understand that there has to be trade, and frankly if the argument is that it has to be fair trade, then things like TPP are good tools, and if the question is how do we make this broader than just containing China, well, you know, we're not containing China, we don't want to get into that position, but more broadly, this fast-growing, these fast-growing economies throughout South and Southeast Asia with, once you throw in ASEAN, you're well over two billion people.

This is going to be where the growth and the change in the world is going to occur or at least the positive change in the world is going to occur. And if we don't address it, we will be left behind. We won't be shaping the rules of the game. We will allow countries like India to continue in a protectionist mode. We will allow countries--well, we will allow China to continue to pursue what it perceives as its own interests without input from the outside world effectively.

MS. CURTIS: Ambassador Moriarty has really spelled out the economic argument. I'd like to focus on the need for U.S. leadership in the region. I know economic issues are sometimes more salient in political campaigns, but I think it's also important to emphasize the issue of U.S. presence in this region. The US must continue building partnerships, alliances in the region. Here I'd like to mention the idea of the quad, reviving the quad cooperation between the U.S., India, Australia and Japan.

Admiral Harris mentioned his support for enhancing quadrilateral cooperation between the four nations. I have been part of a Track 2 effort the Heritage Foundation has been leading in conjunction with an Indian, Australian and Japanese think tank over the last three years to talk about how our four countries can cooperate more closely. I think it's been a very fruitful effort.

And in the absence of a formal or official quad dialogue, this is a way to talk about security concerns, talk about ways to enhance cooperation, whether it be in cybersecurity, maritime security, terrorism, other issues.

So I think that talking about the U.S. continuing to play a leadership role in the region, not just deferring to Chinese economic and military expansion in this region, is a critical part of our policy there. It's clear India is not joining the TPP any time soon so I think it's important to focus quad cooperation on security issues, especially maritime security. When it comes to the economic issues I think we still have some major trade barriers, as Ambassador Moriarty pointed out, with India, in particular.

COMMISSIONER WESSEL: Thank you.

DR. BREWSTER: Look, I'm not really in a position to comment on questions about U.S. public opinion, but what I can--

COMMISSIONER WESSEL: Nor are we.

[Laughter.]

DR. BREWSTER: What I can say is that failure to ratify the TPP would be a disaster for U.S. leadership role in East Asia. Rightly or wrongly, it would be perceived in the region as a signal that the United States was much more interested in its own, in domestic concerns than continuing a regional leadership role, and I think the populist bent of the presidential campaign has sort of reinforced those concerns. So, yes, I'll leave it at that. Thanks.

COMMISSIONER WESSEL: Okay.

CHAIRMAN SHEA: Thank you.

COMMISSIONER WESSEL: Thank you. If there's another round.

CHAIRMAN SHEA: Dr. Brookes.

COMMISSIONER BROOKES: Thank you very much and thank you all for your testimony.

I have a lot of questions, but I'm going to give one to each of you, and then if we get to a second round, I'll ask some more.

Jim, good to see you again. Can you expand a little bit on what you think China's intent is with the Djibouti logistics base? Do you think that this is really to support the piracy patrols in the Gulf of Aden, which I think the piracy has decreased significantly, or is this an opportunity for a long-term continued presence in that part of the world?

Lisa, I've always been fascinated by why India would be interested in the South China Sea. So what are their real interests there? Is it a question of if you're going to swim in my swimming pool, I'm going to swim in your swimming pool? And do you think the Indians will go forward with some sort of presence or even join operations in the United States? I know we've been talking about this one in the North Philippine Sea.

And David, what are India's naval capabilities? I mean we hear about the Indian Navy, but is it really capable? Is it really able to operate in blue water operations to stand up to the Chinese? I mean you talked about it, but I'm not sure many of us really know what Indian naval capability is.

And then if anybody could tell me, what are the figures, and I may have missed this somehow in the readings, but what are the figures on Chinese trade through the Indian Ocean? In other words, what percentage of their trade--I mean we know they have energy, we know they have trade going through there--is this a predominant level of trade for China? Because we talk about China is interested in the Indian Ocean. Well, maybe we can put a little light on that. So if you guys could take that, that would be great.

Thank you very much.

CHAIRMAN SHEA: Anybody can answer those questions, too.

MR. MORIARTY: Yeah. Well, I have the shortest book to write so if you look at what they're doing in Djibouti, I take it that they're trying to establish is a long-term logistical facility to serve vessels in the western part of the Indian Ocean primarily. I think there's actually interest among many countries in wrapping up the piracy patrol so that will become a much thinner excuse for their presence.

But, again, if they want any presence in that part of the ocean, they have discovered that they really do need something to which they have permanent access.

In terms of the figures, what I've seen, and it looks pretty consistent, is something like 80 percent of their oil imports go through the Indian Ocean, and 25 percent of total exports go through the Indian Ocean, and of course that's a constantly moving figure as they open up new routes.

MS. CURTIS: So in answer to your question why is India interested in the South China Sea, I think it's basically what you stated, that it's a sort of tit-for-tat strategy. As China reaches into the Indian Ocean region, India wants to show it can reach into China's sphere of influence in the South China Sea. And we've seen India improving relations with Vietnam, in particular, exploring for oil off the coast.

You know I think this is really a strategy for India to show that it's not afraid to cooperate closely with China's neighbors. The Southeast Asian nations want India to cooperate more with them so that they have options and so China doesn't dominate the economics and

diplomacy of the region.

So I think it's a two-way street. India is being invited into the region and also wants to show that it has capabilities to reach into that territory.

However, there are limits to what India wants to do, and it doesn't want to provoke China too much. We saw this a couple months ago when a U.S. official asserted that there would be joint patrols in the South China Sea. India wasn't too happy that this U.S. official had stated that and wanted to make clear that, no, they weren't considering that.

Now, I was looking to see whether there was any pushback against Admiral Harris' recent assertion about joint patrols in the North Philippine Sea, and there has not been as of yet. So I think it's a constant calculation that India is making. It doesn't want to provoke China too much but also wants to signal that it has maritime options. I think we'll see a constant calibration by India in this regard.

COMMISSIONER BROOKES: Have we seen India operate in the South China Sea at all before?

MS. CURTIS: Not to my knowledge except for the oil exploration off the Vietnamese coast.

COMMISSIONER BROOKES: But not a naval goodwill passage or anything? Maybe David could answer that when he talks about India's naval capacity.

DR. BREWSTER: I'll just say, I'll just make a couple of points. Firstly, the starting point to your answer is that with India, India's ambitions always far exceed its capabilities. So the capabilities, the Indian Navy is a highly professional force, but its capabilities are uneven. It intends to build three modern fleet carriers which will give it significant power projection capabilities, but, for example, its submarine force is very small and very uneven in ability. So it's hard to assess.

The Indian Navy certainly has ambitions to be the dominant player in the Bay of Bengal area, but it's very wary of becoming too involved in Persian Gulf. It's quite happy to see the United States playing a role in the Persian Gulf.

A couple of quick points. Djibouti, we shouldn't just look at Djibouti as a naval port. I think potentially far more important than that is looking at Djibouti as an airbase, giving China reach throughout the Middle East, in fact, almost throughout the whole of Africa, and we might see that as the key role of Djibouti.

In the South China Sea, India has been playing around with goodwill visits, and every two years it conducts bilateral exercises with Singapore in the South China Sea, but it's quite wary--it's also been invited a number of times by Vietnam to establish naval facilities near Cam Ranh Bay in Nha Trang, but it has declined. The Indian naval view is it's a bridge too far.

They have enough trouble looking after their own patch. If they were to get into a confrontation with China, the South China Sea is not the place to do it.

CHAIRMAN SHEA: Thank you.

Colonel Wortzel.

COMMISSIONER WORTZEL: Dr. Brewster, on page three of your testimony, you quote two researchers at the China Naval Command Academy who argue that the issue of SLOC security is really one of political stability, and a secure geopolitical environment is more important than the projection of military power.

So I mean it seems to me that coordinated political and economic actions are far more important than any military actions in the area. If that's the case, I'd ask all of you to talk about where Chinese and American interests coincide because I think we want the same secure

political, geopolitical environment in the oceans, and what are the major conflicts between American and Chinese interests in that area? I guess, Dr. Brewster, we can start with you.

DR. BREWSTER: Yeah. Yes. Look, finding areas for potential cooperation in the Indian Ocean is extremely important but also very hard. We had notional cooperation in antipiracy. There wasn't any real cooperation really whatsoever. It was conducted in parallel.

I think cooperation in countries like Afghanistan, Sudan are real possibilities. There's also potential for cooperation in HADR and search and rescue. We saw with the MH-370 search for the Malaysian airline plane, there was really a high level of cooperation between Australia and Chinese navy and air force operating out of western Australia, and that was seen as an extremely good thing.

But overall I'm less optimistic. I see there's a fundamental issue that when U.S. analysts talk about the potential for a distant blockade against China in the Strait of Hormuz, the Chinese sit up and take notice and are wondering how can, what does this mean for potential cooperation between the U.S. and China.

Also, just as importantly, as I mentioned earlier, we're going to be seeing a lot of jostling between China and India and the U.S. over influence in countries in South Asia. A great example was in Sri Lanka over the last couple of years, and Myanmar, as Chinese influence pushes forward and then gets pushed back. In some ways, that's a little bit reminiscent of U.S.-Soviet jostling in that region during the '80s, and I see that sort of political jostling as continuing.

MR. MORIARTY: Yeah, I would take a very broad view and say that inherently both the United States and China want to see the countries of South Asia stable and secular in terms of not allowing any sort of fundamentalism grow in any of the countries. That's a pretty positive starting point. That gives you a lot of room to work together on Afghanistan. Frankly, a surprising degree of room to work together on some Pakistan related issues, too.

So it's not as though we want to see completely different maps of the region. In terms of where do the conflicts come, well, you know, I mean we remain an ideological country. We remain opposed to imposition of one man rule. Inherently, whenever a country goes down a path that we see as alarming with respect to its domestic politics, we make our feelings and views known. China inevitably sees this as to some degree an opportunity while being totally consistent with their desire to see a stable secular region.

So I think that that's the fundamental causes of issues, and I think strategically we'll always view it from a totally different prism. The lines of communication will always be vital to China. They will always be paranoid about possible threats to those lines of communication, and meanwhile we will see their attempts to protect their lines of communication inherently as saying we want domination of this area. So I think that's the 50,000 foot view.

Issues like HADR we should be cooperating much better in the future. You know when we both go pouring into Nepal to help after the earthquake, we should do a better job in deconflicting and working together.

MS. CURTIS: I think Chinese and American interests coincide in Afghanistan. One can't overstate enough how much the Chinese position on Afghanistan has evolved over the last five years from not wanting to get involved, seeing it as a U.S. tar baby, and not wanting to be associated with U.S. policies in Afghanistan, to now seeing China as talking about providing military equipment to the Afghanistan security forces, and joining an effort with the U.S. to try to bring peace and reconciliation.

So the Chinese have moved a great deal on the Afghanistan issue. There is still

some genuine potential for cooperation and coordination between the U.S. and China there.

In terms of the Sino-Indian relationship, certainly the U.S. has no interest in seeing any kind of conflict between India and China. And the U.S. has been clear about the fact that it sees Arunachal Pradesh as an integral part of India.

So it's been willing to make a statement on the bilateral border disputes to that degree, but beyond that, I think the U.S. has taken a very hands-off approach. There may be some room for contingency planning back here in the U.S. if the Sino-Indian border disputes were to ratchet up. And certainly we have seen on two occasions in the last three years--once in the spring of 2013, once in the fall of 2014--the tensions ratchet up in terms of unusual troop movements by the Chinese PLA forces in the Ladakh region of Kashmir.

So it certainly is something that I think we need to pay attention to. I'm not saying the U.S. needs to get involved per se, but we should at least have an idea of how the U.S. might react if the tensions were to escalate quickly along the border.

Building on what Ambassador Moriarty said about the other South Asian nations, we certainly have an interest in not allowing democratic trends to reverse like we saw with the former Sri Lankan government, the Rajapakse government, which really cozied up to the Chinese. We saw this parallel movement away from democracy, more toward authoritarian rule, and it was very unhelpful for overall U.S. interests.

Now we've seen a major change in the last year with the new Sri Lankan government, as I mentioned, but this is something that I think we need to be cognizant of, that the Chinese aid and increased relationships in the region don't necessarily encourage or help democratic trends. And, as we know, democracy is still fairly fragile in most of South Asia.

CHAIRMAN SHEA: Okay. Thank you. Dr. Tobin.

HEARING CO-CHAIR TOBIN: Great. Thank you.

I think we all have a lot of questions, but I want to start with one for the Ambassador, and then perhaps all of you could comment. In your written testimony and in your oral testimony, you stated essentially that most of the U.S. government does not do well at integrating strategy on China in South Asia, and when I read it, it rang a bell as being quite similar to what we heard last year from Ambassador Hoagland about Central Asia.

What can we do? Admiral Harris is moving a strong clear strategy forward from a military point of view. We, as Commissioner Wessel said, begin to put recommendations together. I'd like you to be as concrete as you can on how we can get top level strategy moving forward, each of you, and also from Australia's perspective, what do you see looking at the U.S. in terms of this issue?

Thank you.

MR. MORIARTY: Well, I do think that the biggest question is can you make this an institutional versus a personal reflex? Can you basically build up systems within our respective bureaucracies that force that bureaucracy to say, oh, the Indo-Pacific is one great big region, the policies that we implement vis-a-vis one country might have a broader impact, and frankly to make overall progress in the Indo-Pacific region, we need an integrated strategy?

How do you do that? Well, unfortunately, it starts with a lot of interest. Okay. It means that within the bureaucracy, you have to have a secretary, an agency head, who makes sure that beneath him, the folks begin to sit down and take a coordinated approach to the issues.

Let me delve down deeper. I'm an old State Department hand. I'm also an old NSC hand. The NSC used to have a directorate that did South Asia, Southeast Asia, East Asia, and the Pacific all as one integrated region. For reasons of size, they don't do that anymore, but

once you get rid of that sort of overarching structure, what do you do to replace it?

The normal instinct is to say, hey, the leaders have to get down and sit together, come up with an annual plan. They have to sit together very regularly to monitor the progress of that plan and make any revisions on it, and what that means is the underlings, the action officers, the desk directors, the DASes, have to begin saying, oh, I have to be looking at where we are on an integrated strategy and implementation of that strategy. Very undramatic sounding, but it actually adds up to a lot of work that won't get done unless you have a Secretary, a Deputy Secretary, an Under Secretary, at least, watching the process constantly.

Part of that is making sure that the high level interest continues. That's a place where Congress does have an important role to play. The hearings that treat the Indo-Pacific as an integrated whole, that's a great way to force fairly senior officials to concentrate on the integrated whole. Budget questions, you know that's a great way to slap people's attention together, is how are you using this money; where is this money going?

I do think that absent a lot of positive action, in very busy bureaucracies, people tend to look at their own turf. When you see progress, it's because you have a couple of assistant secretaries who know that the secretary is very interested in the issue, and at the assistant secretary level, you have two individuals who can work together well and do enough to think about it as an integrated issue.

HEARING CO-CHAIR TOBIN: Is the NSC your most recent or the most effective example? Any other places that you've seen doing this?

MR. MORIARTY: Well, the big one for me is the Pacific Command. In terms of cooperation within the State Department, it's been periodic, and it's been dependent on the individuals involved.

HEARING CO-CHAIR TOBIN: Thank you. I know we're somewhat short on time.

CHAIRMAN SHEA: No, it's okay.

HEARING CO-CHAIR TOBIN: To each of the others, your comments on this?

MS. CURTIS: I'll just be very quick.

HEARING CO-CHAIR TOBIN: Because we've got to be able to create a clear message here for action.

MS. CURTIS: I think continuing to view India beyond South Asia and to see India for how it can support U.S. goals in the Asia-Pacific, and again I'll come back to this idea of the quad cooperation. I'll just note we have trilateral, very successful trilateral cooperation with Japan and India. You've got the U.S.-Japan-Australia trilateral. You've got now a Japan-Australia-India trilateral. It seems it would make it much easier if we just condensed these into a quadrilateral group.

DR. BREWSTER: I suppose my main point is that the U.S.-India bilateral relationship is one thing, and it's very important, but U.S. thinking about the Indian Ocean has to go well beyond that bilateral relationship.

For example, I'm not convinced that USPACOM has an integrated Indo-Pacific strategy even though that's within its area of responsibility, notwithstanding Admiral Harris' recent comments in Delhi. So I would like to see U.S. support for various minilateral arrangements that are growing across the Indian Ocean, U.S.-India-Australia, Japan-India-Australia, so not just arrangements that involve the U.S., but other, among other friendly states.

Also building regional institutions. I'm very involved in the regional grouping IORA, Indian Ocean Rim Association. The U.S. is absent. At meetings, we are seeing Chinese

observers there. We are seeing China donating money to helping to run IORA. Small amounts of money for which they get quite significant PR benefit. But the U.S. is absent. And I would like to see U.S. as a major player in playing a supportive role in developing these regional institutions.

HEARING CO-CHAIR TOBIN: Thank you.

CHAIRMAN SHEA: Senator Talent.

COMMISSIONER TALENT: Thank you, Mr. Chairman.

As I was listening to your testimony, it struck me that what the Chinese have been doing in terms of antagonizing India or taking the risk of that over the years, most recently these border incidents, I don't understand how they view that as a plus for them. You touched on this a little bit, Dr. Brewster, when you talked about they're underestimating the reactions of India.

This policy strikes me as a loser for them, including in the long term--these connections with Pakistan. What do they get out of that compared to pushing India away from them and in the direction of greater cooperation with the other, with both the United States but other countries.

So could you comment a little bit on that? I mean is there any discussion of the broader strategy within the Chinese government on what they're gaining and losing from this, especially since this is a region? I mean they're focusing on South and East China Sea, and then on the West, right, going west. So all they really need is stability in South Asia, and it seems to me they're contradicting their own longer-term interests with their policies toward India.

Is there any sense in the Chinese government that this may be changing? Just a comment on that. And by the way, I really appreciate your testimony. I think you all have added a lot to our deliberations.

MR. MORIARTY: I think up until 2006, there was a consensus that Chinese diplomacy was marching boldly forward, protecting China's interests in a way that was ever broadening China's acceptance and advancing Chinese interests throughout the world.

I would say that anybody who has watched China's foreign policy since then would not make such a statement. You know at one point you could say that China had antagonized virtually all of its important neighbors except Russia, and Russia was deeply suspicious of China. So it's not a total anomaly, and what you see partly is the hubris born out of getting through the global recession well and China viewing itself as the engine that restarted the global economy.

You see a little bit of that, but you also see just a lot of pressure built up because of that and because of the 30 years of impressive economic growth to be more assertive on the world stage.

India is actually a very complicated issue because I skipped over the 1962 war, but it was basically a war over border and sovereignty issues. The border issues, that long border that's unsettled, India and China playing a game of hopscotch trying to get behind each other's lines, and China finally saying we've had enough of this and going to war over it.

Complicated by the decision by the Indians to give the Dalai Lama asylum. Okay. Sovereignty is probably the biggest claim to legitimacy of the People's Republic of China. They reunified China after a hundred years of foreign humiliation. Why is the South China Sea now so much more important than say the Indian Ocean? Well, precisely because it's now been defined as a core national interest, as a sovereign part of Chinese territory.

So with India, I think intellectually they understand they don't want to, as I said earlier, push China, India, in particular, towards a closer security relationship with the U.S.

On the other hand, they want to be crystal clear on sovereignty boundaries, and frankly, as I implied earlier, they do not believe India is a peer power. They consider them a regional power. And yes, a much bigger regional power than Pakistan, which continues to do things that frustrate China, but ultimately Pakistan has proven to be a reliable partner. India continues to irritate them on a number of issues.

MS. CURTIS: I think what you spelled out makes logical sense, but I haven't really seen any indication that China is making those long-term calculations. I think part of it is the hubris that Ambassador Moriarty talked about, and even in India, you will hear, look, we understand the Chinese are way ahead of us militarily, economically. India understands that. They remember the 1962 border war where India was beat very badly by the Chinese so there is a certain recognition of the fact that China is ahead of India on many of these fronts.

But the Chinese, they definitely don't want to settle the boundary issue with India. I think India would be willing to move forward and try to bring settlement to their border tensions, but the Chinese simply are not interested. I think they have a long-term vision of Chinese power and what they want to achieve, and for now I think they have made the calculation that it's still to their benefit to sort of keep India off balance, to keep supporting Pakistan as a way to keep India tied down.

The OBOR initiative and talk of \$46 billion investment in Pakistan is really an extension of China's traditional strategy in the region. I have not seen the data to back up the idea that the Chinese actually are starting to make their foreign policy calculations in the direction you described.

DR. BREWSTER: I think the Senator's comments are right on point. Last year, I gathered a number of Chinese analysts in the room in China and asked them the question what do you think you were doing about, in Colombo, what were you trying to achieve by bringing submarines there during President Xi's visit to Delhi? I'm open. Just tell me. A lot of scratching heads, a clear understanding that it was a mistake, but no real ability to explain who made that decision or why.

Now to me it was clear. They were trying to--someone came up with the idea that it was a good idea to put the Indians off balance at the same time with the border incursion up north. But it demonstrated a complete and utter lack of understanding of the Indian psyche.

Similarly, I think you find similar lack of understanding with the Chinese-Pakistan Economic Corridor. I asked the question, do you really think that you can build this corridor from China to Gwadar through some of the worst areas of Pakistan with thousands of engineers? What do you think is going to happen there? And, you know, the answers I get are, well, we'll build bridges, and everyone is going to be happy and rich, and that's going to make everything go away.

So I think as you will hear from I think Andrew Small this afternoon, who's got some very good insights on this, the Chinese have a long way to go in terms of the Pakistan relationship, and I think they're going to find a lot of unintended consequences of what they're doing in Pakistan.

CHAIRMAN SHEA: Thank you.

Vice Chairman Bartholomew.

VICE CHAIRMAN BARTHOLOMEW: Thank you. I think I'll have to use this. Thank you to all of you. It's really interesting. Dr. Brewster, thank you for coming all the way from Australia. Ambassador Moriarty and Ms. Curtis, thank you both for being here today but also for the service that you've provided to our country as you've served in the government.

I just wanted to start quickly by also saying that I think it's important--several people have mentioned the Dalai Lama--that we continue to express appreciation to the government of India for continuing to provide sanctuary to the Dalai Lama. I have been to Dharamsala myself and visited the Tibetan government in exile. Sometimes it is at some cost to the Indians certainly in their relationship with China.

Second, just an observation. Ambassador Moriarty, I found particularly interesting your comment about the concern in Bangladesh and Sri Lanka about the quality and cost of infrastructure construction that's taken place. We were in Vietnam last summer and heard the same thing--project overcosts, overtime, and of inferior quality. I hope that as countries are dealing with China on some of this infrastructure development, they start taking into account that they need to have quality control in all of this.

I want to talk though about or ask about the impact of China's economic slowdown. Ambassador Moriarty, if I heard you correctly, it sounded like you thought that the economic slowdown might slow down some of China's activities moving into this region. I don't know if that's economic activities or military activities--what the impact is going to be. We've seen that China's publicly announced defense budget is going down. We all know that those numbers are not exactly accurate--what's publicly done. So I would like to focus on that.

You know, one interpretation, of course, of China's increasing aggression or assertiveness in the South China Sea is that some of it is to deflect attention away from the problems that are happening inside China because of the economics and also to sort of fuel nationalism. And I just wonder whether rather than them not perhaps going as far in the Indian Ocean as they might otherwise have gone without economic problems, if it turns out that they might end up going farther similarly as a way to try to deflect attention from what's going on?

I also am interested in the impact of China's economic slowdown on its ability to sort of manage and fund these new things like the AIIB, the BRICS bank. The BRICS themselves are having some trouble.

And then, Dr. Brewster, since we don't often get a chance to talk to some of our Australian colleagues and friends, I'm actually curious about whether the collapse of the commodities market because of the slowdown is going to make it, is going to increase Australia's willingness to do things that might irritate China or whether in anticipation of that market picking up at some point, they're going to be a little bit more hedging in that context. So for any of you.

MR. MORIARTY: Good--

VICE CHAIRMAN BARTHOLOMEW: A lot. I know it's a lot.

[Laughter.]

MR. MORIARTY: Okay. I've always been taught you never say "good questions," but basically those are all good questions.

With respect to the impact of the economic slowdown, there's got to be less money available than was being planned a couple years ago. That raises questions about priorities. So is it a priority to send \$46 billion somehow Pakistan's way? Well, if you chop that up, that \$46 billion divides into investment, a little bit of bank, big, supposedly concessional loans and a lot of commercial loans.

Then the Chinese have to decide whether they have actually any prospect of getting paid back, particularly on the commercial loans and the concessional loans. So they've got to make some very complicated considerations before they decide because frankly One Belt, One Road doesn't get them nearly as much domestically as building islands in the South China

Sea or something like that.

So, yeah, I think the Xi Jinping administration has been around long enough so that we can say they will play the card of nationalism to the extent possible. The question is how do they think is the most intelligent way to play that card, and like I said, my bet is we, the increasing slowdown in the growth of budgets will probably not impact activities in the South China Sea much at all. That's a core national interest. It's been defined as such.

It probably won't affect anything that directly has any impact on Tibet, but there's not much out of what we've been talking to that directly affects it, but a lot of this other stuff I feel is in play right now, and they've got to think about whether it's important enough to keep workers in steel factories in the Northeast employed to fund expensive construction projects or give loans for expensive construction projects that might not get paid back in places of no, not directly tied into the Chinese economy. So tough decisions coming forward.

With respect to the multilaterals, they've given in their initial funding for the AIIB and for the BRICS. I raise questions--BRICS thing called the New Development Bank--going forward I have questions whether countries like Brazil and Russia are going to be able to come up with the cash for that bank?

The governance of that bank is not as clear as it is for the AIIB where China is actually the largest stakeholder, but only with 26 percent of the voting shares. If you add up folks like the Europeans, and India is the second-largest shareholder, there's a chance that you'll see a reasonably well-administered, well-governed bank there that will not just be a tool of Chinese foreign policy.

DR. BREWSTER: I'll just give a very quick answer. I don't see any particular connection between Australia's foreign policy views and the commodity cycle. Really very little at all. I mean certainly there is an important debate going on in Australia, and it's ongoing about how do we balance China as our major economic partner, who will continue to be our major economic partner for the foreseeable future, with our relationship with the United States as our key security partner?

This is the first time in Australia's history that the two have not been aligned ever since the establishment of the country. It's always been the same, economics and security. So this is a new situation for Australia, trying to figure out exactly how to balance it. I think we're getting better at it, but we've still got a way to go in understanding it.

In terms of Australia's position, our recent defense white paper presaged a major expansion of Australia's Navy and, in fact, a doubling of defense expenditure over the space of the next five years or so. And I think that's a fairly clear indication of Australia's view of the risks and challenges in the region.

VICE CHAIRMAN BARTHOLOMEW: Thank you.

CHAIRMAN SHEA: Well, we have reached our last question, and that honor goes to Senator Dorgan.

COMMISSIONER DORGAN: Mr. Chairman, thank you very much, and thanks for the presentations for this morning. Very interesting.

You have mentioned, and I was not going to make this statement, but you mentioned the importance of TPP, and it's important to observe, as I always have, that all of these trade pacts for last three decades have had a very thick layer of foreign policy and a thin layer of sound economic policy the result, whether it's with Mexico or Canada or South Korea or China, the result is abiding deficits which relate to the issue of economic security for our country.

The China deficit, \$365 billion a year now, a billion dollars a day, causing anybody who's watched American politics a fair amount of political instability in America, and for good reason in my judgment.

But I want to mention that just because I think whenever we talk about economic security, U.S./China, you have to mention that unbelievable imbalance that is abiding nearly forever.

I want to ask about Pakistan. Mr. Ambassador, you indicated that we should be careful about punishing Pakistan. I fully understand why you say that. Understand the regional balance issues that are so very important, and yet Pakistan has been host to A.Q. Khan who has sold the most important nuclear bomb making secrets to the Chinese and to folks around the world an unbelievable, unbelievable indiscretion. It is something that hurts the entire planet, in my judgment, and pardoned by his government later for doing it.

Clearly they hosted bin Laden and would have had to have known bin Laden was there. They are a seed bed for the training of terrorists with the help of a lot of Saudi money, but nonetheless it continues. I just had dinner for three hours with a foreign reporter who had just finished six years living in Islamabad. It's pretty clear that there's a lot of indiscretions that cause us significant problem.

So you say we should be careful in punishing Pakistan. Understood. But we cannot ignore the indiscretion. So as a diplomat, tell us what we should be doing.

MR. MORIARTY: I'll, and let me briefly explain my comment. I say that because I think the 1990s when we did implement very vigorous sanctions under the Pressler Amendment turned into a complete disaster for U.S.-Pakistan relations and for Pakistan itself.

It's always impossible to prove alternative histories, but had we maintained a close working relationship with Pakistan, would they have set off a nuclear weapon, would they have tried to destabilize India through proxy terrorist groups? You know, these are unknowns. I take it as a given that they probably would have tried to stabilize Afghanistan somehow after we pulled out. They can't afford an unstable Pakistan--Afghanistan to their rear.

The tendency to green the Pakistan army only accelerated after we cut our ties. When I was in Pakistan in the '80s, when Zia-uh-Haq was in charge, every major lieutenant colonel, colonel, had done training in the United States, and most of them were willing to sit down and have a scotch with me. You can't say that anymore. You know, they haven't built those relationships.

So, yes, I think the sins have multiplied greatly since the early '90s, and of course that's when we began implementing the Pressler Amendment. Do we have an easy way out of this? No. And that's why I'm very cautious. My formulation was so carefully crafted, as you understand, but we can't ignore them. We can't pretend that slapping the military around and cutting ties with the military is the answer to all our problems because that will only accelerate bad trends within the military.

We can't ignore some of the things you've just described. I understand that, but the question is how do you tailor it; how do you not cut off the U.S. nose to spite the U.S. face? I mean it's, in terms of what I would do, yeah, I mean some of these military sales, the Chinese can provide that stuff, but cutting off mil-mil contacts, no, we've got to do that. Development aid, yeah, we've got to do that. We've got to stay in the game.

In fact, even infrastructure assistance. I have lots of question about the China-Pakistan Economic Corridor. You know, with probably less than a quarter of it considered to be concessional financing, how does this all come together? But there's no denying that Pakistan

needs better infrastructure. It needs to develop roads. There are a lot of sharp people in Pakistan. It needs electricity so that they can establish industries. We shouldn't pull out of those sorts of contacts with Pakistan at all.

And perhaps most importantly we should do that long, hard diplomatic slog of saying, okay, how do we work together to build a stable Afghanistan that's in, where nobody wins, where Afghanistan doesn't get a puppet state--excuse me--where Pakistan doesn't get a puppet state, but where we all say, okay, this is an Afghanistan that we can live it, that's not going to be an exporter of terrorism? And that's going to take a long, long time. It's not going to be an easy fight.

MS. CURTIS: May I add? I have a slightly different perspective than Ambassador Moriarty. I've been following U.S.-Pakistan relations for about 23 years. I was posted as a diplomat there in the '90s so I saw the Taliban rise, you know, supported by Pakistan, coming into Afghanistan, Pakistan's continued support of terrorist groups attacking India.

So I think if I had to characterize it, yes, we definitely need to remain engaged with Pakistan, but we need to find more sources of leverage because clearly we've been pursuing this relationship, a counterterrorism partnership post-9/11 for the past 14 years, and we still see that Pakistan is a hotbed for international terrorism. We still see that Pakistan has not been willing to crack down on the Haqqani network fighting our forces in Afghanistan.

We still see that the Taliban leadership is able to gather in Pakistan. They had a major meeting in Quetta during the Taliban leadership transition after it became known that Mullah Omar had died two years ago.

So clearly, there is more that we need from Pakistan, and I think we need to do this smartly. There should be a series of incentives and disincentives. I very much supported the fact that we withheld 300 million in Coalition Support Funds last year because of Pakistan's failure to crack down on the Haqqani network.

I think that was an important signal to send. In terms of the F-16 aircraft, I'm very much aware of the debate here on Capitol Hill. I will say that this sale is a way to gain some leverage with the Pakistanis. F-16s are very important to them. Apparently we provide the training so there are reasons to see this sale as one way to be able to gain some leverage in the relationship, which we certainly need to have.

So I think it's a complicated relationship, but I would err more on the side of we have been extremely generous. 27 billion in military and economic aid over the last 14 years. Yes, Pakistan has supported our counterterrorism efforts, and Pakistan deserves our support in fighting terrorists that are threatening Pakistan, and there has been a change in the last year in Pakistan. I witnessed that. I was in Pakistan two weeks ago, and people are feeling safer. They are happy that the Pakistan military is cracking down on the terrorists that are attacking in Pakistan.

So we should be supporting Pakistan in those efforts, but at the same time, we need to find sources of leverage because we need Pakistan to be doing more to facilitate reconciliation in Afghanistan. It's not enough for Pakistan to bring the Taliban to the negotiating table at this point. They did that in the summer. They need to show that they're willing to use their leverage over the Taliban to bring down the violence in Afghanistan.

So this is the direction that I think U.S. policy needs to move in.

COMMISSIONER DORGAN: Thank you.

DR. BREWSTER: I'll give an Australian perspective for what it's worth. I don't want to delve too far into the morass of Pakistan. I try and steer well clear wherever I can other

than to observe that countries like the United States and Australia need to maintain our leverage over Pakistan. We obviously need to do it in a smart, much smarter way than we have in the past, but we have absolutely vital interests there, whether it be the Pakistan-China relationship or possibly even more importantly the potential proliferation of tactical nuclear weapons by Pakistan.

We have vital interests there. We have to maintain a minimum level of leverage. How we do that I'll leave it to the experts.

CHAIRMAN SHEA: Well, thank you. This was an excellent discussion this morning, and I want to thank our witnesses for their comments and for their thoughtful testimony. We will reconvene in about ten minutes at 11 o'clock. Again, thank you.

HEARING CO-CHAIR TOBIN: Thank you.

PANEL II INTRODUCTION BY COMMISSIONER KATHERINE TOBIN

HEARING CO-CHAIR TOBIN: Good morning, again, and welcome to our second panel. Thank you for joining us.

Our second panel will examine China's relationship with India through the prism of their rising competition for influence in South Asia. We will also consider their bilateral economic and security engagements, including tensions over the border dispute and the question of Tibet.

We'll start with Jeff Smith. Mr. Smith is the Director of Asian Security Programs and the Kraemer Strategy Fellow at the American Foreign Policy Council. He is the author of *Cold Peace: Sino-Indian Rivalry in the 21st Century*.

Mr. Smith has served in an advisory role for multiple presidential campaigns and has testified as an expert witness before the House Armed Services and Foreign Affairs Committees. He provides regular briefings for members of Congress and their staff on Capitol Hill, as well as officials in the State Department, Pentagon and the intelligence community.

Mr. Smith has a Master's in Public and International Affairs from the University of Pittsburgh. He studied abroad at Oxford University in 2005 and has guest-lectured at both the graduate and undergraduate level. Welcome.

Next we'll hear from Tanvi Madan--Dr. Madan--who is the Director of the India Project and a fellow in the Foreign Policy Program at the Brookings Institution. Dr. Madan's work explores Indian foreign policy, focusing in particular on India's relations with China and the United States.

She also researches the intersection between Indian energy policies and its foreign and security policies. Dr. Madan is currently working on a book on the U.S.-India relationship and China.

Previously, she was a Harrington doctoral fellow and a teaching assistant at the LBJ School of Public Affairs at the University of Texas at Austin, and there she completed a dissertation very relevant for today, "With an Eye to the East: The China Factor and the U.S.-India Relationship, from 1949 to 1979."

Finally, we have Deepa Ollapally. Dr. Ollapally is a specialist on Indian foreign policy, Asian regional security, and comparative foreign policy outlooks of rising powers. Her most recent book is *Worldviews of Aspiring Powers: Domestic Foreign Policy Debates in China, India, Iran, Japan and Russia*, and it's published by Oxford University Press just a few years ago.

Another volume, *Nuclear Debates in Asia*, is forthcoming from Rowman & Littlefield in 2016. Further, she's completing another book on *Energy Security Worldviews in Asia*.

Dr. Ollapally also authored *The Politics of Extremism in South Asia*, published by Cambridge University Press. She has published extensively in journals such as *Foreign Affairs*, *Asian Survey*, *The National Interest* and *Political Science Quarterly*. She holds a Ph.D. in Political Science from Columbia University.

So we have a very distinguished and expert group here today. I'd like you to begin, each of you, with seven minutes of presenting your oral testimony, and then we will be asking you a good number of questions. So we'll start with you, Mr. Smith.

**OPENING STATEMENT OF MR. JEFF M. SMITH
DIRECTOR, ASIAN SECURITY PROGRAMS, AND KRAEMER STRATEGY
FELLOW, AMERICAN FOREIGN POLICY COUNCIL**

MR. SMITH: Well, thank you to the Commission for organizing this event and to the Commission and their staff for the great work they do year after year. It's been really an invaluable resource for analysts of China and China-India relations, and I'm happy to be here to testify.

If there was sort of one, one characterization of China-India relations, one thing that's defined it over the past ten years or even 20 years, I would say it's been deeper economic and diplomatic engagement but at the same time static or growing mistrust in the security arena, and it's not too different from the U.S.-China relations in that regard, becoming much more engaged but has done little to diminish security tensions and mistrust.

The legacy disputes that have shadowed China-India relations since the 1960s, which include the border dispute, a conflict of interest in Tibet, and Chinese patronage towards Pakistan, have remained relatively fixed and static over the past 20 years. There have been some important wrinkles to emerge in those disputes, but I don't know that they have significantly worsened or changed the main trajectory of China-India relations.

I think where there have been some structural changes and some consequential changes have been in the geographic expansion of each country's interests and influence. As they attain the capabilities and the interests of really truly global powers, their widening spheres of interest and influence are increasingly overlapping, and in some cases coming into conflict, and this has created new fault lines, and it's widened some older fault lines.

These, these sort of structural changes preceded Prime Minister Narendra Modi and President Xi Jinping, but both have accelerated under their tenures.

Maybe the biggest change, the most consequential change, has been a westward expansion of Chinese interests and influence. This is embodied in the One Belt, One Road, New Silk Road Initiative, which bears President Xi's personal hallmark. This is--there are varying estimates, but some say as much as \$900 billion in planned investments and over 900 projects in 60 countries. As one analyst notes, this is literally China's economic diplomacy for half of the world under one single policy framework.

In many ways, South Asia is at the front line of this great westward expansion. Both the maritime road and the continental belt pass through the Indian Ocean and South Asia and India. One of the first big components of OBOR to be announced was the China-Pakistan Economic Corridor, and one of the first projects to receive funding from the New Silk Road Initiative is a hydropower project in Pakistan.

Notably, every country, every capital in South Asia, has endorsed OBOR, somewhat enthusiastically in some cases, with one exception, which is India. There were some remarks given last week, I understand, by India, which further emphasized and clarified its position, but its general approach to OBOR was outlined by Foreign Secretary Jaishankar last year when he said it's a national initiative devised with national interest. If this is something on which China wants larger buy-in, then they need to have larger discussions, and those simply haven't happened yet.

Another problem India has with OBOR, of course, is that the China-Pakistan Economic Corridor passes through disputed territory in Kashmir so approval for OBOR essentially legitimizes this project, and they have for some time objected to Chinese projects in

Kashmir.

When Prime Minister Modi met President Xi Jinping in 2016, he reportedly told him very firmly that CPEC was not acceptable to India.

But the broader concerns, I think, relate to what India and others have described as "trojan horse" projects, that behind these large economic investments often lie greater strategic ambitions that sometimes don't become clear until much later. And this is really something India has been grappling with for some time. China's sort of westward push into South Asia and the Indian Ocean is not a new phenomenon, and it's not something that began with OBOR.

China has been trying to establish greater political and economic relationships in South Asia for many decades. It's just that in the past, these efforts were often met with prohibitive costs from Delhi, and many of India's neighbors were unsuccessful in their attempts to play the China card against India. I would say in the past ten years that sort of invisible wall around South Asia, with the exception of Pakistan, which China has always enjoyed a good relationship with, has broken down.

In countries like Sri Lanka and Nepal, and even the Maldives, China has seized on civil unrest, conflict, political transitions, sanctions and isolation policies by the U.S. to fill a void, exploit an opportunity, come in with money and aid and military supplies, and it's made quite significant progress in expanding its relationships in South Asia.

We can talk about some of the consequences of that in the Q&A if it's of interest. But the regional politics as a result is increasingly bifurcated. I mean political parties and camps are increasingly seen as either pro-India or pro-China, and in governance, the distinction is rarely clear, but you do have the makings of a sort of quiet cold war between China and India emerging in the region, a struggle for influence in regional capitals that really wasn't present or it wasn't as salient years ago.

So that's the continental component. There is an Indian Ocean component, which also preceded OBOR, and the People's Liberation Army Navy had made very rare and infrequent voyages into the Indian Ocean before 2008. And that year, as many of you know, we invited the Chinese Navy into the Indian Ocean to begin antipiracy patrols, international coalition formed to combat piracy off the Horn of Africa.

They've now had 23 escort fleets rotate through the Indian Ocean, gained valuable experience operating at a number of regional ports, but they've also raised concerns that their deployment to the Indian Ocean is not necessarily about hunting pirates. And there's good reason for that. There were 52 vessels hijacked by pirates in 2009. By 2013, that had fallen to zero. Yet the same year, China deployed its first nuclear submarine to the Indian Ocean for anti-pirate patrols.

The following year, Chinese conventional submarine surfaced in Sri Lanka twice, the first time a conventional Chinese submarine had been operating in the Indian Ocean in over a decade. That incident actually caused quite a controversy. Prime Minister Modi shortly afterward reminded then President Rajapakse that he was supposed to inform Delhi of any foreign submarine visits, and yet two months later a Chinese submarine surfaced again in the Indian Ocean, and it's noteworthy that just a few months after that, Rajapakse, who was widely expected to win an election in Sri Lanka, lost.

I have quite a bit more I could go through, but I think I would like to reserve time for the Q&A. I would just say if OBOR is China's and President Xi's signature foreign policy initiative, Prime Minister Modi's two signature foreign policy initiatives could arguably be seen as a direct response.

And they are, one, "Neighborhood First," which is an attempt by Prime Minister Modi to shore up India's position in its own backyard with the Indian Ocean island nations, with Nepal, Sri Lanka, the Maldives.

The second component is taking India's "Look East" policy to an "Act East" policy. So not only shoring up its defenses in its own region but more and more becoming an active player in the Western Pacific with U.S. partners and allies in the region and adding a greater strategic and defense component to the Look East policy rather than just an economic oriented initiative.

And, of course, the last component is India's growing partnership with the United States of which China has been an often unspoken but important motivation driving the two countries together.

So with that, I will turn it over to Tanvi.

**PREPARED STATEMENT OF MR. JEFF M. SMITH
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CHINA-INDIA RELATIONS IN THE MODI-XI ERA

TESTIMONY OF JEFF M. SMITH

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CHINA-INDIA RELATIONS

The Cold Peace that has characterized China-India relations since their 1962 border war has persisted into the 21st Century. Today, as in the past, elements of cooperation and competition are advancing in tandem, though the latter has been accelerating more rapidly in recent years.

While India and China have grown more diplomatically and economically engaged since the 1990s, deeper economic integration and political engagement has yet to diminish tensions in the security arena. Mutual suspicion is arguably as great as it's ever been. A 2013 Lowy Institute poll showed 83% of Indians considered China a security threat while 70% thought China's goal was to dominate Asia.¹ A 2014 Pew poll found just 31% of Indians with a favorable view of China. In the same poll just 30% of Chinese surveyed had a favorable view of India (vs 50% for the U.S.).²

Bilateral relations continue to be characterized by a major imbalance in threat perceptions. Notably, many in India's security establishment now view China as a greater security threat than Pakistan, and Indian perceptions of China are colored by fears of Chinese hegemony.

Chinese views toward India, meanwhile, are characterized by disinterest and disdain. The mouthpiece of China's nationalists, the *Global Times*, has argued India is "not a first-class major power" and is being misled by a U.S. and Japanese plot to contain China.³ "Due to the Indian elites' blind arrogance and confidence in their democracy, and the inferiority of its ordinary people, very few Indians are able to treat Sino-Indian relations accurately, objectively and rationally."⁴

The "legacy disputes" that have shadowed Sino-Indian relations since the 1960s remain just as salient today: an unresolved border dispute; a conflict of interests in Tibet; and Chinese patronage toward India's rival Pakistan.

Despite adopting greater shades of neutrality in its diplomatic approach to Pakistan and India, China has continued its robust economic and military support to Islamabad; engaging in controversial infrastructure projects in disputed Kashmir; providing Pakistani-based terrorists

¹ Linda Jakobson and Rory Medcalf, "The Perception Gap: Reading China's Maritime Objectives in Indo-Pacific Asia," *The Lowy Institute*, June 23, 2015, http://www.lowyinstitute.org/publications/reading-chinas-maritime-objectives-indo-pacific-asia-perception-gap#_ednref68.

² "Global Opposition to U.S. Surveillance and Drones, but Limited Harm to America's Image," Pew Research Center, July, 2014, <http://www.pewglobal.org/files/2014/07/2014-07-14-Balance-of-Power.pdf>.

³ "India wary of US courtship efforts," *Global Times*, September 25, 2014, <http://www.globaltimes.cn/content/883457.shtml>.

⁴ Hu Zhiyong, "Can Modi's visit upgrade Sino-Indian ties?," *Global Times*, May 11, 2015, <http://www.globaltimes.cn/content/921134.shtml>.

diplomatic cover at the United Nations; assuming control of Pakistan's Gwadar port in 2015; and building new nuclear reactors in Pakistan.

While free from violence, volatile stand-offs between Chinese and Indian patrols at the Line of Actual Control (LAC) continue disrupt bilateral relations at the most inopportune times, sowing suspicion and mistrust in the process. Meanwhile, China's sensitivity on Tibet issues has been elevated since 2008, when the plateau was rocked by a wave of anti-government protests, and a series of self-immolations by Buddhist monks that began the following year. As China has sought to establish greater authority over Tibetan Buddhism, it has grown more sensitive to political activities by the Dharamsala-based Tibetan Government in Exile and the Dalai Lama. In recent years an additional layer of complexity has befallen the China-India-Tibet equation, as Beijing has engaged the Dalai Lama in a struggle over the right to name a successor to the octogenarian Buddhist leader.

While not substantially worsening in recent years, none of these legacy disputes has shown signs of material improvement. However, in recent years new friction points have emerged in the Sino-Indian rivalry. As each country inches closer to attaining the capabilities and standing of a truly global power, the geographic expansion of their interests and spheres of influence have begun to overlap with greater frequency, creating new fault lines and widening existing ones.

Today, South Asia stands at the frontline of a major westward expansion of Chinese interests and influence, one embodied by China's ambitious One Belt One Road (OBOR) New Maritime Silk Road Initiative. Designed to advance a web of interrelated military, economic, diplomatic, and energy security-related initiatives and objectives, OBOR, and the growing presence of the People's Liberation Army Navy (PLAN) in the Indian Ocean, have revived Indian fears about Chinese encirclement and a neo-"String of Pearls."

China's westward expansion has also marked a new chapter in a decades-old struggle for influence in regional capitals between Beijing and Delhi; a competition in which China has gained considerable ground over the past decade.

China's interest in South Asia is by no means novel: throughout the 20th Century Beijing made repeated attempts at establishing political, military, and economic relationships in the capitals ringing India's periphery. And regional capitals have long sought to play the "China card" to balance against Indian power. Yet attempts to do so in the past were met with prohibitive costs from Delhi and the dalliances with Beijing proved short lived. Today that is no longer the case.

Since 2005 China has made substantial gains in countries like Nepal, Sri Lanka, and the Maldives, effectively eroding India's longstanding monopoly of influence. In all three countries China has seized on opportunities generated by political instability and civil conflict to establish a foothold. In all three cases, the U.S. and India attempted to sanction and/or isolate those regimes in response to democracy violations or human rights abuses. And in all three countries China eagerly filled the void with military or diplomatic assistance and billions of dollars in investments and loans.

In each case China's strategy produced not just new diplomatic partnerships, but important

geopolitical benefits, including support for its “One China” policy and its new OBOR initiative. Once a refuge for Tibetan migrants exiting and entering the plateau, the flow of Tibetans through Nepal has fallen from between two and three thousand just a few years ago to virtually zero today. At China’s behest, Kathmandu has substantially restricted the activities and freedom of Tibetan migrants in Nepal.

In Sri Lanka, China has established a substantial presence at the country’s two largest ports, Colombo and Hamabantota. After showering Sri Lanka in billions of dollars in commercial-interest loans, the country’s debt has tripled over the past decade. China has agreed to ease the terms of its loans in exchange for exclusive rights over sensitive port facilities and infrastructure.

Last year the Maldives hastily passed a constitutional amendment overturning a ban on land ownership by foreigners. The new text permits foreigners to purchase land if they invest more than \$1 billion in a project, and if reclaimed land accounts for at least 70% of the completed project area. Critics note China is the only country with the financial resources and land reclamation experience to benefit from such a deal.

As China’s diplomatic footprint in South Asia has grown, regional politics have become increasingly bifurcated. More and more, regional political actors are assuming overt “pro-India” or “pro-China” hues, and political transitions are viewed through the lens of which power has “won” or “lost,” though in governance the distinction is rarely straightforward. With China’s regional profile poised to expand further still, this zero-sum competition is likely to shape regional politics for the foreseeable future.

XI LOOKS WEST

Xi Jinping (“elected” president March 2013) and Narendra Modi (elected prime minister May 2014) both replaced cautious, bookish leaders lacking political charisma and their own power base. Both were propelled to the leadership atop an aura of strength and nationalism. Both are widely viewed as the most powerful leaders in their respective countries in decades. And both publicly pledged early in their tenures to strengthen Sino-Indian relations.

Yet the rise of Xi Jinping has been viewed largely as an ominous development in Delhi. A 2014 Pew poll, for example, found just 13% of Indians surveyed had confidence in Chinese President Xi Jinping to “do the right thing.”⁵

It’s not that Xi has assumed a more overtly anti-India posture than his predecessors; his public statements are generally filled with praise for India and the peaceful development of bilateral relations. Rather, it’s that President Xi assumed office amid a period of greater Chinese assertiveness abroad, and greater repression at home, and both trends have accelerated under his watch. It’s also because President Xi’s signature foreign policy initiatives are designed to amplify the westward expansion of Chinese influence and interests that began under his predecessor, creating new arenas for competition with India in the process.

Nothing embodies this western expansion better than President Xi’s OBOR initiative. First unveiled at a speech in Kazakhstan in September 2013, OBOR was designed to organize and

⁵ “Global Opposition to U.S. Surveillance.”

advance a myriad of overlapping political, economic, military, and energy-related objectives. Bearing President Xi's personal hallmark, it is China's most ambitious foreign policy initiative in a generation.

Leveraging its \$4 trillion in foreign currency reserves, Beijing has announced the China Development Bank will "invest more than \$890 billion into more than 900 projects involving 60 countries,"⁶ creating six overland and maritime economic "corridors" to "better connect Asia and Europe." As one analyst notes, "This is literally China's economic diplomacy for half of the world, under one single policy framework."⁷

Notably, legs of both the continental "Belt" and the maritime "Road" pass through the Indian Ocean and South Asia. As if to underscore the region's centrality to OBOR, during a 2015 visit to Pakistan, President Xi announced \$46 billion in investments in a new China-Pakistan Economic Corridor (CPEC), linking the Chinese-run port of Gwadar in Pakistan's south to China's Xinjiang province. The first project to receive funding from a New Silk Road Fund was a \$1.65 billion for a hydropower dam near Rawalpindi, Pakistan.⁸

The OBOR initiative has received enthusiastic endorsements from every South Asian capital, with one important exception: India. Indian Foreign Secretary S. Jaishankar has called OBOR a "national initiative devised with national interest.... if this is something on which [China] want[s] a larger buy in, then they need to have larger discussions, and those haven't happened."⁹ Analyst Jabin Jacob says many Indians see OBOR as mostly "about consolidating Chinese leadership in the region, particularly in opposition to the United States."¹⁰

CPEC offers another reason for India's objections, given the planned corridor passes through Indian-claimed territory in Kashmir. "A formal nod to the project will serve as a de-facto legitimization to Pakistan's rights on Pakistan-occupied Kashmir," notes a report from India's Observer Research Foundation.¹¹ When Prime Minister Modi visited China in 2015, he reportedly told President Xi "very firmly" that CPEC was "not acceptable."¹²

Many Indian analysts also suspect that China's OBOR investments will, as in the past, serve as "trojan horses" for its broader strategic ambitions. "China's strategists do not draw lines separating economic and security objectives," argues Shyam Saran. "Each dimension reinforces

⁶ He Yini, "China to invest \$900b in Belt and Road Initiative," *ChinaDaily*, May 28, 2015, http://usa.chinadaily.com.cn/business/2015-05/28/content_20845687.htm.

⁷ Feng Zhang, "Beijing's Master Plan for the South China Sea," *Foreign Policy*, June 23, 2015, http://foreignpolicy.com/2015/06/23/south_china_sea_beijing_retreat_new_strategy/.

⁸ Kyle Churchman, "Beijing's Boldest Plan Yet Faces West," *The National Interest*, January 12, 2016, <http://nationalinterest.org/feature/beijings-boldest-plan-yet-faces-west-14876>.

⁹ Charu Sudan Kasturi, "India wrinkle on China silk- Jaishankar speaks out on absence of consultations," *The Telegraph*, July 21, 2015, http://www.telegraphindia.com/1150721/jsp/frontpage/story_32798.jsp#.Vsn7hvIrLIE.

¹⁰ Jabin T Jacob, "Pothole potential on China's silk roads," *Asia Times*, March 13, 2015, <http://www.atimes.com/atimes/China/CHIN-02-130315.html>.

¹¹ Samir Saran and Ritika Passi, "Seizing the 'One Belt, One Road' Opportunity," *Observer Research Foundation*, February 3, 2016, <http://www.orfonline.org/research/seizing-the-one-belt-one-road-opportunity/>.

¹² "China defends projects in PoK, opposes India's oil exploration in South China Sea," *The Indian Express*, June 4, 2015, <http://indianexpress.com/article/world/asia/china-justifies-projects-in-pok-objects-to-indias-oil-exploration-in-south-china-sea/99/>.

the other, even though the economic dimension may sometimes mask the security imperative.¹³ Professor Srikanth Kondapalli concludes: "When you put together all these jigsaw puzzles it becomes clear that Chinese focus in Indian Ocean is not just for trade. It is a grand design for the 21st Century."¹⁴

CHINA'S "PLAN" IN THE INDIAN OCEAN

Indian concerns over China's broader strategic ambitions have been stoked by the expanding regional footprint of the People's Liberation Army Navy (PLAN).

Over the past 20 years China's surging appetite for natural resources has transformed it from a largely energy-independent country to a world-leading consumer and importer of natural resources.¹⁵ As a result, China's energy imports (including some 70-80% of its oil), must traverse long and vulnerable Sea Lines of Communication (SLOCs) through the Indian Ocean and Strait of Malacca, an intolerable source of insecurity for Chinese strategists.

This "Malacca Dilemma" has been a pervasive feature of China's strategic discourse for a decade now, and informs much of the rationale behind the OBOR initiative. Years before OBOR was announced China was aggressively pursuing a network of alternative overland energy sources to mitigate its dependence on vulnerable SLOCs. In recent years this produced new, multi-billion-dollar gas and oil pipeline deals with Russia, Myanmar, and Kazakhstan, among others.

More consequentially, the Malacca dilemma has helped propel a major evolution in Chinese military philosophy. In a relatively brief timeframe, China has abandoned its longstanding opposition to overseas military deployments and bases, which Chinese literature long associated with Western colonialism. And nowhere is the paradigm shift proving more consequential than in South Asia and the Indian Ocean.

In its 2012 Defense White Paper, China for the first time noted the importance of "safeguard[ing] the security of the international SLOCs."¹⁶ China's 2015 Defense White Paper added: "The traditional mentality that land outweighs sea must be abandoned." It emphasized the need to "safeguard [China's] national sovereignty and maritime rights and interests" and "protect the security of strategic SLOCs."¹⁷ And in December 2012, PLAN Vice Admiral Su Zhiqian declared in Sri Lanka: "The freedom and safety of the navigation in the Indian Ocean play a very important role in the recovery and development of global economy *and the Chinese navy will actively maintain the peace and stability of the Indian Ocean.*"¹⁸

¹³ Shyam Saran, "What China's One Belt and One Road Strategy Means for India, Asia and the World," *The Wire*, September 10, 2015, <http://thewire.in/2015/10/09/what-chinas-one-belt-and-one-road-strategy-means-for-india-asia-and-the-world-12532/>.

¹⁴ Mukul Deevichand, "Is Chittagong one of China's 'string of pearls'?" *BBC News*, May 17, 2010, <http://news.bbc.co.uk/2/hi/business/8687917.stm>.

¹⁵ China became a net importer of natural gas and coal in 2007 and 2009, and in 2015 became the world's largest importer of oil.

¹⁶ China 2012 "White Paper" – "The Diversified Employment of China's Armed Forces" Ministry of National Defense. April 2013. http://eng.mod.gov.cn/Database/WhitePapers/2013-04/16/content_4442756.htm

¹⁷ Anthony H. Cordesman, Steven Colley, and Michael Wang, "Chinese Strategy and Military Modernization in 2015: A Comparative Analysis," *Center for Strategic and International Studies*, October 10, 2015, http://csis.org/files/publication/150901_Chinese_Mil_Bal.pdf.

¹⁸ "Chinese navy to actively maintain peace and stability of Indian Ocean." *Global Times* December 17, 2012 <http://www.globaltimes.cn/content/750602.shtml>

A 2014 “Blue Book of the Indian Ocean Region” published by several Chinese think tanks noted: “In the past, China’s Indian Ocean strategy was based on ‘moderation’ and ‘maintaining the status quo’, but the changing dynamics of international relations necessitates China play a more proactive role in affairs of the region.”¹⁹ Chinese analyst Shen Dingli is less coy. China, he says, has every “right” to establish naval bases in the Indian Ocean: “The real threat to us is not posed by the pirates but by the countries which block our trade route.”²⁰

Ironically, the Chinese Navy’s first foreign port calls were in the Indian Ocean. Between November 1985 and January 1986 a handful of PLAN warships made port calls in Pakistan, Sri Lanka, and Bangladesh. A year later, the Indian Coast Guard interdicted three Chinese trawlers carrying survey equipment and military charts near India’s Andaman and Nicobar Islands. In 2000, a Chinese destroyer made the PLAN’s first full transit of the Indian Ocean and the following year a PLAN submarine made an unannounced port call to Myanmar. In 2005, two PLAN ships made their first port call in India.

This tempo of limited and infrequent forays into the Indian Ocean changed dramatically in 2008. That year the international community formed a naval coalition to combat the growing threat of piracy off the Horn of Africa. China was invited by the U.S. and others to join the anti-piracy patrols and Beijing dispatched a PLAN escort fleet to participate, though it chose to operate independently from the coalition. (Notably, within a few months of the PLAN’s first deployment, the Chinese press reported that an Indian submarine was spotted trailing the Chinese task force in the Indian Ocean. Two Chinese destroyers and an anti-submarine helicopter confronted the Indian submarine and forced it to surface).²¹

As of February 2016, 23 PLAN escort fleets have rotated through the Indian Ocean. They’ve offered the Chinese navy invaluable “blue water” experience operating thousands of miles from China’s coast, as well as growing familiarity with regional ports in Pakistan, Iran, Myanmar, Bangladesh, Sri Lanka, Yemen, Djibouti, and the Seychelles, among others.

SUBMARINES

Critics argue the PLAN’s growing Indian Ocean presence has little to do with combating pirates and everything to do with military power projection and SLOC protection.²² After all, the anti-piracy mission has been an unmitigated success: from 52 vessels hijacked off the coast of Somalia in 2009, the number fell to zero by 2013.²³

The same year, however, China elevated ordered its first-ever nuclear submarine patrol in the Indian Ocean. Notifying Delhi in advance, a Chinese *Shang*-class SSN entered the Indian Ocean

¹⁹ Robert D. Kaplan, “China’s Unfolding Indian Ocean Strategy- Analysis,” *Center for a New American Strategy*, February 11, 2014, <http://www.cnas.org/content/china%E2%80%99s-unfolding-indian-ocean-strategy-%E2%80%93-analysis#.VrFMGvkrJD8>.

²⁰ Shen Dingli, “Don’t shun the idea of setting up overseas military bases,” *China.org.cn*, January 28, 2010, http://www.china.org.cn/opinion/2010-01/28/content_19324522_2.htm.

²¹ “India denies Chinese sub reports,” *BBC News*, February 5, 2009, <http://news.bbc.co.uk/2/hi/asia-pacific/7868863.stm>.

²² An Indian government report, *Perceived Threats to Subsurface Deterrent Capability and Preparedness*, said the implicit focus of the PLAN mission was to “control highly sensitive sea lines of communication within the region.”

²³ David Yanofsky, “Somali piracy was reduced to zero this year,” *Quartz*, December 27, 2013, <http://qz.com/161704/somali-piracy-was-reduced-to-zero-this-year/>.

via the Strait of Malacca in December 2013, surfacing twice near Sri Lanka and in the Persian Gulf before returning to the Western Pacific three months later. “The security establishment in India knows that nuclear boats are not needed to tackle pirate skiffs,”²⁴ commented India’s *Economic Times*.

In September 2014, a Chinese diesel-powered submarine was spotted in the Indian Ocean, the first in over a decade. The *Song*-class submarine surfaced at Sri Lanka’s Colombo port for nearly a week, returning again in November. Then, in May 2015, a *Yuan*-class conventional submarine participating in China’s anti-piracy task force surfaced in Karachi, Pakistan, marking the first time a Chinese conventional submarine docked at an Indian Ocean port without a support vessel.

A few months prior, Pakistan announced the purchase of eight *Yuan*-class submarines from China at a cost of roughly \$5 billion, marking China’s largest-ever defense deal. Four of the eight submarines are to be built in Karachi while China will enjoy a facility in the western Indian Ocean specifically tailored to support its own growing fleet of *Yuan* submarines.

Finally, in September 2015 the Indian media reported that PLAN ships were “snooping” around India’s Andaman and Nicobar Islands “on a routine basis.” Critically positioned at the western mouth of the Strait of Malacca, the Chinese warships reportedly attempt to get close to the Andamans’ territorial waters “at least twice every three months.”²⁵

MILITARY BASES

Already China’s shift in philosophy has affected the most taboo of subjects in Beijing: overseas military bases. Concerns over Chinese interest in establishing regional military bases surfaced over a decade ago, when debate over China’s “String of Pearls” in the Indian Ocean reached a fever pitch.²⁶ Those concerns were partially subdued by Beijing’s repeated insistence it would never establish military bases abroad, and the belief that its portfolio of Indian Ocean investments carried no explicit military arrangements.

However, within months of the PLAN’s Indian Ocean deployment, Senior Colonel Dai Xu argued that establishing military bases overseas was a logical extension of the navy’s new mission: “If we make things difficult for ourselves in this matter by maintaining a rigid understanding of the doctrines of nonalignment and the non-stationing of troops abroad, then it will place a lot of constraints on us across the board.”²⁷ Three years later Chinese Defense Minister Liang Guanglie announced China would “consider having logistic supply or short rest [facilities] at appropriate ports of other countries.”²⁸

²⁴ Manu Pubby, “As sightings of Chinese submarines become more frequent, Navy steps up guard in Indian Ocean region,” *The Economic Times*, August 8, 2015, <http://economictimes.indiatimes.com/news/defence/as-sightings-of-chinese-submarines-become-frequent-navy-steps-up-guard-in-indian-ocean-region/articleshow/48397646.cms>.

²⁵ Jayanta Gupta, “Chinese naval ships detected near Adamans,” *The Times of India*, September 4, 2015, <http://timesofindia.indiatimes.com/india/Chinese-naval-ships-detected-near-Andamans/articleshow/48817805.cms>.

²⁶ See Virginia Marantidou, “Revisiting China’s ‘String of Pearls’ Strategy” June 24, 2014. CSIS “Issues and Insights Volume 14 Number 6. <http://csis.org/publication/issues-insights-vol-14-no-7-revisiting-chinas-string-pearls-strategy>

²⁷ “Colonel: China Must Establish Overseas Bases, Assume the Responsibility of a Great Power,” *Global Times*, February 5, 2009, www.chinareviewnews.com/doc/7_0_100877861_1.html.

²⁸ Ananth Krishnan, “Maldives for deeper ties with China,” *The Hindu*, December 12, 2012, <http://www.thehindu.com/news/international/maldives-for-deeper-ties-with-china/article4188735.ece>.

Finally, in July 2015, Djibouti's president signed an agreement with Beijing to establish China's first overseas military facility.²⁹ Reports suggest the facility will be located at the \$590 million Doraleh Multi-Purpose Port in the south of Djibouti. The PLAN is expected to be allocated one of the berths at the port, which is currently under construction by a consortium that includes China Merchants Holdings International.³⁰ Beijing insists it has "no military ambition in Djibouti" and has refused to call the facility a "military base," preferring different variations on "overseas naval logistics support facility."

WHOSE OCEAN?

China and India have begun trading rare public barbs over the legitimacy of the PLAN's Indian Ocean deployments. In a 2015 lecture, Indian Foreign Secretary S. Jaishankar stated: "Those who are resident in this region have the primary responsibility for peace stability and prosperity in the Indian Ocean."³¹

In what seemed like a direct rebuttal, China's Foreign Ministry argued: "in the globalized era, the security of the Indian Ocean is in the common interest of all countries."³² Weeks later, the *China Daily* wrote: "India alone cannot assure the security of the Indian Ocean, even if it regards the Indian Ocean as its backyard and wishes no one to compete with it there... If the Pacific is big enough to accommodate China and the US, so is the Indian Ocean to accommodate India and China."³³

A 2015 report by the Australia India Institute argues that "Beijing refuses to recognize India's claims toward great power status or its perceived prerogatives in South Asia or elsewhere in the Indian Ocean region. In short, there is a very real contest of status and legitimacy."³⁴

MODI AND CHINA

Indian Prime Minister Narendra Modi has been a public champion of strengthening economic cooperation with China since his days as Chief Minister of Gujarat. Yet, after assuming office Modi wasted little time marking a break from his predecessors with a more confident approach to Sino-Indian relations.

On the campaign trail in February 2014, Modi traveled to the Chinese-claimed province of Arunachal Pradesh, declaring: "No power on earth can snatch away [the Chinese-claimed province of] Arunachal Pradesh. Times have changed. The world does not welcome the mindset

²⁹ Gabe Collins and Andrew Erickson, "Djibouti Likely to Become China's First Indian Ocean Outpost," *China SignPost*, July 11, 2015, <http://www.chinasignpost.com/2015/07/11/djibouti-likely-to-become-chinas-first-indian-ocean-outpost/>.

³⁰ Edmund Blair, "China to start work soon on naval base in Djibouti- Guelleh," *Reuters*, February 2, 2016, <http://uk.reuters.com/article/uk-djibouti-china-idUKKCN0VB1Z6>.

³¹ Dr. S Jaishankar, "India, the United States and China," (IISS- Fullerton Lecture, Singapore, July 20, 2015) <https://www.iiss.org/en/events/events/archive/2015-f463/july-636f/fullerton-lecture-jaishankar-f64e>.

³² "China wants maritime cooperation with India in Indian Ocea," *The Economic Times*, July 10, 2015, <http://economictimes.indiatimes.com/news/defence/china-wants-maritime-cooperation-with-india-in-indian-ocean/articleshow/48019608.cms>.

³³ Zhou Bo, "China's subs in Indian Ocean no worry for India," *ChinaDaily*, July 20, 2015, http://usa.chinadaily.com.cn/epaper/2015-07/20/content_21335805.htm.

³⁴ "China and India at Sea: A Contest of Status and Legitimacy in the Indian Ocean by Australia India Institute," *International Defence, Security & Technology*, October 2, 2015, <http://myidst.com/en/geopolitics/item/396-china-and-india-at-sea-a-contest-of-status-and-legitimacy-in-the-indian-ocean-by-australia-india-institute>.

of expansion in today's times. China will also have to leave behind its mindset of expansion."³⁵

At his inauguration three months later, Modi ruffled Chinese feathers by inviting the Prime Minister of the Tibetan Government in Exile to his inauguration. And soon after taking office he passed a series of decrees fast-tracking stalled military infrastructure projects along the Line of Actual Control (LAC), streamlining environmental clearances for construction within 100 kilometers of the LAC, and approving dozens of new roads, railways, and tunnels, and upgrading several advance landing grounds and border posts.³⁶

Modi appointed General VK Singh, a retired four-star general and former Chief of Army Staff, as Minister of State with responsibility for India's northeast. And he appointed Kiren Rijiju, a BJP MP from Chinese-claimed Arunachal Pradesh, as Minister of State for Home Affairs. Rijiju, a native from Arunachal, appeared at the 80th birthday celebration of the Dalai Lama, later declaring: "India might have lost Tibet, but we have the Dalai Lama."³⁷ He has publicly warned that India "will not accept any kind of [Chinese] intrusion into our territory and we will not concede."³⁸ And in 2008 he argued that India's recognition of China's invasion of Tibet was a mistake, and that India bears responsibility for Tibet's tragedy.³⁹

Meanwhile, Modi has continued a policy begun by the UPA government in 2010, which saw Delhi refuse to recognize Beijing's "One China" policy in joint statements. In 2014 Indian External Affairs Minister Sushma Swaraj told her Chinese counterpart India's support was contingent on China recognizing a "One India" policy, a reference to China's position on the disputed territory of Kashmir.⁴⁰

At a speech in Tokyo September 2014, Modi declared: "Everywhere around us, we see an 18th-century expansionist mind-set: encroaching on another country, intruding in others' waters, invading other countries and capturing territory."⁴¹ When President Xi Jinping made his inaugural trip to Delhi weeks later, the visit was overshadowed by a three-week PLA intrusion across their disputed border and the summit produced few tangible outcomes.

Some of Mr. Modi's gestures toward China have been more subtle. When Russia held a major military parade to celebrate its victory in World War II in May 2015, India sent President Pranab Mukherjee and a military delegation to participate. When China hosted a rare and high-profile military parade months later for the same purpose, India sent a deputy external affairs minister,

³⁵ Sruthi Gottipati, "Modi says China must drop "mindset of expansionism" over Arunachal Pradesh," *Reuters*, February 22, 2014, <http://in.reuters.com/article/india-modi-china-arunachal-idINDEEA1L03V20140222>.

³⁶ Pranav Kulkarni, "Will finish building China border infrastructure by 2018: Rao Inderjit," *The Indian Express*, May 18, 2015, <http://indianexpress.com/article/india/india-others/will-finish-building-china-border-infrastructure-by-18-rao-inderjit/>.

³⁷ "Dalai Lama recollects journey from Tibet 55 years ago," *The Economic Times*, December 27, 2014, http://articles.economictimes.indiatimes.com/2014-12-27/news/57441199_1_tawang-monastery-dalai-lama-mini-tibet.

³⁸ "India will not accept any Chinese intrusion: Rijiju," *Hindustan Times*, September 29, 2014, <http://www.hindustantimes.com/india/india-will-not-accept-any-chinese-intrusion-rijiju/story-GiTLJ6orj9Og5vBnR0I4iL.html>.

³⁹ "Bharat Tibbat Sahyog Manch organizes a seminar in East Delhi," *Phayul.com*, February 22, 2007, <http://www.phayul.com/news/article.aspx?id=15628&t=1>.

⁴⁰ Pranab Dhal Samanta, "One China? What about One India policy: Sushma Swaraj to Wang Yi," *The Indian Express*, June 12, 2014, <http://indianexpress.com/article/india/india-others/one-china-what-about-one-india-policy-sushma-to-wang/>.

⁴¹ Nitin A Gokhale, "Modi, Japan and Diplomatic Balancing," *The Diplomat*, September 3, 2014, <http://thediplomat.com/2014/09/modi-japan-and-diplomatic-balancing/>.

and no military contingent.⁴²

This only scratches the surface, however. If China's westward push into the South Asian subcontinent and the Indian Ocean represents one of Xi Jinping's signature foreign policy initiatives, Prime Minister Modi's signature foreign policy initiatives have arguably been tailored as a direct response.

NEIGHBORHOOD FIRST

One of the first initiatives unveiled by Prime Minister Modi was titled "Neighborhood First," a policy designed to reinforce Delhi's commitment to strengthening its position and partnerships in its immediate periphery. In an unprecedented move, Modi invited the heads of state of all South Asian countries—including Pakistan—to attend his inauguration.

Modi followed that gesture by making Bhutan the destination of his first trip abroad. His first six months in office witnessed state visits to Brazil, Nepal, Japan, America, Myanmar, Australia, Fiji and again Nepal. That was followed in March 2015 by a high-profile tour of Indian Ocean island nations, including the Seychelles, Mauritius, and Sri Lanka (the first visit to Colombo by an Indian prime minister in 28 years).

On the tour Modi invited Mauritius and the Seychelles to join an existing trilateral security arrangement with Sri Lanka and the Maldives. He has also launched a coastal surveillance radar project as part of a larger maritime domain awareness network, including eight surveillance radars in Mauritius, eight in the Seychelles, six in Sri Lanka, and ten the Maldives, all connected to 50 sites across the Indian coast.

In Mauritius, Modi outlined a framework for India's maritime engagement with the Indian Ocean littoral: defending India's national interests and the security and stability of the Indian Ocean; deepening security cooperation with regional partners; enhancing multilateral cooperative security mechanisms; promoting sustainable economic development; and greater openness to cooperating with external powers in the Indian Ocean (like the United States).⁴³

In June 2015 Modi made a landmark visit to Bangladesh, reaching two deeply consequential agreements—a border swap and a water-sharing agreement—that had been decades in the making. And he has pressed for the underperforming⁴⁴ regional forum, the South Asian Association for Regional Cooperation (SAARC), to assume a more robust role in regional integration, though he has little to show for his efforts to date.

Finally, in January 2016, the Indian aircraft carrier *Vikramaditya* began a regional tour that included port calls in Sri Lanka and the Maldives. And a month later India hosted its second-ever International Fleet Review with participation from 50 navies, two dozen warships and over 70

⁴² Devirupa Mitra, "General VK Singh to Represent India at China's Mega Military Parade Next Month," *The New Indian Express*, August 24, 2015, <http://www.newindianexpress.com/nation/General-VK-Singh-to-Represent-India-at-Chinas-Mega-Military-Parade-Next-Month/2015/08/24/article2991431.ece>.

⁴³ C. Raja Mohan, "Modi and the Indian Ocean: Restoring India's Sphere of Influence," *Asia Maritime Transparency Initiative*, June 18, 2015, <http://amti.csis.org/modi-and-the-indian-ocean-restoring-indias-sphere-of-influence/>.

⁴⁴ Intraregional trade among SAARC members is 5% compared with over 60% in the EU and 25% in ASEAN

aircraft.⁴⁵ Linda Jakobsen and Rory Medcalf see an “increasingly coordinated and resourced set of policy responses [from Modi] aimed at limiting China’s influence and presence in the Indian Ocean.”⁴⁶

FROM LOOK EAST TO ACT EAST

Modi’s second-biggest foreign policy initiative is also deeply connected influenced by China. Following a crippling financial crisis in the early 1990s Delhi adopted a “Look East” policy: a modest, economic-oriented initiative designed to tap the dynamic markets of East Asia. Under the UPA government (2005-2015) Look East began to assume more overt focus on strategic and defense cooperation with East Asia.

In November 2014, Modi announced at an ASEAN-India Summit that the policy was being upgraded from “Look East” to “Act East,” supporting the rhetorical shift with an ambitious agenda to elevate defense and strategic collaboration with Japan, Vietnam, and Australia, among others. C. Raja Mohan notes how Modi has moved away from a “fastidious avoidance of military partnerships in the past to making security cooperation an important part of India’s foreign relations now.”⁴⁷

When Modi assumed office Delhi had already become a vocal proponent of “Freedom of Navigation” in the South China Sea, thinly-veiled code for opposing Chinese hegemony in the Western Pacific. His government has continued its public support, while urging China to accept international arbitration over its South China Sea territorial disputes, as India successfully did with Bangladesh in 2014. Notably, in October 2015 Indian External Affairs Minister Sushma Swaraj held bilateral meetings in Manila with her Filipino counterpart where their joint statement referred to the “West Philippine Sea,”⁴⁸ a provocative first.

The Indian Navy, meanwhile, has been making bi-annual deployments to the South China Sea since 2000. India’s 2007 Maritime Military Strategy defined the Sea as an area of “strategic interest” and the updated 2015 Maritime Military Strategy listed the South China Sea in its “secondary areas” of strategic interest. Yet, included in the “primary areas” were the Strait of Malacca and “other areas encompassing our SLOCs, and vital energy and resource interests.”⁴⁹ It’s noteworthy some 55% of India’s trade passes through the South China Sea.⁵⁰

Under Modi the Indian Navy has continued its regular deployments to the Western Pacific. In 2015 they included port calls and joint exercises with Thailand, Cambodia, Malaysia, Singapore, Indonesia, and Australia. Most notably, in March 2016 India, the U.S. and Japan announced they would conduct a first-ever trilateral military exercise in the northern Philippine Sea later in the

⁴⁵ “International Fleet Review to be India’s biggest military exercise,” *The Economic Times*, February 4, 2016, <http://economictimes.indiatimes.com/news/defence/international-fleet-review-to-be-indias-biggest-military-exercise/articleshow/50851228.cms>.

⁴⁶ <http://www.lowyinstitute.org/files/the-perception-gap-reading-chinas-maritime-strategic-objectives-in-indo-pacific-asia.pdf>

⁴⁷ <http://indianexpress.com/article/opinion/columns/raja-mandala-the-final-burial-of-non-alignment/>

⁴⁸ Sachin Parashar, “India backs Philippines on South China Sea row,” *The Times of India*, October 15, 2015, <http://timesofindia.indiatimes.com/India/India-backs-Philippines-on-South-China-Sea-row/articleshow/49363556.cms>.

⁴⁹ “Ensuring Secure Seas: Indian Maritime Security Strategy,” Indian Navy, October 2015, http://indiannavy.nic.in/sites/default/files/Indian_Maritime_Security_Strategy_Document_25Jan16.pdf.

⁵⁰ Srikanth Kondipalli. “India must change course in the South China Sea.” Rediff. March 8, 2016. <http://www.rediff.com/news/column/india-must-change-course-in-the-south-china-sea/20160308.htm>

year.⁵¹

Other “Act East” highlights include:

- In June 2015 Modi established an India-Japan-Australia (IJA) trilateral dialogue at the ministerial level. It was reportedly “dominated by questions of maritime security, the South China Sea and desirability of holding trilateral naval exercises in the future.”⁵² Japanese Vice Foreign Minister Akitaka Saiki said they had a “full day discussion on China” in which they were “on the same page.”⁵³
- In August 2015, Mr. Modi hosted the heads of 14 South Pacific island nations at a new FIPIC forum in India, proposing to turn the summit into an annual affair.⁵⁴
- In September 2015 India and Australia held their first-ever IN-RAN bilateral naval exercises in the Bay of Bengal. The exercises included anti-submarine warfare (ASW) maneuvers and will now be a biennial affair.⁵⁵
- Also in September 2015 the India-Japan-US (IJUS) trilateral dialogue established in December 2011 was upgraded to ministerial-level.
- In November 2015 the Indian and Japanese navies held bilateral JIMEX exercises in the Bay of Bengal. The same month the Indian Navy held joint exercises with Thailand (INDO-THAI CORPAT).
- In November 2015 Indian Defense Minister Parrikar called for an early conclusion of a South China Sea Code of Conduct at the ASEAN Defense Ministers Meeting-Plus (ADMM+).
- In February and March 2016 the Indian and Myanmar navies held joint military exercises.

CHINA-INDIA-US STRATEGIC TRIANGLE

While often left unsaid, it’s widely believed that mutual concerns over China’s rise were a major force behind the Indo-U.S. strategic rapprochement that began in earnest in 2005. Since then, the U.S. has been gradually encouraging India to assume a greater interest and role in maritime security affairs across the Indo-Pacific.

A 2010 Pentagon report for the first time said India will “contribute to Asia as a net provider of security in the Indian Ocean and beyond.”⁵⁶ In June 2012, then-U.S. Defense Secretary Leon Panetta described India as a “linchpin” in America’s strategic pivot to Asia. The 2015 U.S. National Security Strategy went a step further, affirming that America “support[s] India's role as

⁵¹ Sanjeev Miglani, “U.S. plans naval exercises with Japan and India in Philippine Sea,” *Reuters*, March 3, 2016, <http://www.reuters.com/article/india-usa-military-exercise-idUSKCN0W41UH>.

⁵² Scott, “India’s Incremental Balancing.”

⁵³ David Scott, “India’s new trilateral with Australia and Japan: China-centric nuances,” *Centre on Asia and Globalization*, June-July 2015, http://lkyspp.nus.edu.sg/cag/publication/china-india-brief/china-india-brief-54?utm_source=China-India+Brief+subscribers&utm_campaign=aacb7a1ad6-

[China_India_Brief_54_20July2015&utm_medium=email&utm_term=0_a8f8390d56-aacb7a1ad6-54901901#guest](http://lkyspp.nus.edu.sg/cag/publication/china-india-brief/china-india-brief-54?utm_source=China-India+Brief+subscribers&utm_campaign=aacb7a1ad6-China_India_Brief_54_20July2015&utm_medium=email&utm_term=0_a8f8390d56-aacb7a1ad6-54901901#guest).

⁵⁴ Smriti Kak Ramachandran, “India to host meeting of 14 Pacific Island nations,” *The Hindu*, August 3, 2015, <http://www.thehindu.com/news/national/india-to-host-meeting-of-14-pacific-island-nations/article7492688.ece>.

⁵⁵ “Joint Press Release: AUSINDEX-15,” Government of India Ministry of Defense, September 11, 2015, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=126826>.

⁵⁶ “India to be net provider of security in Indian Ocean, beyond,” *The Times of India*, February 2, 2010, <http://timesofindia.indiatimes.com/india/India-to-be-net-provider-of-security-in-Indian-Ocean-beyond/articleshow/5527899.cms>.

a regional provider of security.” America, it said, “see[s] a strategic convergence with India's Act East policy and our continued implementation of the rebalance to Asia and the Pacific.”⁵⁷

(It’s noteworthy “Act East” was first coined by then-Secretary of State Hillary Clinton in a July 2011 address in Chennai, India. There, she “encouraged” India “not just to look east, but to engage East and act East as well.”⁵⁸)

Prime Minister Modi sent a strong signal about his intention to strengthen Indo-U.S. ties by calling the U.S. and India “natural allies” shortly before his election as prime minister.⁵⁹ During his first visit to the U.S. in September 2014, he and president Obama agreed to renew a 2005 10-year defense cooperation framework and began a technology partnership between the two navies while Obama endorsed a permanent seat for India at the UN Security Council.⁶⁰

Even more consequential was a visit to Delhi by President Obama in January 2015, the first U.S. president ever received as the guest of honor at India’s pre-eminent Republic Day ceremony. As reported by the *New York Times*, when Obama met with Modi “the first 45 minutes were dominated by just one [topic]: China.”⁶¹ The Obama administration found “Mr. Modi’s assessment of China’s rise and its impact on the greater strategic situation in East Asia was closely aligned with their own.” Modi further:

Agreed to sign a joint statement with Mr. Obama chiding Beijing for provoking conflict with neighbors over control of the South China Sea. He suggested reviving a loose security network involving the United States, India, Japan and Australia. And he expressed interest in playing a greater role in the Asia-Pacific Economic Cooperation forum, where India could help balance China’s influence.

During the visit the two sides signed the first “Joint Strategic Vision for the Asia Pacific and Indian Ocean Region.” Although little more than a compilation of previously-agreed principles, the document represented a symbolically-significant level of strategic convergence. And by affirming “the importance of safeguarding maritime security and ensuring freedom of navigation and over flight throughout the region, especially in the South China Sea,” the two sides were unafraid to implicate Beijing. China's nationalist *Global Times* was displeased, opining: “A trap is a trap. Although craftily set, it will be revealed eventually.”⁶²

Modi and Obama also agreed to form a working group on aircraft carrier technology cooperation

⁵⁷ The White House, *National Security Strategy*, February 2015 (Washington, DC, 2015),

https://www.whitehouse.gov/sites/default/files/docs/2015_national_security_strategy_2.pdf.

⁵⁸ Hillary Rodham Clinton, “Remarks on India and the United States: A Vision for the 21st Century,” *US Department of State*, July 20, 2011, <http://www.state.gov/secretary/20092013clinton/rm/2011/07/168840.htm>.

⁵⁹ Rajeev Deshpande and Diwakar, “I’m an outsider to Delhi and to politics as well, Narendra Modi says,” *The Times of India*, May 6, 2014, <http://timesofindia.indiatimes.com/news/Im-an-outsider-to-Delhi-and-to-politics-as-well-Narendra-Modi-says/articleshow/34704071.cms>.

⁶⁰ “List of select outcomes from the visit of Indian Prime Minister Narendra Modi to USA,” Embassy of India, <https://www.indianembassy.org/informations.php?id=311>.

⁶¹ Peter Baker and Gardiner Harris, “U.S. and India Share Sense of Unease Over China,” *The New York Times*, January 26, 2015, http://www.nytimes.com/2015/01/27/world/us-and-india-share-sense-of-unease-over-china.html?_r=1.

⁶² Wen Dao. “China mustn’t fall into trap of rivalry set by the West.” *Global Times*. January 26, 2015. <http://www.globaltimes.cn/content/903927.shtml>

which met for the first time in June 2015. The same month, Delhi hosted U.S. Defense Secretary Ashton Carter, where he toured India's Eastern Naval Command and was granted an audience with Prime Minister Modi. The South China Sea was reportedly a "feature" of Carter's discussions.⁶³ During the visit the two agreed to expedite cooperation on jet engines, aircraft carrier design and construction, and co-development and co-production of joint defense projects.

In another significant development, U.S. Pacific Command (PACOM) is now openly encouraging India to maintain an active presence in the South China Sea. In March 2015, PACOM Commander Adm. Harry Harris stated: "the South China seas are international waters and India should be able to operate freely wherever India wants to operate. If that means the South China Sea, then get in there and do that."⁶⁴

Months later, Adm. Harris hosted Indian Defense Secretary Parrikar at PACOM headquarters in Hawaii, the first-ever trip by an Indian defense minister (India falls under CENTCOM's area of responsibility). There, the two leaders discussed "the continuance of the maritime security cooperation, *the potential for joint U.S.–India maritime patrols*, and the value of foundational agreements such as a logistics support agreement and a communications and information security memorandum of agreement."⁶⁵ They also reviewed the gamut of bilateral and multilateral military exercises, including Malabar, Yudh Abhyas, Red Flag, Vajra Prahar, and RIMPAC (the U.S. conducts more exercises with India than with any other country, NATO allies included).

In late 2015, reports suggested India was inching closer to signing a long-pending Logistics Support Agreement (LSA) with the U.S., which would allow the two sides to use each other's ports and military facilities for staging and refueling.⁶⁶ And in early 2016 the two confirmed India would be participating in the 2016 iteration of the U.S. RIMPAC multilateral military exercises, and announced India-U.S. joint air force exercises would resume in Nevada in 2016 after an eight-year hiatus.⁶⁷

INDIA AS A BALANCER

Since 2005, Delhi's enthusiasm for a stronger Indo-U.S. partnership has been tempered by two factors: First, the historical legacy of "Non-Alignment," the deep-seated Cold War philosophy that bred an aversion to alliances. And second, the strategic dilemma that India faces in balancing ties between the U.S. and China.

Many Indian strategists believe China poses the greatest potential security threat to their country while a partnership with the U.S. provides the greatest insurance against that threat. However, many also have expressed concern that moving too quickly or aggressively toward the U.S. could unnecessarily provoke Beijing. With America's commitment to Indian security unclear, such a

⁶³ Scott, "India's Incremental Balancing."

⁶⁴ Ibid.

⁶⁵ "Commander, US Pacific Command Meeting with India Minister of Defence," U.S. Pacific Command, December 7, 2015, <http://www.pacom.mil/Media/News/tabid/5693/Article/633260/commander-us-pacific-command-meeting-with-india-minister-of-defence.aspx>.

⁶⁶ Dinakar Peri, "India and U.S. inch closer to deal on logistics support," *The Hindu*, December 26, 2015,

<http://www.thehindu.com/news/national/india-and-us-inch-closer-to-deal-on-logistics-support/article8029736.ece>.

⁶⁷ Sushant Singh, "India to participate in world's largest maritime warfare exercise in US next year," *The Indian Express*, December 11, 2015, <http://indianexpress.com/article/india/india-news-india/india-to-participate-in-exercises-rimpac-and-red-flag-in-us-next-year/>.

move risked increasing, not diminishing, the threat from China.

Modi and his foreign policy team have turned that thinking on its head. They believe a closer relationship with the U.S. actually puts Delhi in a stronger position vis-a-vis Beijing. "China is more sensitive to Indian concerns when India has strong and diversified relations with other major powers," explained Shyam Saran, then-Chairman of India's National Security Advisory Board in 2014. "Its pressures on India mount when India is seen to have fewer options. China does not want India to forge close security relations with the United States, Japan, Australia and Southeast Asian countries, as this constrains China's own room for maneuver."⁶⁸

"Before 2005 China had gamed us," a now-senior member of Modi's administration told me years ago. "With the 2005 nuclear deal and the defense partnership, President George W. Bush 'de-gamed' us."

Indian Foreign Secretary S. Jaishankar has argued India "aspire[s] to be a leading power, rather than just a balancing power."⁶⁹ The rather significant implication of the statement is that India already is a "balancing" power. He's also argued that India "welcomes the growing reality of a multi-polar world, as it does, of a multi-polar Asia."⁷⁰ The subtext is clear: while India agrees with China that its better the international system not be ruled by a single power, India also does not want to see Asia dominated by a single power, but rather a balance of multiple power centers.

CHINA-INDIA COOPERATION

Though competitive elements of the Sino-Indian relationship have outpaced the cooperative tract in recent years, bilateral relations have not been devoid of accomplishments.

It's notable that unlike in the past, Chinese leaders now not only add India to the itinerary of every South Asia visit, they generally visit India first.⁷¹ Indeed, President Xi Jinping's first visit to Pakistan took place six months after his first September 2014 visit to Delhi⁷² following repeated security delays. While Xi was in Delhi, he used the phrase "two major powers in the region and the world,"⁷³ a potentially significant evolution given China's proclivity to characterize India as a regional, rather than global, power.

China-India military-to-military engagement has maintained its modest course under Xi and Modi. The two militaries began cooperating only in 2007, when the Chinese and Indian armies held their first-ever joint exercise in Kunming, China. The "Hand-in-Hand" exercise was held again the following year in Belgaum, India before military-to-military relations were suspended in 2010. In 2013 joint army exercises resumed in Miaoergang, China⁷⁴ and the fourth and fifth iterations followed in November 2014 in Pune, India, and October 2015 in Kunming, China.

⁶⁸ http://www.business-standard.com/article/opinion/shyam-saran-room-to-manoeuvre-again-114090901397_1.html

⁶⁹ "India Wants to be a Leading Power Rather than Just a Balancing Power," *The Wire*, July 20, 2015, <http://thewire.in/2015/07/20/india-wants-to-be-a-leading-power-rather-than-just-a-balancing-power-6903/>.

⁷⁰ <https://www.iiss.org/en/events/events/archive/2015-f463/july-636f/fullerton-lecture-jaishankar-f64e>

⁷¹ Chinese leaders visited India first in 2006, 2010, and 2013.

⁷² Several security-related delays pushed back his trip by several months.

⁷³ Dr. S Jaishankar, "India, the United States and China."

⁷⁴ Rajat Pandit, "Military exercise with China shifted from near the border to Pune," *The Times of India*, October 11, 2014, <http://timesofindia.indiatimes.com/India/Military-exercise-with-China-shifted-from-near-the-border-to-Pune/articleshow/44779468.cms>.

While the two countries' navies and air forces have exercised together in multilateral formats, and loosely coordinate their anti-piracy patrols, they have yet to conduct bilateral drills. In 2013, the two sides announced joint naval drills would be held in the "near future," though there has been no movement since. Also in 2013, Delhi and Beijing announced a bilateral maritime security dialogue, which convened for the first time in January 2016.⁷⁵

In November 2015, Delhi hosted a large, 26-member Chinese military delegation led by Vice Chairman of China's Central Military Commission. It was the highest-level Chinese military delegation India has received in a decade, and included the deputy chief of general staff of the PLA, and the Political Commissar of the PLA's Chengdu Military Region, with responsibility for the Eastern Sector of the disputed China-India border.⁷⁶

Just days later, Indian Home Affairs Minister Rajnath Singh traveled to Beijing in the first such visit by an Indian Home Minister in a decade. According to *Outlook India*, Singh was surprised by the "proactive way China pushed security cooperation with India" and the "change of attitude" shown from China's security czar, who was unexpectedly joined by the Chinese State Councilor and a handful of vice ministers.⁷⁷ The report said the two sides "discussed terrorism concerns faced by them from Pakistan and Afghanistan" while Beijing was even willing to discuss its protection of Pakistani-based terrorists from sanctions at the UN Security Council.⁷⁸

Other recent accomplishments include:

- In October 2013 China and India signed a modest Border Defense Cooperation Agreement designed to help manage border patrolling along the Line of Actual Control.
- In July 2014 China hosted Indian Army Chief Gen. Bikram Singh, the first visit by an Indian army chief in nine years.⁷⁹
- In September 2014, India's Eastern Command headquarters hosted a seven-member PLA delegation.⁸⁰
- In September 2014, Indian National Security Advisor Ajit Doval visited Beijing, where he said bilateral relations were poised for an "orbital jump."⁸¹

⁷⁵ "India, China hold inaugural dialogue on maritime cooperation," *The Economic Times*, February 4, 2016, http://articles.economictimes.indiatimes.com/2016-02-04/news/70344006_1_south-china-sea-maritime-cooperation-indian-ocean.

⁷⁶ Yao Jianing, "Highest-level Chinese military delegation visits India," *China Military Online*, November 16, 2011, http://english.chinamil.com.cn/news-channels/china-military-news/2015-11/16/content_6771890.htm.

⁷⁷ "China, India Discuss Cross Border Terror from Pak, Afghanistan," *Outlook*, November 20, 2015, <http://www.outlookindia.com/news/article/china-india-discuss-cross-border-terror-from-pak-afghanistan/921117>.

⁷⁸ "China, India Discuss Cross Border Terror."

⁷⁹ "Army Chief General Bikram Singh addresses China's NDU cadets," *The Economic Times*, July 4, 2014, http://articles.economictimes.indiatimes.com/2014-07-04/news/51076374_1_indian-army-chief-border-defence-cooperation-agreement-two-militaries.

⁸⁰ "Chinese delegation visits Indian Army's Eastern Command headquarters," *Business Standard*, September 25, 2014, http://www.business-standard.com/article/news-ians/chinese-delegation-visits-indian-army-s-eastern-command-headquarters-114092500942_1.html.

⁸¹ Atul Aneja, "China-India ties poised for an 'orbital jump,' says Doval," *The Hindu*, September 18, 2014, <http://www.thehindu.com/news/national/chinaindia-ties-poised-for-an-orbital-jump-says-national-security-adviser-ajit-doval/article6395047.ece?homepage=true>.

- In January 2015, China received Indian External Affairs Minister Sushma Swaraj. Unusually, she was granted an audience with President Xi Jinping.
- In June 2015, China and India opened a new border crossing at the Nathu La pass that had been closed since the 1962 border war.⁸²
- In July 2015, China welcomed India (and Pakistan) as full members of the Shanghai Cooperation Organization.⁸³
- In December 2015, China hosted the head of India's Northern Army Command, which has responsibility for Kashmir. The suspension of military-to-military relations in 2010 was caused by China's refusal to issue a normal visa to the then-head of Northern Army Command.
- A military hotline between the director general of military operations in both countries has been in the works for years. As of January 2016, it was scheduled to be operational "in the coming months."⁸⁴

Finally, while India has yet to endorse OBOR, it appears to be warming to a sub-OBOR initiative that preceded the New Silk Road. In December 2013, Delhi and Beijing gave formal approval to an initiative that had been gestating in Indian and Chinese think tanks for over a decade: a Bangladesh-China-India-Myanmar (BCIM) Corridor. The project envisions a 2,800 kilometer high-speed infrastructure corridor between Kunming, China and Kolkata India, via Mandalay, Myanmar and Dhaka, Bangladesh. In June 2014 the four countries held the first "Joint Working Group" meeting in Kunming. In February 2016, Bangladesh, China, and India finished their BCIM "strategy papers," though Myanmar had yet to complete its draft.⁸⁵

China has tried to integrate the BCIM Corridor into OBOR, calling it the southwestern route of the New Silk Road. Despite its position on OBOR, Delhi is attracted to BCIM because it would cross horizontally through India's underdeveloped northeastern states, a region Prime Minister Modi has targeted as a priority for development.

INDIA'S MILITARY MODERNIZATION

Today, India is the largest importer of arms worldwide. Between 2010 and 2015, Delhi accounted for almost 15% of global arms imports, more than three times China's share.⁸⁶ As Walter Ladwig explains, "If the Indian Navy were primarily concerned with Pakistan or littoral defense, then a localized fleet of short-range surface combatants supplemented by land-based naval aviation assets would be most appropriate."⁸⁷

⁸² "First of Indian pilgrims to Tibet cross newly opened Nathu-La pass," *Tibetan Review*, June 24, 2015, <http://www.tibetanreview.net/first-of-indian-pilgrims-to-tibet-cross-newly-opened-nathu-la-pass/>.

⁸³ "India, Pakistan become full SCO members," *The Hindu*, July 11, 2015, <http://www.thehindu.com/news/international/india-gets-full-membership-of-the-shanghai-cooperation-organisation-along-with-pakistan/article7407873.ece>.

⁸⁴ "India-China DGMO hotline soon," *Deccan Herald*, January 14, 2016, <http://www.deccanherald.com/content/522956/india-china-dgmo-hotline-soon.html>.

⁸⁵ Sheikh Shahariar Zaman, "Bangladesh supports Chinese 'one belt one corridor' initiative," *Dhaka Tribune*, January 26, 2016, <http://www.dhakatribune.com/bangladesh/2016/jan/26/bangladesh-supports-chinese-one-belt-one-corridor-initiative>.

⁸⁶ Abhijit Singh, Twitter Post, September 25, 2015, 3:30 am, <https://t.co/MmGRCInJ9M>.

⁸⁷ Walter Ladwig, "Delhi's Pacific Ambition: Naval Power, 'Look East,' and India's Emerging Influence in the Asia-Pacific" *Asian Security*, vol. 5, no. 2, 2009, pp. 87–113 <http://users.ox.ac.uk/~mert1769/Pacific%20Ambition.pdf>

Instead, the Indian Navy is devoting its resources to aircraft carriers, nuclear submarines, long-range sea-launched ballistic missiles, and expeditionary capabilities—all of which suggest India is preparing to meet a challenge from a large conventional force in the Indian Ocean, and that it is developing the capabilities to sustain operations further abroad, in the Western Pacific.

India's Eastern Naval Command (ENC), with responsibility for the eastern Indian Ocean, has traditionally been the junior partner to the Pakistan-focused Western Naval Command (WNC). That is changing, with a major transfer of naval assets underway from the WNC to the Vishakhapatnam-based ENC. A full fifty warships—over a third of India's naval fleet—are now under the ENC's command.

All five of India's Rajput-class guided missile destroyers have been transferred to ENC from the Western fleet, as has the Russian-leased nuclear submarine (SSN) *Chakra*. As have India's three *Shivalik*-class stealth frigates and its U.S.-built P8 maritime patrol craft.

When India completes two indigenous aircraft carriers to complement the Russian-leased carrier *Viraat*, two will be headquartered with the ENC. The ENC will also take command of India's first indigenous nuclear submarine, the INS *Arihant*, when it enters service in the next few years, completing India's nuclear triad.

A new military base is now under construction in Andhra Pradesh on India's eastern coast near Rambilli, 40 kilometers south of ENC headquarters in Vishakhapatnam. Codenamed Project Varsha, the new base will reportedly host underground pens to protect nuclear submarines from spy satellites and air attack.

In the strategic-arms arena, India is developing longer-range ballistic missiles capable of reaching targets upward of five thousand kilometers away despite having all of Pakistan covered by its short- and medium-range arsenal. In 2009 India added two new mountain-infantry divisions dedicated to the Sino-Indian border. And in 2013 Delhi announced it was raising the first offensive Strike Corps dedicated to the LAC (India's three existing Strike Corps are all dedicated to Pakistan). In 2015, it was revealed the Strike Corps has been downsized and delayed due to budget constraints.

THE BORDER DISPUTE

During the 1962 Sino-Indian border war China seized (and still retains) the 36,000 square kilometer area of Aksai Chin—the “Western Sector.” In the “Eastern Sector,” despite considerable advances, in 1962 Chinese forces withdrew behind the McMahon Line, though Beijing still claims some 90,000 square kilometers south of that line in the Indian state of Arunachal Pradesh.

The border negotiations, begun in 1981, now represent the “longest continuing frontier talks between any two countries since the end of the Second World War.”⁸⁸ While a resolution to the dispute remains a distant prospect, the talks have produced an elaborate framework to peacefully

⁸⁸ Francine Frankel and Harry Harding, *The India-China Relationship: What the United States Needs to Know* (Washington D.C.: Woodrow Wilson Center Press, 2004) 48.

manage border. Unlike the volatile India-Pakistan Line of Control (LOC) in Kashmir, there hasn't been a deadly exchange of fire at the China-India Line of Actual Control (LAC) in decades.

Yet, in recent years India has reported roughly 400 Chinese incursions across the LAC annually, mostly in the dozen volatile stretches where there is no mutual agreement on where the LAC belongs. It's unclear how guilty Indian patrols are of similar violations because China doesn't keep count. "If we make the calculation on our understanding of the LAC, maybe the Indian border troops have transgressed the line more than what the Chinese border troops have done," says Maj. Gen. Yao Yunzhu of China's Academy of Military Sciences.

By and large, the incursions are petty, harmless exercises with patrols temporarily crossing the un-demarcated border before returning to their forward base. Yet volatile stand-offs between Chinese and Indian patrols at the LAC have become an almost annual affair, and continue to sow suspicion and mistrust in bilateral relations. A 2015 Pew poll showed nearly 2/3 of Indians concerned about the territorial dispute with China.⁸⁹ Perhaps most important, they often occur at the most inopportune times. A textbook case was provided by a Chinese border incursion in Ladakh which coincided almost perfectly with Chinese President Xi Jinping's first trip to India in September 2014.

The three-week standoff immediately evoked a sense of *déjà vu*: the year before, as Indian Foreign Minister Salman Khurshid was preparing to visit Beijing in Delhi's first exchange with the Xi administration, the PLA launched a three-week intrusion into Ladakh. Then too, it took more than three weeks and several rounds of talks to dislodge the encampment, though not before tainting the optics of Khurshid's visit.

"We were incredibly puzzled by all this," Commodore C Uday Bhaskar told me shortly after the 2013 incursion. "Even China's supporters in Delhi were caught off guard and had no idea how to interpret or defend the action. The one conclusion we drew is: 'we know even less about the workings of the Chinese system than we think we do'."⁹⁰ Some in India and the U.S. have speculated that the PLA was acting autonomously of the leadership in Beijing.

President Xi only fed this rumor mill when he seemed ignorant of the intrusion during his private discussions with Narendra Modi. Even more conspicuous, after returning from India Xi appeared to dress down the PLA brass, exhorting them to "have a better understanding of international and domestic security situations" and insisting on "absolute loyalty and firm faith in the Communist Party of China."⁹¹

However, there is good reason to cast doubt on this theory. While Xi's address to the PLA was unusually direct, it was by no means out of line with frequent invocations stressing absolute loyalty to the party. More important, Xi has amassed more power and authority over the various

⁸⁹ Bruce Stokes, "How Asia-Pacific Publics See Each Other and Their National Leaders," *Pew Research Center*, September 2, 2015, <http://www.pewglobal.org/2015/09/02/how-asia-pacific-publics-see-each-other-and-their-national-leaders/#views-of-regional-leaders>.

⁹⁰ Author interview

⁹¹ "President Xi stresses military headquarters' loyalty to Party." *Xinhua*. September 23, 2014 http://usa.chinadaily.com.cn/china/2014-09/23/content_18643493.htm

organs of the Chinese state, including the PLA, than any of his recent predecessors. He has not shied away from targeting disloyal or corrupt officials in arguably the most robust purge of senior party figures and military officers in decades. Yet, the opposite has happened: the commander of the Lanzhou Military Region responsible for that section of the China-India border was later promoted.

The fact that the number of incursions have grown substantially in recent years (from 140 in 2006 to 411 in 2013), and the 2013 and 2014 intrusions followed the same template, suggests a coordinated strategy and not a rogue operation.

In 2010 Premier Wen Jiabao raised hackles in Delhi when he admitted the Sino-Indian border dispute would take "a very long time" to resolve. "Even if we somehow miraculously get a resolution, we still have problems [with India] in Tibet, in Pakistan, in the Indian Ocean. So why try so hard? It seems every time we try and solve the dispute it only makes things worse," Ye Hailin, the Deputy Director for South Asia at the Chinese Academy of Social Sciences told me in 2013. Privately, Indian diplomats have lamented the two sides are "no closer to a resolution than we were 50 years ago."

Present trends in both countries suggest domestic constraints are likely to restrict the ability of the leadership in Beijing and Delhi to make territorial concessions in the future. Mutual suspicion and rising nationalism in both capitals has effectively shrunk the already-limited political space to pursue territorial concessions. In India, where anti-Chinese sentiment is politically and financially profitable, they would have to be sold to an opportunistic political opposition and a highly skeptical public, and may even require an amendment to the Indian Constitution. In China, a new brand of neo-nationalism is pushing Beijing toward a harder line on all its territorial disputes, as evidenced by its recent actions in the South China Sea.

As Chinese Foreign Minister Wang Yi noted in 2015: "At the moment, the boundary negotiations are in the process of building up small positive developments. It is like climbing a mountain and the going is tough because we are on the way up."⁹²

THE TIBET CONNECTION

For Beijing the territorial dispute with India has always been closely associated with Tibet. Indeed, the principal objective of China's India strategy may well be mitigating the latter's ability to provoke instability in Tibet, with the border dispute merely a subset of the "Tibet issue." Dr. Mohan Malik argues China will not pursue a resolution to the border dispute "until Tibet is pacified in the same way Inner Mongolia has been pacified."⁹³

It was once believed that China was desirous of a speedy resolution to the Sino-Indian border dispute. On several occasions between 1960 and 1980 Chinese leaders proposed some form of "package deal" that would result in a territorial swap enshrining the post-war status quo with China retaining Aksai Chin in the Western Sector and India Arunachal Pradesh in the Eastern Sector. Each informal overture was dismissed by Delhi.

⁹² "China says border dispute with India contained," *Dawn*, March 9, 2015, <http://www.dawn.com/news/1168293>.

⁹³ Dr. Mohan Malik - Author Interview, Honolulu, April 2012.

Today, circumstantial evidence suggests India has grown more amenable to a “package deal” yet since the mid-1980s, Beijing has demanded that any such deal would have to include the transfer of the town of Tawang, a small, sleepy Buddhist enclave hugging the LAC in India’s Arunachal Pradesh.

Tawang carries significance for both countries, positioned astride one the least-hazardous paths from the Tibetan plateau to India’s northeast and was one of the first towns seized in the Chinese offensive in 1962. Yet the town’s tactical military value is arguably outweighed by its religious significance, particularly as China has struggled to establish greater control over Tibetan Buddhism and subdue Tibetan opposition to Chinese rule. Tawang is home to one of the largest Buddhist monasteries outside Tibet, was the birthplace of the 6th Dalai Lama, and was the first stop the 14th Dalai Lama made on his flight from Tibet to India in 1959.

In recent years, China has repeatedly emphasized its claim on Tawang and the need to focus border talks on the “Eastern Sector” despite fierce resistance from Delhi to any prospect of ceding territory to China. Admiral Arun Prakash, India’s formal Chief of Naval Staff, has warned: “Let there be no doubt that China is a hegemon which wants to give India another knock to ensure we know our place in Asia. Give away Tawang today and they will demand Arunachal and Ladakh tomorrow.”⁹⁴

From China’s perspective, the “Tibet issue” with India has yet to be fully resolved. Months after the Dalai Lama fled to India in 1959 the first deadly clashes at the Sino-Indian border erupted. After the war, Chinese Premier Zhou Enlai told an assembly of socialist countries that the “center of the Sino-Indian conflict” was not the border dispute but India’s efforts to “oppose reform in Tibet” and its desire to keep Tibet as a “buffer state.”⁹⁵

China still resents how the CIA supported Tibetan separatists from Indian soil in the 1950s and 1960s, and how Delhi permitted the Dalai Lama to establish a Tibetan Government in Exile in Dharamsala. It seems to matter little that Delhi has shied from playing the “Tibet card” since then, or that successive Indian leaders have recognized Tibet as an integral part of China.

Beijing has repeatedly implicated the Dalai Lama in promoting unrest in Tibet and demands India prevent him from engaging in any “political activities.” Thus, every time the Dalai Lama meets with senior Indian officials, gives a prominent speech in Delhi, or is permitted to venture to Tawang, Beijing sees an Indian-designed strategy to undermine Chinese sovereignty and authority. Dr. John Garver says “Tibet is virtually the only effective mechanism of leverage India has against Beijing. China’s vulnerability in Tibet is to India what India’s vulnerability vis-à-vis Pakistan is to China.”⁹⁶

⁹⁴ “Forgotten: The Man Who Won Us Tawang,” *Pioneer*, March 10, 2012.

⁹⁵ John Garver, “China’s Decision for War with India in 1962,” in *New Approaches to the Study of Chinese Foreign Policy*, Robert S. Ross and Alastair Iain Johnston, Stanford University Press, 2005.

⁹⁶ John Garver, *Protracted Contest* (Seattle: University of Washington Press, 2001), 75.

RECOMMENDATIONS

- The USG should focus on ways to better coordinate its South Asia and Indian Ocean policies with Delhi, a process which saw some important breakthroughs in 2015, including: the signing of a joint strategic vision statement; the beginning of discussions on joint naval patrols; and the invitation to Japan to participate in the Malabar naval exercises on a more permanent basis.
- Thus far, the U.S. “Pivot” to Asia has focused on bolstering U.S. military capabilities in the Western Pacific. The USG should consider expanding the geographic scope of the Pivot to include the “Indo-Pacific.” In the process, the USG should engage in a more concerted effort to find synergies between Mr. Modi's "Act East" initiative and the U.S. “Pivot” to Asia.
- The USG should explore ways to extract additional value from the U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region. That should include both building upon the existing statement, and reviewing whether it could serve as a template for Strategic Vision documents with other friendly capitals. A more ambitious goal would involve gathering U.S. partners and allies across the Indo-Pacific to commit to a set of shared principles and objectives to provide more clarity, stability, and unity to the weak regional security architecture.
- With regard to China’s OBOR initiative, the U.S. should better exploit the commonality of interests with India. Both capitals have approached OBOR tentatively as they try to assess its goals and strategic implications. Ironically, both Delhi and Washington have similar, potentially competing alternatives: America’s “New Silk Road” and India’s “Project Mausam.” And ironically, both initiatives are sorely lacking in resources, commitment, and strategic vision. The U.S. and India should cooperate on ways to bolster and find synergies between their two initiatives. Even more desirable would be a merging of the two initiatives—perhaps a “New Asian Community Initiative” (NACI)—with the political and financial backing to compete with (and where desirable complement) OBOR. If such an initiative were positively received, the inclusion of Japan should be entertained, given its surplus of experience, capital and technical expertise in infrastructure development.
- The U.S. should promote more formal cooperation and collaboration between India and U.S. Pacific Command. An important step was taken in December 2015, when PACOM headquarters in Hawaii hosted an Indian defense minister for the first time. Before that, the U.S. government had resisted formal interactions between the two, as India and Pakistan both fall under the purview of CENTCOM. However, this geographic and bureaucratic division has become woefully outdated, as India becomes an increasingly active player in the Western Pacific and the Sino-Indian naval competition unfolds over a progressively interconnected Indo-Pacific security space.
- The U.S. government should devote more attention and resources to monitoring China’s westward expansion into South Asia. To date, Washington has been fixated on the Western Pacific and China’s territorial disputes with Japan and the South China Sea.

While far more subtle, China's diplomatic and military push into South Asia may prove no less consequential over the long term.

- In 2009, President Barack Obama agreed to a controversial joint statement with China in which the two sides promised to work for “peace, stability and development in South Asia,” including “the improvement and growth of relations between India and Pakistan.” In the future, the U.S. should forego public signaling about coordinating its South Asia or Indian Ocean strategies with China.
- The U.S. should not hesitate to assume a more publicly supportive position of India in the China-India border dispute. The U.S. has recognized the McMahon Line as India's international border with China since 1962. After more than a decade of silence on the status of the McMahon Line, in December 2012 then-U.S. Ambassador to India Nancy Powell reaffirmed that the U.S. recognizes the McMahon Line as the legitimate international border.⁹⁷ More frequent public expressions of America's longstanding position, particularly during violations of the LAC by Chinese border patrols, are recommended.

⁹⁷ C Raja Mohan, “United States on Arunachal,” *Carnegie Endowment*, December 24, 2012, <http://carnegieendowment.org/2012/12/24/united-states-on-arunachal>.

**OPENING STATEMENT OF DR. TANVI MADAN
DIRECTOR, THE INDIA PROJECT, AND FELLOW, FOREIGN POLICY, THE
BROOKINGS INSTITUTION**

DR. MADAN: Chairman Shea, Commissioner Tobin, members of the Commission, thank you very much for your invitation to testify on India's relationship with China.

My testimony will summarize my longer written testimony focusing on three issues: one, a brief overview of the key issues in India's relationship with China; second, the Modi government's approach towards China; and third, the implications for the U.S.

China-India relations have elements of cooperation and competition and potentially conflict. On the cooperative side, there is more high level engagement than before with senior Chinese and Indian policymakers regularly meeting in bilateral regional and multilateral gatherings.

The two countries have a number of dialogues, political dialogues in place as well, including on Afghanistan and counterterrorism, as well as a defense dialogue and a number of economic dialogues in place.

The countries' boundary dispute remains unresolved, but mechanisms have been put in place to manage it. They have cooperated--the two countries--in multilateral settings, including on climate change, trade and global economic governance and initiatives, and on initiatives like the AIIB.

Economic ties have, as Jeff mentioned, grown as well with bilateral trade rising from about \$2 billion in 2000-2001 to \$72 billion in 2014-2015, and you've seen the investment relationship increasing, too, albeit more slowly.

There has also been greater people-to-people interaction with four times the number of people traveling between the two countries in 2012 from just a decade before.

However, there remain serious sources of strain in the relationship. While the lack of resolution of the boundary dispute might not have stopped Sino-Indian engagement, it has likely slowed its pace and set a ceiling on it. Beyond the boundary, the issue of Tibet, the sharing of river waters, China's increasing activities in India's immediate neighborhood, especially its close relationship with Pakistan, and also China's One Belt, One Road initiative have been sources of concern.

Economic and people-to-people exchanges have been asymmetrical. For example, India has a \$48 billion trade deficit with China that constitutes more than a third of its total trade deficit. There is an overall sense in India that China does not respect India, and/or that it will seek to prevent India's rise. Exacerbating all these concerns in India is a lack of trust toward China and uncertainty regarding Chinese intentions.

Indian governments have pursued a blending approach of engaging China, competing with it, deterring it, and preparing in case Beijing breaks bad and its behavior turns hostile. Prime Minister Narendra Modi too has followed this blended approach perhaps with a greater intensity, both more engagement but also more of each of the other elements.

While Prime Minister Modi's government sees China as a strategic challenge, it also sees the economic opportunity. He has repeatedly stated that he wants to do business with Beijing. Chinese firms and financiers' ability to build infrastructure and bring financing is particularly attractive to the prime minister, especially given his government's emphasis on enhancing domestic infrastructure and manufacturing.

The Modi government also sees increased bilateral but better balanced economic

ties as giving China an incentive to seek broader stability in the relationship.

Simultaneously, however, Prime Minister Modi and other government officials have not hesitated to be very vocal about India's sensitivities: the competitive elements in the relationship and concern about Chinese behavior in the region. The government has also focused on building up the country's internal capabilities and connectivity as well as its external partnerships.

All these things in India's relationships with China have implications for its bilateral relationships with the U.S., but also for U.S. policy in the broader region, and I'm just going to lay out a few reasons how.

First, uncertainty and concern about Chinese behavior is partly what is driving the India-U.S. partnership. New Delhi's China's strategy envisions a key role for the U.S. in both strengthening India militarily and economically and building a range of partnerships in the Asia-Pacific. Indian officials also believe Beijing takes Delhi more seriously because Washington does.

Second, India shares with the U.S. an interest in managing China's rise. Neither Delhi nor Washington would like to see what some have outlined as President Xi's vision of Asia with a dominant China and the U.S. playing a minimal role. India and the U.S. recognize that China will play a crucial role in Asia. It is the nature of that role that concerns both countries. This has led the two countries to articulate a role for the other in their strategies for the Asia-Pacific and Indian Ocean regions with the Obama and Modi administrations signing a joint strategic vision for those regions and stressing the complementarities of their respective rebalance and "Act East" strategies.

Third, India's concerns about Chinese intentions as well as its desire to diversify its economic and strategic options has led it to seek closer relationships with U.S. allies in the region like Australia, Japan and South Korea, a development Washington should encourage but overall let develop organically.

Fourth, India is seeking to build partnerships and connectivities, a connectivity with South and Southeast Asian countries. Since it alone does not have the capacity and resources that Beijing can bring to bear, it is exploring working with the U.S. and others to shape the strategic and economic options available to the countries in this region.

The India-Japan-U.S. trilateral mechanism, for example, is being used to discuss what the three countries can do together to enhance regional connectivity. Implied is that their approach will be more consultative than what they consider the Chinese unilateralist approach with OBOR.

Fifth, India has become more vocal about its concern about challenges to the rules-based international order in the Indo-Asia-Pacific, a term that the Defense Department has started using. Departing from previous governments, the Modi government has expressed its view on the South China Sea dispute in bilateral documents with Japan, Vietnam, and the U.S. Indian officials routinely stress the importance of freedom of navigation and peaceful resolution of disputes.

They also point to India's acceptance of international arbitration and its verdict for an India-Bangladesh maritime dispute as an example that other large countries should follow.

I'll say in conclusion that a strengthening U.S.-India relationship will in and of itself shape China's perception, perception and options, and thus should be encouraged, along with greater cooperation and bilateral cooperation in the region. But when it comes to China, India and the U.S. must also have realistic expectations of the other. An India-U.S. strategic

partnership solely based on China is neither desirable nor sustainable. It is also crucial to keep in mind that uncertainty about the other's China policy and the other's willingness and capacity to play a role in the Asia-Pacific can be a source of concern in the India-U.S. relationship.

Indian policymakers worry both about a China-U.S. condominium, or a G2, and a China-U.S. crisis or conflict. There is concern in India about the reliability of the U.S. with a sense that the U.S. will end up choosing China because of the more interdependent Sino-American economic relationship and/or leave India in a lurch. There are similar concerns on the part of the U.S. about Indian reliability. In the near-term, there is also some concern in Delhi about the U.S. choosing to cooperate with China and Pakistan and Afghanistan in a way that potentially could adversely affect India's interests.

Partly because of these reliability concerns, India is likely to maintain other partnerships in an attempt to balance China, including one with Russia that will likely not be palatable here. Like the U.S., India will also continue to engage with Beijing. This can indeed benefit all three countries and demonstrate the advantages of cooperation.

Thank you.

**PREPARED STATEMENT OF DR. TANVI MADAN
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India's Relationship with China and its Implication for the United States

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Hearing on China and South Asia

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Chairman Shea, Commissioner Tobin and Members of the Commission, thank you very much for your invitation to testify on India's relationship with China. My testimony will focus on three issues: (i) the characteristics of and key issues in India's relationship with China; (ii) the Narendra Modi government's approach toward China; and (iii) the implications for the United States.

The world's two largest countries by population, China and India also have two of the largest economies and militaries in the world, are among the fastest growing global energy consumers, and have economies that are expected to grow at over 6 percent this year. There's a reason the two are called Asian giants—and whether or not they get along, and how they do, has implications beyond their region, including for the U.S. China-India relations have both elements of cooperation and competition. Add to that the potential for conflict that hovers over the bilateral relationship, as well as a constant concern (and uncertainty) in India about Chinese intentions, and the complexity of the relationship is evident.

Cooperation

Both Delhi and Beijing have stated that they would like a stable, cooperative relationship. It's not difficult to see why. It could stabilize one side of both countries' peripheries, helping both sets of policymakers keep their focus on domestic socio-economic objectives. In certain instances, they also share an interest in regional stability—in Afghanistan, for example, especially with the American drawdown of forces—even if not a shared approach. Domestic turmoil in Pakistan might be a common concern in the future as well. In addition, the situation in the Middle East has implications for both countries, especially given their energy dependence on that region. Existing and potential economic ties have been another stated reason to achieve stability in the relationship, with the reasoning that better politics makes for better economics. The prospect of cooperation in the multilateral realm has been another motivation.

In addition, for Delhi, a stable relationship with China opens up the possibility that Beijing might use its leverage with the Pakistani civilian and military leadership to shape Pakistan's behavior in

¹ The views expressed in this testimony are solely those of the author. The Brookings Institution does not take institutional positions.

a way that might benefit India. At times, it also needs China's support in the multilateral/global arena—for example, it'll need China's acquiescence for APEC membership, which Delhi is seeking. For Beijing, there's a desire to limit India's burgeoning relationships with the United States and Japan, as well as with other countries in what Beijing considers its backyard (Southeast Asia). Moreover, as China is preoccupied with eastern maritime disputes and the North Korean situation, stable relations on its southern and southwestern flank could also help the Chinese leadership.

For these reasons and others, over the last decade and a half, bilateral engagement has increased. High-level visits are taking place at a greater frequency. Between March 2013 and May 2015, for example, Chinese premier Li Keqiang and president Xi Jinping separately visited India, and successive Indian prime ministers Manmohan Singh and Narendra Modi traveled to China. Moreover, in these past few years, Chinese and Indian leaders have met multiple times on the sidelines of various multilateral summits. The two countries now have various bilateral dialogues in place, including on Afghanistan and counter-terrorism, as well as a defense and security dialogue. Their security forces have also undertaken joint exercises. In addition, the Chinese and Indian governments have cooperated on the multilateral front, including in climate change negotiations and in demanding a greater voice and vote for emerging economies in certain global governance fora. Together, they are also founding members of the BRICS grouping and China has endorsed Indian membership of the Shanghai Cooperation Organisation.

Economic ties have also grown from a decade and a half ago. An Indian ambassador to China indeed called it “the game changer” in the relationship.² In 2000-01, India's trade in goods with China stood at just over \$2 billion; in 2014-15, it was \$72 billion.³ If one considers just trade in goods, China is India's largest trading partner (if services are included, as they probably should be given the role services play in India's trade, the U.S. gets that distinction).

The investment relationship has also grown, albeit to a much lesser degree. By one estimate, in 2012 India was the main target for China's project exports.⁴ Chinese cumulative investment till October 2012 was \$657million; a more than six-fold increase from where it stood four years before (\$91.1million). Indian cumulative investment in China stood at \$470 million till October 2012.⁵ During President Xi's visit to India in September 2014, the Chinese government stated its commitment to invest \$20 billion over 5 years in projects in India—this fell short of the \$100 billion-commitment that Chinese officials were indicating before the visit, but was a significant jump when compared to existing investment.

To facilitate this economic engagement, Delhi and Beijing have a Strategic Economic Dialogue, a Joint Economic Group and a Financial Dialogue in place. They are planning a new one between India's Department of Economic Affairs and China's Development Research Centre of the State Council. Both sides have identified particular areas of cooperation, including the establishment of industrial parks in India, and cooperation in the clean energy, railways and smart cities sectors.

² Amb. S. Jaishankar, “India and China: Fifty Years After,” Speech by India's Ambassador to China at the Institute of South Asian Studies, National University of Singapore, November 23, 2012 (<http://goo.gl/GL80BK>).

³ Ministry of Commerce and Industry, India, “Export Import Data Bank” (<http://www.commerce.nic.in/eidb/>).

⁴ Jaishankar, “India and China: Fifty Years After.”

⁵ Embassy of India, Beijing, “India-China Bilateral Relations: Trade and Commercial Relations” (<http://goo.gl/U9XioC>).

Beyond bilaterally, the governments have cooperated in the multilateral sphere. They together established the BRICS New Development Bank and India is a founding member of the China-promoted Asian Infrastructure Investment Bank (AIIB). Though in recent years India and China have not always been on the same page on global trade negotiations, they have shared concerns on issues such as global policy with regard to food security, international financial governance, and standards. Like China, India is not a member of the Trans-Pacific Partnership (TPP), but both are members of the Regional Comprehensive Economic Partnership that is being negotiated.

Corporate connections between the two countries have also been established over the last decade or so, with some of their largest companies now operating in the other country. India's two largest chambers of commerce also have offices in China. In India, the interest in doing business with China is evident beyond the private sector and the central government—along with visits by a number of Indian CEOs, China has also seen chief ministers of a number of Indian states, including Andhra Pradesh, Bihar, Karnataka and Madhya Pradesh travel there. Modi, when he was chief minister of the state of Gujarat, also went to China. The motivation: to attract investment to their states and, in some cases, markets for companies from their states.

Competition, Concern and (Potentially) Conflict

The cooperative side of the China-India relationship has expanded over the last two decades. Yet, there continue to be elements of serious strain in the relationship. Their long-standing boundary dispute remains unresolved. While there have not been shots fired across the border for years, the dispute has not remained entirely dormant. It flared twice between spring 2013 and the fall of 2014, with Chinese and Indian troops facing off at the border in what is known as the western sector. Policymakers communicated through these crises and resolved them diplomatically using the border management mechanisms in place. However, the incidents reinforced the mistrust that many in India feel toward China and its intentions. They were also a reminder that despite increased engagement, bilateral differences—especially vis-à-vis the border—have the potential to stall, if not reverse, progress toward more stable relations.

There are other differences beyond the boundary dispute. Tibet remains a source of tension between the two countries though Delhi and Beijing have found a way to manage their differences on the issue in recent years. However, the likely Tibetan leadership transition in the future holds the potential to create strain. In addition, there has been concern about Chinese dam construction on its side of the Brahmaputra River and the limited information sharing about it. Moreover, China's relationship with Pakistan has been a major source of concern in India. Indian critics particularly accuse Beijing of strengthening Pakistan's conventional, missile and nuclear capabilities. Additionally, there is a sense that China has blocked Indian efforts to get Pakistan-based terrorists targeting Indian facilities and citizens placed on the United Nations-designated terrorist list. Indian policymakers and analysts also disapprove of China's assistance to Pakistan in developing projects and infrastructure in areas that are disputed between India and Pakistan.

China's growing political and economic ties with India's neighbors are also a subject of concern. Delhi watches warily increasing Chinese political and economic engagement with and in countries like Afghanistan, Bangladesh, the Maldives, Myanmar, Nepal and Sri Lanka. There is

concern that this involvement means increased influence, but also that it might include a military dimension in the future. Beijing's increasing interest in operating in the Indian Ocean has also not gone unnoticed. While China emphasizes that these activities have benign goals—economic development, security for its ships, etc.—many in India remain unconvinced; others are taking a wait-and-see attitude.

Many Indian policymakers have been skeptical about Chinese-driven or -led regional connectivity projects. While some Indian analysts have highlighted the potential benefits of China's One Belt One Road (OBOR), Delhi has made clear that it sees this as a national initiative and disapproves of Beijing's "unilateralist" approach. Similarly, but implicitly, India has expressed concern about Chinese actions in the South China Sea. Overall, there is a sense that while China might call for a more democratic world order, in the Indo-Asia-Pacific region it seeks an order dominated by Beijing.

Beyond the region, there are concerns about competition with China for markets, influence and resources (including energy and other minerals) across the globe. Concern has extended to cyberspace as well, with reports of cyber-attacks on Indian government, corporate and military networks allegedly emanating from China.

In addition, there is an overall sense that China does not respect India and/or that it will seek to prevent India's rise. As evidence, critics point to China's relationship with Pakistan, which is seen as driven by a desire to keep India tied up in South Asia. They also highlight China's **reluctance** to endorse explicitly India's demand for a permanent seat on the U.N. Security Council and its **objections** to India being given membership in the Nuclear Suppliers Group. Relatedly is a sense in India that China doesn't respect the country's sensitivities—evident in the repeated references in Indian statements about the necessity for China to be sensitive to Indian concerns and aspirations.

There has been and continues to be hope that China-India economic engagement—and the increasing interaction that it brings with it—will alleviate some of these problems and indeed be a driver of positive, stable Sino-Indian ties. However, these economic ties have themselves been strained. Over the last few years, trade growth has stalled. After hitting a peak of \$73 billion in 2011-2012, trade fell to \$66 billion the next two years. It recovered to \$72 billion in 2014-2015, but fell well short of the target of \$100 billion set by Chinese Premier Wen Jiabao and Indian Prime Minister Manmohan Singh in 2010. Moreover, the trade imbalance has been a major concern for Indian policymakers and analysts. In 2014-15, India had a \$48 billion trade deficit with China, which represented more than a third of its total trade deficit. Some critics in India further argue that it is getting the short end of the stick when it comes to what is being traded. They assert that while India has been exporting its raw materials to China, Beijing is "dumping" finished goods into India, which is threatening Indian small-scale industry. In addition, bilateral investment activity remains limited compared to the investment relationships that both China and India have with other countries. Investment targets have not been met. Furthermore, both Chinese and Indian businesses have had complaints about operating in the other country—often ones that third-country companies have about operating in these two countries, for example, market access.

An overarching problem, which tends to exacerbate all these Indian concerns is the lack of trust in China and its intentions. This is especially evident among the public. According to a Pew **poll** in 2014, only 31 percent of the Indians surveyed had a favorable opinion of China (compare that to the 43 percent and 55 percent favorability ratings for Japan and the U.S. respectively), while 39 percent had an unfavorable opinion. 72 percent expressed concern that territorial disputes between China and its neighbors could lead to military conflict. Interestingly, only 23 percent of those surveyed said they thought the growing Chinese economy was a good thing for India—double that number said it was a “bad thing.” In a Lowy Institute poll in 2013, China ranked only second to Pakistan in terms of countries that people considered threatening to India, with 60 percent indicating China would be a major threat over the next decade (an additional 22 percent identified it as a minor threat). 73 percent of those surveyed identified “war with China” as a big threat over the next ten years. Almost three-quarters believed that China wants to dominate Asia. 58 percent felt that China’s growth had not been good for India.⁶

Overcoming this mistrust continues to be a major obstacle. The legacy of history remains a problem. Every time there is a border incident it reinforces the narrative that has prevailed in many quarters in India since the 1962 China-India war: that China only understands strength; that while Beijing’s leaders say China and India “**must shake hands**,” they cannot be trusted—that one hand held out might just be a precursor to the other stabbing one in the back. Issues like the trade imbalance or whether or not Chinese companies should be allowed to invest in strategic areas or sectors are also seen from this prism. **Media coverage** about China and the relationship contributes to the skeptical view of China. It can get quite heated, with a tendency to focus on the negative. This problem is made worse by limited connectivity and communications, and little knowledge about the other country—even though these have improved. And all these problems are exacerbated by the lack of transparency when it comes to Chinese decision-making. This has led to uncertainty about Chinese behavior and motivations—an uncertainty that exists even among policymakers.

The Modi Government and China

Indian governments have pursued a blended approach of engaging China, competing with it, deterring it, and preparing in case Beijing’s behavior turns hostile. The exact blend has depended on perceptions of China and its behavior, India’s strength and its options in terms of partners and instruments, as well as the worldviews of the senior policymakers involved. Prime Minister Narendra Modi, too, has followed this blended approach, with perhaps a greater intensity—both more engagement, but also more of each of the other elements. His government has simultaneously sought to enhance cooperation, reduce asymmetries, manage competition, and deter conflict.

Prime Minister Modi, no stranger to China, having visited multiple times as Gujarat chief minister—has repeatedly stated that he wants to do business with Beijing. While his government sees China as a strategic challenge, it also sees the economic opportunity. Chinese firms’ and financiers’ ability to build infrastructure and finance projects is particularly attractive to Prime Minister Modi—especially given the limited number of countries that can bring these

⁶ Pew Research Center, “Report: Global Public Opinion About the United States, China and the international Balance of Power,” July 14, 2014 (<http://goo.gl/GNtCkC>); Australia India Institute and Lowy Institute for International Policy, “India Poll 2013,” May 20, 2013 (<http://goo.gl/LEllx5>).

instruments to the table and given his government's emphasis on enhancing domestic infrastructure and manufacturing. His government also sees increased bilateral better-balanced economic ties as giving China an incentive to seek broader stability in the relationship. Senior policymakers see Beijing's desire to do business with India as potentially providing them leverage, though they realize that this works both ways.

The first leader-level bilateral summit after Prime Minister Modi took office took place when President Xi visited India for the first time in September 2014. During that trip, the prime minister departed from protocol, welcoming the president at his hometown in Ahmedabad. The two countries signed a number of agreements, including on cooperation in the railways sector and on smart cities, as well as an understanding about the establishment of special economic zones in the Indian states of Gujarat and Maharashtra. However, the potentially conflictual side of the relationship was also evident during that visit, with a border incident coloring the atmosphere, dominating Indian news coverage, and perhaps changing the tone of the ensuing statements somewhat.

The cooperative and potentially conflictual aspects of the relationship were also seen in the trip that Prime Minister Modi took to China in May 2015. While there, he expressed his hope to see increased Chinese investment in infrastructure and manufacturing in India. The Chinese side joined in acknowledging that bilateral trade was "skewed" and likely unsustainable if it remained so. However, the Indian prime minister was also more candid in his remarks about Indian concerns than is normal for Indian leaders during China-India summits. While senior Indian policymakers often downplay bilateral differences during visits and focus more on cooperative elements, in two speeches and in the joint statement released during the trip, Prime Minister Modi mentioned them repeatedly. He talked about the relationship being "complex," as well as about issues that "trouble smooth development of our relations" and held back the relationship. He urged China to think strategically (and long-term) and "reconsider its approach" on various issues.⁷

Even before that point, Prime Minister Modi and other government officials hadn't hesitated to be vocal about India's sensitivities, acknowledge the competitive element in the relationship, or express concern about Chinese behavior in the region. The Modi government, for example, has repeatedly asserted that Arunachal Pradesh is an Indian state (China claims what it calls South Tibet). The prime minister appointed a deputy home minister from Arunachal Pradesh and he and a number of other officials have traveled to the state. Indeed, in the weeks before Prime Minister Modi's China visit, the Indian defense minister traveled to the state, where he also went to a 1962 war memorial; the deputy defense minister soon followed as well.

The government has also focused on building up internal strength and external partnerships. On the first, beyond economic growth and better internal connectivity, there is a stated desire to modernize Indian military capabilities, increased budget allocations for border roads development and plans to continue (and, ideally, speed up) upgrading border infrastructure. There has also been an emphasis on better integrating and developing India's northeast.

⁷ Quoted in Tanvi Madan, "Modi's trip to China: 6 quick takeaways," Brookings Blog, May 15, 2015 (<http://brook.gs/1p26qz4>)

On the partnership front, there have been two elements of the Modi government's approach. One has involved India's neighborhood; the other China's. Prime Minister Modi has made the Indian neighborhood a priority, both in terms of senior policymakers' travel, willingness to make concessions, and attempts to try to get deals done (with an announced intention of delivering on them more effectively). The second has been high-level and expanded engagement with many of the countries in China's periphery, including Australia, Japan, Mongolia, South Korea, the United States, and Vietnam. The government has made it clear that it will not let China have veto power or even serve as a brake on its relations with them.

The Modi government has also gone further in publicly expressing the kind of Asia-Pacific that it would like to see. While the previous government had not expressed its view on the South China Sea dispute in bilateral documents, the Modi government has done so with Japan, Vietnam and the United States.⁸ It has found ways to indicate that it does not share what some have outlined as President Xi's vision of Asia, with China the dominant country and with the United States playing a minimal role. Policymakers have repeatedly stated that they would like to see a continued and effective U.S. role in the Asia-Pacific, as well as the Indian Ocean, unusually joining the United States to sign a Joint Strategic Vision on the Asia Pacific and Indian Ocean Region.⁹ Prime Minister Modi also seemed to respond to what was seen as President Xi's "Asia for Asians" suggestion,¹⁰ noting, "When I look towards the East, I see the western shores of the United States. That tells us that we belong to the same vast region."¹¹ With Japan, India outlined the kind of Asia it would like to see, noting the responsibility that the two countries share to shape "the character of this region."¹² India, Japan and the United States have also upgraded their trilateral to the ministerial level, and India and the U.S. have made their bilateral annual maritime exercise (Malabar) into a trilateral one including Japan.

Implications for the United States

India's relationship with China has implications for its bilateral relationship with the U.S., but also for U.S. policy in the broader region.

First, uncertainty and concern about Chinese behavior is partly what is driving the India-U.S. partnership. New Delhi's China strategy involves strengthening India both security-wise and economically (internal balancing) and building a range of partnerships (external balancing)—and it envisions a key role for the U.S. in both. Some Indian policymakers highlight another benefit of the U.S. relationship: Beijing takes Delhi more seriously because Washington does. On the U.S. side, too, strategic interest, especially in the context of the rise of China, has been one of at least three key imperatives for a more robust relationship with India (the others being the economic and the values imperative).

Second, India shares with the U.S. an interest in managing China's rise. Neither Delhi nor Washington would like to see what some have outlined as President Xi's vision of Asia, with a dominant China and the U.S. playing a minimal role. India and the U.S. recognize that China

⁸ India-Vietnam Joint Communique, September 15, 2014 (<http://goo.gl/M8K55E>), U.S.-India Joint Statement, September 30, 2014 (<http://go.wh.gov/A4mmdf>), India-Japan Joint Statement, December 12, 2015 (<http://goo.gl/NO6B71>).

⁹ U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region, January 25, 2015 (<http://go.wh.gov/eJYHdJ>).

¹⁰ "China's Xi Calls for Asia Security Framework at Summit," Bloomberg News, May 21, 2014 (<http://bloom.bg/1VxXx9Z>).

¹¹ "Text of Remarks by Prime Minister at the India-U.S. Business Summit," January 26, 2015 (<http://goo.gl/yIC1Dz>).

¹² Tokyo Declaration, September 1, 2014 (<http://goo.gl/MFLInH>).

will play a crucial role in Asia—it is the nature of that role that concerns both countries. This has led the two to discuss and work together in what U.S. Defense Department officials now call the Indo-Asia-Pacific. Both countries have also articulated the role they see for the other in the region. The Obama administration has repeatedly stated that it sees India as part of its “rebalance” strategy. The Modi government, in turn, has made the region a foreign policy priority through its Act East strategy. The two governments see these approaches as complementary. In a *Wall Street Journal* op-ed, the prime minister stated that the India-U.S. partnership “will be of great value in advancing peace, security and stability in the Asia and Pacific regions...” and, in September 2014, President Obama and he “reaffirm[ed] their shared interest in preserving regional peace and stability, which are critical to the Asia Pacific region’s continued prosperity.”¹³

Third, India’s concern about China’s intentions, as well as its desire to diversify its economic and strategic options has led it to seek closer relationships with U.S. allies in the region like Australia, Japan and South Korea. The U.S. should continue to support the development of India’s relationships with its allies. But while nudging and, to some extent participating in, the development of these ties, Washington should let them take shape organically. Relationships driven by—and seen as driven by—Delhi and Tokyo or Delhi and Canberra will be far more sustainable over the long term rather than partnerships perceived as driven by the U.S. A networked set of relationships will also be less burdensome for Washington in many ways than the traditional hub-and-spoke model of relationships between U.S. allies in the region.

Fourth, under the rubric of its Act East strategy, India is building relationships and connectivity with Southeast Asian countries. Delhi has to demonstrate that it can deliver and deepen both strategic and economic cooperation with the region. It will also need to move beyond its traditional aversion to all external powers’ activity in South Asia and consider working with the U.S. and others to shape the strategic and economic options available to India’s neighbors. Indeed, perhaps realizing that it cannot deliver alone since it does not have the capacity and resources that Beijing can bring to bear, it is already exploring this approach. The India-Japan-U.S. trilateral mechanism is being used to discuss what the three countries can do together to enhance regional connectivity (implied is that their approach will be more consultative than the Chinese approach with OBOR). India has said it will complete existing projects and announced new initiatives. Japan committed last year to providing \$110 billion worth of funding (via aid and loans) over five years for “innovative” and “high-quality” infrastructure projects in Asia. Public project financing is not a tool available to the U.S., but Washington too, can make funds available for activities in the broader region through the Export Import Bank and the Overseas Private Investment Corporation.

Fifth, India has become more vocal about its concern about challenges to the rules-based international order in the Asia-Pacific. Indian officials routinely stress the importance of freedom of navigation and peaceful resolution of disputes. They also point to India’s acceptance of international arbitration (and its verdict) for an India-Bangladesh maritime dispute as an example model for other large countries. U.S. officials, in turn, have also used this example to contrast this—implicitly or explicitly—with China’s approach.

¹³ Narendra Modi, “An Invitation to ‘Make in India,’” *Wall Street Journal*, September 25, 2014 (<http://on.wsj.com/1rn9ToO>)

Sixth, uncertainty about the other's China policy—and the other's willingness and capacity to play a role in the Asia-Pacific—can be a source of question and concern in the India-U.S. relationship. Indian policymakers worry both about a China-U.S. condominium (or G-2) and a China-U.S. crisis or conflict. There is concern about the reliability of the U.S., with the sense that the U.S. will end up choosing China because of the more interdependent Sino-American economic relationship and/or leave India in the lurch. (In the near term, there is some concern in Delhi about the U.S. choosing to cooperate with China and Pakistan on Afghanistan in a way that potentially could adversely affect India's interests.)

Seventh, partly because of these reliability concerns, India is likely to maintain other partnerships in its attempt to balance China—including one with Russia—that Washington might not like.

Finally, it is crucial to keep in mind that, like the U.S., India will continue to engage with Beijing; this can indeed benefit all three countries and demonstrate the advantages of cooperation. Moreover, when it comes to China, India and the U.S. must have realistic expectations about the other. And, while a strengthening U.S.-India relationship will, in and of itself, shape China's perception and options, it is important for policymakers and analysts in both countries to keep in mind that an India-U.S. strategic partnership solely based on China is neither desirable nor sustainable.

**OPENING STATEMENT OF DR. DEEPA M. OLLAPALLY
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DR. OLLAPALLY: Thank you very much, Commissioners, for inviting me.

It's a pleasure to speak before you all, and given that my colleagues have very beautifully laid out sort of the overall pictures, I thought I would perhaps drill into five or six specific questions that I think that you all were interested, and I will just give some quick pointers for that.

First of all, the question of how China's growing influence in South Asia, how it affects India's relative influence. I think up to the mid-2000s, I would say that it was really an Indian sphere of influence, and the idea that China was involved there would be seen as China being an extraterritorial player. That's how we all looked at it.

That's not the case anymore. It is seen as part of the South Asian context. Now so in that sense, there is this vision of China being a juggernaut that is just steaming into the South Asian region, and I would say that I think we need to be a little cautious about that kind of a picture because I think India still has its opportunities outweigh China's opportunities within South Asia.

Still, and number one, I think it's partly because every country has core interests and peripheral interests or medium-term interests and so forth. India's core interests lie in South Asia. I think we'd all agree that China's core interests lie in South China Sea, Taiwan, and Tibet and western areas of China. So I think, first of all, that gives a certain gravitas toward Indian positions there, and China really can't go too overboard in South Asia without taking into consideration Indian reactions if not sensitivities.

Now, of course, the biggest thing has been the growth of China as a geopolitical actor in the region, and particularly Sri Lanka and Bangladesh and the port building that started in this area from 2010 onwards to sort of what you may have heard as the "string of pearls" strategy. So this is, when you look at it, you see Sri Lanka and Bangladesh as two of those pearls. And we tend to see the whole geopolitical competition between India and China as zero sum.

Now, does that necessarily have to be that? I mean does it mean an inevitable decline in influence for India? And I think that the political strategic environment is not static. I think that's one thing that we have to understand, and that we can't jump to the inevitability of China's superior capabilities trumping India in its own neighborhood. In fact, we've just seen in the last year a sort of reversal for China, first, in the case of Sri Lanka with a new government that is much more pro-India. It's cooled its previous ardor toward China.

Similarly in Bangladesh. Bangladesh in a historic break with the past has agreed to allow Indian cargo ships access to the Chittagong port that China helped to build.

Even in Sri Lanka, it's Indian goods that are predominant, overwhelmingly using the ports, and so one might ask does it make sense for India to use Chinese-built ports? After all, India didn't have the money to do it. Sri Lanka came to India first and couldn't do it. So why not? Is that a smart move or not?

So now the other thing that I would mention is that on this that the Modi government has been moving much closer to the island nations. It understands what's happening, and therefore in a way, in the past, India has been somewhat negligent, I would say, in its

neighborhood toward its neighbors, and it's correcting that to an extent. It is brought on by Chinese activism. So in that sense, there's been a sort of change in that.

Now, the idea, a question that you can ask is to what extent does India see China as a threat--economically, militarily, geopolitically? And that has been mentioned here. I would suggest that within India, there are differences of opinion, and just to put it very simplistically, I would suggest that there are at least three different points of view, and I call these different perspectives.

One, as a globalist, which is basically sees the importance of economic relations and sees China as an important partner in that.

Another one, which is nationalist, which distrusts China very significantly and does not see anything but trouble ahead.

And another one that's a more realist, which sees both competition and cooperation, as many of my colleagues have pointed out.

And so right now I would say that the center of gravity in Indian opinion is actually a blended realistic/globalist outlook, which I think is what Tanvi Madan was talking about in the blended perspective that she put out. Now, so the fact that you have a globalist/realist and not a pure nationalist, despite the anxieties that are clear in India, I think has to do with the fact that the top priority for India is economic development, and they see China as a critical player in that.

There's also a view, I think, in speaking to sort of across the board analysts, business leaders, I get the sense that they see that China is also a business minded, number one, that they're not going to let relations get out of hand with India because they also need a peaceful periphery that they've been talking about.

Now, and so what kind of levers does India have in some sense? Well, the "Look East" policy is one vis-a-vis China. Economically, it was an economic spur, and it was, the major drive was economic, but I think over time, it has become much more strategic as well. It's included a security element that was missing when it first began in the 1990s, and we see, for example, the joint vision statement that was released between Modi and President Obama in January last year, but also the fact that India has been cultivating strong ties with Vietnam.

India has offshore drilling rights in a disputed part of the South China Sea. Same way that one sees the Chinese OBOR with Pakistan, India has its lever as well. Now, the point is that what I wanted to suggest is that it's somewhat erroneous to look at it as sort of a complete washout for India in that sense.

Now, this is not to say that smaller South Asian countries surprisingly do have a certain level of capability to play India and China off each other. But at the same time, as Jeff mentioned, there are political constituencies developing within each of these countries--Bangladesh, Sri Lanka, Nepal--that are pro-China and pro-India and, therefore, that all of these countries are highly nationalistic.

None of them are going to let China have a free ride, and China also has overplayed its hand in some places, Myanmar, for example, where the Myitsone Dam on the Irrawaddy River was suspended, and therefore I think that there are ways in which these are not foregone conclusions.

So on that note, I will stop.

**PREPARED STATEMENT OF DR. DEEPA M. OLLAPALLY
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“Testimony before the U.S.-China Economic and Security Review Commission”
Hearing on China and South Asia

1. How does China’s growing influence regionally and internationally impact India’s relative influence in South Asia? What challenges and opportunities does China’s rise present to India?

Over the past decade, China’s growing influence has diminished India’s historic predominance in South Asia and especially, in the Indian Ocean. China has made clear inroads into an area which could unquestionably have been called India’s “sphere of influence” until the mid-2000s. The notion of China as an extra-regional power in relation to South Asia, which had near universal acknowledgement for years, is no longer viable. The real question now is how deep and how sticky Chinese influence in South Asia is. I would argue that opportunities for India outweigh the challenges despite what at first glance looks like a Chinese juggernaut inexorably moving into South Asia.

The fact is that unsurprisingly, South Asia forms a core interest for India while the same cannot be said for China. China’s core interest lies elsewhere—in South China Sea, Taiwan and Tibet. This is a powerful predictor of the level of commitment each country can be expected to have to the region—if states are rational, we would expect them to pursue their foreign policies in some sort of rank order of priority. It is safe to say that China’s ambitions in South Asia cannot be pursued without taking into account Indian reactions, if not sensitivities.

The most visible impact on India is the growth of China as a geopolitical actor in India’s backyard. India’s eroding influence in South Asia became most evident as China’s relations tightened with Sri Lanka and Bangladesh, especially as Beijing went to work building critical infrastructure projects in these two states since 2010—Hambantota and Chittagong ports, on the heels of the ongoing port building in Gwador in Pakistan. For many observers, these represented three pearls in the so-called “string of pearls” strategy by China to contain and challenge India in the Indian Ocean. Geopolitics is conventionally viewed as a zero-sum game; thus any accretion of power or influence by China in the neighborhood must be a loss for India.

But does a rising and more activist China have to spell an inevitable decline in influence for India? I would suggest that the politico-strategic environment is not static, and that we cannot jump to the inevitability of China’s superior capabilities trumping India in its own neighborhood. Indeed, just in the past year, we have seen a reversal of sorts for China: the new government in Sri Lanka that came to power in January 2015 has cooled the previous regime’s ardor toward China and suspended further work on the Hambantota development; and in June 2015,

Bangladesh in a historic break with the past, agreed to allow Indian cargo ships access to Chittagong port, which has been built up with Chinese finances. In Sri Lanka ports, it is Indian goods that dominate shipping. Thus we would not be too off the mark for Indian planners to pose the question: why not take advantage of Chinese port building? We should point out that Sri Lanka approached India first to build Hambantota and only turned to China when India declined.

This has not been lost on India, and in many ways, one of the effects of China's greater involvement in South Asia has been for New Delhi to re-focus on its smaller neighbors. At least since the late 1990s, Indian leaders often seemed to be trying to "escape" South Asia and leapfrog into the global sphere as a major power. However, since 2014, one salutary policy of Prime Minister Narendra Modi has been to give priority to repairing and rejuvenating ties with countries nearby. This is evident both in symbolic terms like the invitation to all neighboring leaders to Modi's inauguration, and the successful completion of the border enclave swap in 2015 with Bangladesh to settle an unresolved border issue lingering since the end of colonial rule and partition in 1947, due mostly to domestic resistance in one key Indian state.

2. To what extent does India see China as a threat (economically, geopolitically, or militarily) in the near, medium, and long term? How do domestic politics inform debates over China's rise in India?

There are what I have called elsewhere several schools of thought in Indian debates on China: Globalists who put more faith in economic over military tools in international relations, and believe optimistically in the power of economic relations with China; Nationalists who distrust China (pointing to the long standing disputed border) and want to build up India's military to meet what they see as an inevitable geopolitical threat; and Realists who see scope for both competition and cooperation, involving costs and benefits. Right now the center of gravity in Indian opinion is tipped toward a blended Realist/Globalist outlook. Why is this despite regional anxieties over China's recent behavior?

India's top priority is to achieve the status of an economically developed country. Thus even a Nationalist-leaning governing party like the Bharatiya Janata Party (BJP) sees the value of economic integration as a way of stimulating economic growth. Economic growth in turn will lay the foundation for India's military and political power in the region and beyond. For this to happen, India needs a peaceful extended neighborhood and good relations with China. After all, China is India's largest trading partner too. Indian Globalists and Realists seem to be confident that economic development is China's top objective as well. In interviews with Indian business and political leaders, the sentiment I hear most often is that Chinese leaders are first and foremost business-minded. There seems to be a level of confidence that the leaders of both countries will not let relations get out hand. For example, in fall 2014 as Xi Jinping and Modi were meeting in India for a bilateral summit, the spectre of a border encroachment by China at the very same moment, threatened to derail relations. Instead, the two leaders skillfully managed the crisis and averted a blow up on the ground or in the diplomatic arena. This type of crisis management augers well for a Realist/Globalist perspective to continue to hold in India.

In the near and medium term, the threat from China is concerning but not unmanageable for India. This is in part because India has been putting into place selective military upgrades such as improving road and other infrastructure on India's side of the border, as well as developing its

Agni 5 missile which can reach most any part of China, a major objective of India's deterrence strategy in the region. These are all policies that appeal to both Nationalists and Realists, though Realists are more concerned that India pursue a prudent nuclear strategy with minimum deterrence whereas Hard Nationalists push for a bigger nuclear arsenal that is not tied down by India's No First Use pledge. Hard Nationalists in this instance represent a small minority opinion in India.

3. Assess India's "Look East" policy. What drives it? What have been its successes and failures? How, if at all, is India adjusting its approach to China and East Asia more generally in the face of growing skepticism about China's rise in the region and internationally?

India's "Look East" has now evolved to "Act East" under Modi, at least symbolically. Since the early 1990s when Look East was announced under the Congress government, Indian governments of all stripes have consistently tried to implement it. ASEAN has served as the central springboard for India's policies in this regard, and economics has been the major driver. One of the significant successes was the 2009 ASEAN-India Free Trade Agreement. This FTA took several years to hammer out mostly because of domestic opposition in India from sectors that feared competition from ASEAN in products such as rubber, coconut and coffee. The Indian government's success in pulling this off was a turning point, demonstrating the leadership's commitment to economic integration in the region despite domestic costs. As such, it sent a strong signal to ASEAN countries which had been complaining of India's inaction.

Although the Look East policy has always had an economic core, over time, especially since the early 2000s under the previous BJP government, a more strategic dimension became evident. India became a member of ASEAN Regional Forum (ARF) in 1996 and began holding annual summit level meetings in 2002. In 2014, India appointed its first full time envoy at the ambassadorial level to ASEAN. Others like China and U.S. had done so earlier and India was seen as dragging its feet. India's presence in ARF gives it a ready regional forum for discussing security issues.

At the same time, India has been cultivating a strategic relationship with Vietnam over several decades stretching back to the Cold War years. This is paying off in an implicit (and at times explicit) challenge to China in the South China Sea where India has off shore drilling rights from Vietnam in waters that are disputed between Hanoi and Beijing. ASEAN is likely to provide opportunities for India's continuing economic and now rising strategic interests in a soft balance against China. China's activism in the South China Sea should make India an even more attractive security partner for ASEAN countries who worry about China's unilateralism in the region. Still, economic drivers will remain paramount for India into the foreseeable future. A persisting hurdle for greater interaction with ASEAN by India is the lack of cheap and viable connectivity to Southeast Asia.

4. How do smaller South Asian countries (Bangladesh, Bhutan, Maldives, Nepal, and Sri Lanka) perceive and exploit Sino-Indian competition for influence in the region?

Each of these countries (with the exception of Bhutan) is highly nationalistic and politically

charged when it comes to the question of relations with India. India has the burden of overcoming or disproving a perceived history of Indian high-handedness. India's huge preponderance in the region (India's GDP is eight times the size of the next largest South Asian GDP in Pakistan) across the board has made it difficult for the smaller neighbors to avoid the Indian shadow, thus breeding a level of resentment. Where India sees itself as a "security provider," and has sought to maintain its natural "primacy," others have often viewed it as exercising undue dominance. Above everything else however, what has been most destructive for the region is the long running hostility between India and Pakistan. This has made the South Asia region much more fractured than many other regions of the world, and this situation leaves the smaller countries in a position to play off China and India, and most importantly, to allow an easier opening for China into South Asia.

The fact countries like Nepal (land locked with huge dependencies on India) are able to take advantage of the rivalry between India and China is illustrative. In each of these countries, we can increasingly see the rise of political constituencies that tend to favor India or China. At the same time, domestic politics in these countries are of course something that cannot be easily controlled or predicted. Trends in key countries are disturbing for India—whereas India was the largest source of imports for Bangladesh, that position is now held by China. China is also Bangladesh's largest military supplier. Until 2015, Bangladesh had been extremely reluctant to accept Indian investment though it has now agreed to set up an EEZ for India alone—a major policy change. Yet India shares three of Bangladesh's four borders and China shares no border with Bangladesh.

But if the smaller countries' leverage over India has increased, China has to worry about overplaying its hand as well. China's experience with Myanmar and the stoppage of the Myitsone dam construction on the Irrawaddy River and Sri Lanka's suspension of the Hambantota port development show the limits of Chinese influence. The Chinese style of infrastructure development (with the importation of Chinese workers who are kept isolated in the host country and marked by secretive negotiations and terms) while perhaps efficient, has caused consternation in some publics, particularly in Sri Lanka.

India too has its own pressure points over the smaller countries. India controls the all-important trade and transit agreement that is Nepal's lifeline. India controls the headwaters of the Ganges River and other tributaries of the Brahmaputra that feeds Bangladesh as a downstream state—especially one which is facing possible calamitous conditions in the future as a likely victim of climate change. There is a huge flow of millions of Bangladeshi migrants into India, both legal and illegal, which India could clamp down on even further. The fate of Sri Lanka's Tamil minority remains a concern for India and especially for the 70 million Tamils across the narrow Palk Strait in Tamil Nadu state. Despite the military defeat of the Liberation Tigers of Tamil Eelam (LTTE) by the Sri Lankan government, Colombo is partly at the mercy of India to keep the reassertion of Tamil nationalism in check.

5. In what areas are India, China, and other South Asian countries cooperating on issues of mutual concern? To what extent do other global and regional powers (including the United States, Australia, and Japan) play a role in these cooperative efforts?

The best available forum for South Asian states and friends to engage in mutually beneficial endeavors is the South Asian Association for Regional Cooperation (SAARC). China is an observer in SAARC, something that occurred at the behest of Bangladesh despite India's misgivings. India took the lead in inviting Afghanistan into the group. There are nine observer members including the U.S., Japan and Australia. Despite the growth of members and agreements on issues such as free trade, services, poverty alleviation, and human trafficking, South Asia is the least integrated region in comparative terms. Agreements remain mostly nominal. Possible cooperative mechanisms tend to be overshadowed either by the India-Pakistan conflict or bilateral distrust. Moreover, apart from relations with India, other South Asian states have little interaction with each other. Without leadership from the region, it is difficult for outside countries like the U.S. to play any meaningful role.

One promising avenue of cooperation appears to be taking off in recent months in the form of a sub-regional venture termed BCIM—the Bangladesh, China, India, Myanmar Economic Corridor. This initiative is geared toward improving connectivity in a significant fashion—focusing on infrastructure, energy, trade and agriculture. It is a long awaited update of the 1999 Kunming Track II dialogue between these states to physically and economically link up India's Northeast, China's Yunnan province, Bangladesh and Myanmar. As it stands now, it is shoe-horned into China's grand schemes announced as the Maritime Silk Road which should give it a fair amount of resources. Economists tend to see a good deal of complementarities in trade among the BCIM countries. There is also a great potential for cooperation in the power sector, given the huge conventional and renewable energy resources in the area.

6. How do India's relations with the United States inform its China policy? How does China inform India's policy toward the United States?

India's relations with the United States are keenly driven by wariness of China. It is also driven by the belief that for India's great power aspirations to become reality, close relations with the U.S. is the best vehicle at this point. Democratic values also bring India and U.S. together though much more weakly than many would presume. Given that India shares a disputed border with a powerful China, New Delhi has been circumspect in drawing too close to the U.S. strategically in any open bid to "balance" China. For strategic culture reasons such as wanting to guard its autonomy, India is and will be averse to joining any formal bilateral or multilateral group that directly targets China. India, like many other countries, are also caught in the dilemma of having hugely important economic ties to China at the same time that it worries about Chinese intentions in South Asia, especially in the Indian Ocean. In this hybrid system, the best that India is going to do is hedge. India will continue do a delicate dance between not hugging the US too rightly and not hedging against China too stridently.

7. Policy Recommendations:

- Take measures to encourage India's membership in the Trans-Pacific Partnership which will be an important way to engage India in the economic transformation of the broader Asian region.
- Hasten India's membership in APEC.

- In pursuing American objectives in South Asia, work with India as the preferred partner and support, encourage and participate in innovative sub-regional, multi-lateral mechanisms.

PANEL II QUESTION AND ANSWER

HEARING CO-CHAIR TOBIN: Great. Thank you.

This should give us time for several rounds of questions. First, from Commissioner Brookes, Dr. Brookes.

COMMISSIONER BROOKES: Thank you. Thank you. Thank you for your testimony.

Just one quick question, and then I have a series of them. Is India going to be bigger population-wise in this century than China?

DR. MADAN: Yes.

COMMISSIONER BROOKES: Yes, it will be. Okay. So China would have reason to be concerned about this larger neighbor with greater population.

What are the trends in Indian defense spending and what percentage of Indian defense spending and resources are directed towards China as opposed to other countries such as Pakistan? And is India's nuclear deterrent at all targeted against China? And then if we have some time, I'd be interested in Tanvi's views on the India-Russia relationship, but I don't know if we're going to have time for all that. So I'll let you guys take that any way, divide it up any way you like.

MR. SMITH: I'll take a quick stab at the defense spending question.

COMMISSIONER BROOKES: Yeah. Thank you.

MR. SMITH: A lot of the defense spending is sort of difficult to identify as specifically targeted toward X or Y or Z. Some of it is not so much. And India for a long time had a doctrine in place that said we want to intentionally leave the borders, the areas near the border with China, underdeveloped because if we develop those border areas, it would just provide China with the infrastructure to then come farther into the Indian heartland if they ever advanced over the line of actual control like they did in the 1962 war rather quickly.

In 2006-2007, then Defense Minister said--A.K. Antony said this, we're concluding that that was the wrong mindset. We're overturning that doctrine, and we now realize that China has gained such an advantage at the border, we'd be in such a disadvantaged position in a conflict, that we need to begin to build up these border areas.

So two mountain infantry divisions were announced in 2009, and, perhaps most important, an offensive strike corps. India already has three offensive strike corps, but all of them are located at the Pakistan border and are Pakistan related. This was the first time India had announced the building of an offensive formation that would be stationed with direct relation to China.

Now, five years later, it's still delayed and is now having trouble being funded. They're talking about cutting the size down, and it may take, you know, be raised over a longer time frame, but if you look at that combined with one of the first acts that Modi did in office was streamline the process for building new roads and helipads and border posts along the China-India border. They had tremendous trouble getting environmental clearances for these, and he made it a priority to streamline that process, and they've devoted quite a bit of attention to building up infrastructure along the China-India border areas. So that's one component.

Another component is India is now getting ready to field its first indigenous aircraft carriers. Its first indigenous nuclear submarine is undergoing sea trials and should be in the water in the next year or two. Testing longer-range ballistic missiles. Considering that it already has a very considerable qualitative and quantitative edge over Pakistan in the

conventional and nuclear arenas, investing in these large power projection platforms, nuclear submarines, suggests, I think, China is very much on their mind.

But I'm sure Tanvi has more to add.

DR. MADAN: I think Jeff's answered the defense question quite thoroughly. In the nuclear deterrent, yes, since its inception, China was very much part of the thinking. It was essentially from the '60s, after the 1964 Chinese nuclear tests and beyond that, that it's very much been driven by China as well. It helps the Indian government too with the fact that there is a conventional military gap, but also that it doesn't like to be dependent and thinks of most external actors as unreliable and so wants to have its own deterrent vis-a-vis China.

On Russia, just very quickly, it's been a close relationship for a number of years, but arguably now it's nowhere, it's nowhere as deep as it used to be. It's still very much on a defense relationship, on defense purchases relationship. Russia is still one of the countries, key countries, that India gets, acquires military equipment from, but over the last few years has, in fact, been a trend of India trying to diversify away from Russian purchases, looking to Europe but also Israel and the U.S. for those purchases.

India also strategically thinks keeping a relationship with Russia is important. It doesn't like to see China and Russia grow very close. It thinks it actually takes away an option for them, but also it sees Russian support in regional and global institutions as important, particularly in the U.N. Security Council.

Just on your point about India's population growing, it's interesting that I think that will potentially be seen as a challenge, but I think what's increasingly perhaps something that Beijing will watch very closely, for years it used to make the argument both to countries who were developing countries around the world, but both domestically that it is a government who is providing greater economic growth. India's democracy was chaotic. There were problems in development.

The fact now that India as a democracy is growing faster than China in some ways on a values-based perspective sends also a very different--and perhaps it poses a bit of challenge in terms of the argument that China has been making.

DR. OLLAPALLY: I'd just add one point on the nuclear question, and that is that I think, generally speaking, most people see the nuclear deterrence between India and China as being a strategically stable environment, unlike the India-Pakistan, where there is talk in Pakistan of warfighting and tactical nuclear weapons development. So India-China, in that sense, I think is much more stable. They both also have no first-use of nuclear weapons.

Finally, the Russian question, I would just add that I think India sees Russia as very useful in terms of countering China as well in the Shanghai Cooperation Organization, which India became a full member last year, and China--I mean Russia has been one of its biggest proponents for that.

COMMISSIONER BROOKES: Now just one last thing in terms of India only has a ballistic missile nuclear capability? It doesn't have anything sea-based or is it gravity bombs, air-based? I mean what is their nuke--just quickly I mean in terms of their capabilities? Anybody.

MR. SMITH: I believe it's now testing longer-range sea-based nuclear-tipped ballistic missiles.

COMMISSIONER BROOKES: Okay. Which can range major cities in the east coast of China sort of thing.

MR. SMITH: 750 kilometers, I believe, is the range of their latest.

COMMISSIONER BROOKES: I don't think that's going to get very far, is it? I mean I don't know how far--

MR. SMITH: Not from the Indian Ocean.

COMMISSIONER BROOKES: No, right--I was going to say. So how does that--how does that play? That's what I'm curious. We don't have to get into it now, but if we talk about--or if somebody knows, I mean how does that play into China's deterrent capability if you can't range major Chinese cities?

DR. OLLAPALLY: But India has also its land-based ICBMs.

MR. SMITH: Land-based.

COMMISSIONER BROOKES: Oh, their ICBMS.

DR. OLLAPALLY: Yes.

COMMISSIONER BROOKES: They will go long enough to range--

DR. OLLAPALLY: All of China.

COMMISSIONER BROOKES: Okay. Thank you.

DR. OLLAPALLY: Agni-V, which is--

COMMISSIONER BROOKES: Okay. Thank you.

HEARING CO-CHAIR TOBIN: Thank you.

Commissioner Wessel.

COMMISSIONER WESSEL: Thank you very much. We appreciate all of your testimony.

I mentioned earlier, and I don't know whether you were here, that the U.S. has a robust and growing economic relationship with India--\$23 billion trade deficit last year. Enormous amount of investment.

It seems to me that the relationship is rather strong. Is there anything that is not going right in the U.S.-India relationship that you would recommend changes to that would enhance India's role vis-a-vis China and the rest of the area? For each of the witnesses, please.

MR. SMITH: I can't speak as much to the economic question.

COMMISSIONER WESSEL: No, no. I'm just saying that the relationship is strong. If it's military cooperation, arms, I'm not just talking on the arms and the economic area, but, again, it seems to be engagement at the highest levels. Obama-Modi.

MR. SMITH: Yeah. In many ways--

COMMISSIONER WESSEL: Is something not going right?

MR. SMITH: Well, I think for a long time what characterized U.S.-Indian relations was a lot of hope and promise but frustration on this end with the pace of progress. In some cases, it seemed that we were more--

COMMISSIONER WESSEL: When you say at this end, U.S. or Indian end?

MR. SMITH: The U.S. end.

COMMISSIONER WESSEL: Okay.

MR. SMITH: There was some frustration that maybe we were pursuing engagement more eagerly than the Indian side, and there were more reservations on that end, and I think there was frustration with the pace. I would have to say in the last few years under Prime Minister Modi the pace has accelerated a bit, and areas where we had long been pushing to cooperate more deeply, we've begun to see movement on.

And whether that's early discussions now about conducting joint patrols or potentially signing a logistics support agreement, which is something we've been pushing for some time, broadening the scope of our annual Malabar exercises and including Japan as a

regular participant, these are things that the U.S. had been hoping to get more Indian buy-in under the last government but now seem to be progressing more quickly under Modi.

A few things in my recommendations where I think we could do more with India. I think we should at least consider including expanding the scope of the U.S. pivot to Asia to include the Indo-Pacific, not just the Western Pacific, and this concept of Indo-Pacific has been gaining sort of greater ground recently, that we should be thinking of this as an interconnected securities and economic space because many of the issues do impact. Many of the issues in the Western Pacific do impact the Indian Ocean and vice versa.

And you can see competition between the United States and China or India and China playing out across this shared space. I think we should look at ways we can further tap synergy between the U.S. pivot to Asia and India's "Look East" policy. We share a lot of the same broad goals and ambitions.

I think there is room for even deeper collaboration there, and the same with response to OBOR. The United States and India are in a similar position. I think we're both trying to figure out exactly what it is that OBOR means. There have not been a tremendous amount of details. We're not exactly clear on whether or not these economic investments are going to be advancing Chinese strategic objectives and what those are, and we both have a very timid and underresourced alternative in place.

For India, it's Project Mausam, and for the U.S., to the surprise of many people, we have our own New Silk Road Initiative, which actually preceded OBOR by a few years. It's just not something that's often discussed because we haven't put much energy and time and resources into it.

I think having a discussion with India about an alternative to OBOR, about either better resourcing both of our own initiatives or merging them into a competing alternative initiative could bear some fruit.

DR. MADAN: I think few would argue with the fact that this is probably the best the U.S.-India relationship has ever been. I would outline kind of four you can call them gaps/divergences that potentially could at least affect not the direction of the relationship but the pace and the trajectory of how far and fast it goes.

I'd say the first is a strategic economic divergence, especially in the context of Asia, which is that strategically the partnership is going very strongly, arguably quite smoothly, particularly on things like defense, regional cooperation, but India is not quite--India is not on the same page as the U.S. on a number of economic issues, but also in Asia, India has not been part of, for example, the regional and global supply chains, it's not a member of TPP, and arguably doesn't want to be at this stage. It cannot meet and doesn't want, at least for the next few years, to meet those standards.

And the two sides have talked about kind of in-between steps. Indian membership of APEC. I think they're working on that. But I think this is something that has to be debated in India, kind of its approach to trade. The bilateral U.S.-India economic relationship. There are a number of things that could be done on that as well to make it more smooth.

And that divergence, that one side you're actually having strategically things moving much faster but not so in the economic side, could be a problem down the line.

I'd say the second divergence is what I call an East-West divergence, that you do see and you have Indian policymakers articulate this both publicly and privately, that while the U.S. and India are working very closely and well together to India's east and even the south, on the west, and by this, they mean vis-a-vis Afghanistan and Pakistan, that they're not necessarily

on the same page or consulting as much as they should.

The other is a bandwidth kind of capacity gap. Because the relationship is good, not in crisis, it sometimes doesn't get the kind of attention--I think arguably both governments have actually given it much more--it's been quite interesting to see how much attention the relationship has got when it's actually not in crisis. But this potentially could be a problem.

There are capacity limitations, particularly on the Indian side. The government structure is just not big enough to handle all these relationships so there might need to be an expansion on that side. But even here, just a bandwidth issue, and there are so many other crises, so much else on the foreign security policy side that is taking attention.

There's also the question of whether this kind of capacity and capacity gap will lead to problems for Mr. Modi's ability to deliver at home, and I think that's crucial to the U.S. in their relationship moving further and faster, and that leads to kind of the expectations gap.

I think Jeff is right, the two countries have calibrated expectations much better, but I think on many different fronts, perhaps all different fronts, just in a different approach, which is that the U.S. wants, is much more vocal about the relationship, wants to see it go faster, whereas, in India, it would prefer quieter development of the relationship. In fact, potentially a slower one, a step-by-step approach, and I think this also comes down to whether, the kind of expectations. This will largely depend again I'd say on Prime Minister Modi delivering kind of the diverse developing democracy that the U.S. would like to see.

DR. OLLAPALLY: Just a couple of points. I think one of the key issues in which there was great expectations was, of course, the nuclear deal of 2008, and the expected benefits for the United States from that, and I think one of the stumbling blocks has been the Indian nuclear liability bill that has been something that is a departure from, generally from the international practices where the suppliers are still liable for any nuclear accident.

And so the U.S. companies have been very reluctant to move in on that, and they have not gotten the kind of benefit or bonanza that the expectation was underlying that, and I think that was a very big, that would have been probably one of the, a huge momentous sort of breakthrough had that happened.

Now, there is some movement on that, but it's sort of working around the law that has to be changed in the Indian parliament, and that is not something very easy to do. Even though the current government has a majority in the lower house, it does not in the upper house, and so it is going to be--also it's a very domestically sensitive sort of topic. You have to remember the earlier accidents at Union Carbide and so on. So it's a very live kind of thing even now.

So I see that as one of the areas where there was certain disappointments, but perhaps there are some ways that can be built around it.

Japan has recently come to a civil nuclear agreement with India, and I think that a lot of those companies the Japanese are involved with are actually American--Westinghouse and so forth. So there are other ways in which it can be bridged perhaps.

So the domestic policies are--just one thing it brings up is in the entire question about Indo-U.S. relations, there's always the question of how tightly to hug the United States? It's sort of, you know, you don't want to hug it too tight because of strategic autonomy issues that India still has lingering, and so it wants a kind of Goldilocks' position, you know, not too tight, not too loose.

And then, finally, coming to what are I think some divergences and disappointments on the Indian side is, of course, that India's core interests are in the Pakistan-

Afghan area, not still I think in China, in the east, as Tanvi was saying. And I think there there's a divergence, and partly on land as well as in the seas, where you have PACOM and CENTCOM where India and Pakistan are in two different commands. And so there's very little leeway for the U.S. to actually play a leadership role in bringing that together.

HEARING CO-CHAIR TOBIN: Thank you.

Next we'll hear from Commissioner Fiedler.

COMMISSIONER FIEDLER: I just have a quick question. You mentioned the sort of three-- globalist, nationalist and realist. I'm not as well-read on India as I am on China at the moment, and so my question relates to the domestic play of India's developing foreign policy. In other words, what is anti-Chinese sentiment versus the old anti-U.S. sentiment, which was notably strong for years and years and years among the populace or among certain parties?

So how is that--clearly, Modi has more room to operate.

DR. OLLAPALLY: Right. And this is--

COMMISSIONER FIEDLER: Okay. So maybe it's not discussed at all and people don't care. I don't know.

DR. OLLAPALLY: I think one of the big success stories in Indian foreign policy has been this breakthrough with the United States, starting with early 2000, 2002, 2003, when the overture that came from the United States on the civic nuclear deal was something I think that India had actually not really expected to happen so quickly, and therefore it was a big confidence-building move, and so I think in that sense it has set it on a particular course.

COMMISSIONER FIEDLER: We're talking about the people of India, not just the elites?

DR. OLLAPALLY: Yes.

COMMISSIONER FIEDLER: Okay.

DR. OLLAPALLY: Because in foreign policy, as in most places, it's usually the strategic elites and the policymakers that set the tone. Unless it touches on some core sentiments of values like strategic autonomy where it looks like the nationalist tendency then comes out, where because of colonial rule, I think most of these countries have that, and therefore up to now, up to the early 2000s, the U.S. in part was seen as part of the symbol of the Western domination in the past.

India has gone past that quite a bit. At the same time, if it looks as if there's going to be a full embrace of the United States' foreign policy world view, I think there's some pushback because they do see some trouble.

For example, in the Middle East, and certain areas, in 2004 and early in 2002-- actually under early BJP--when India was asked to send troops to Iraq, there was a very-- that's the sort of thing that brings up these sorts of strategic autonomy questions--and the U.S. is a flashpoint for that.

But at this point, I think it's safe to say that there is a group of hard nationalists that don't really trust any country. All right. They feel that India has to be building up its own capabilities--ICBMs--that would match any of the major powers. Now that's a minority, very small minority. What you have is the more realistic/pragmatic sorts and the economic integrationist types that I think are holding forth.

And China and India, I mean China and the U.S., clearly China is seen as an adversary, India is seen--I mean U.S. is seen as a friend. There's no question about that at this point. That's been a huge change.

COMMISSIONER FIEDLER: Is there any anti-Chinese sentiment among the

general population?

DR. OLLAPALLY: Yes.

COMMISSIONER FIEDLER: Well, because you hadn't addressed it. That's why

I--

DR. OLLAPALLY: And that has to--yes, yes. Let me say that, first of all, going back to the 1962 war with China, it was seen as a deep betrayal because at that time Nehru was very close to Zhou Enlai. They were very friendly. Mao and so on. And so it was seen as a deep, deep betrayal. India has never gotten over that.

And so I think that is something that's a big overhang over the public, and therefore the--it's been surprising how quickly India has been able to move on the economic front with China, in fact, but I think that's partly because it sees a benefit, and it's been presented as that. But the minute it becomes that China is overplaying its hand or seen as reducing Indian influence in South Asia--

COMMISSIONER FIEDLER: It will have greater effect on--

DR. OLLAPALLY: --I think it will become--and the media is very much anti-China. And that's where the public gets a lot of their information from obviously.

COMMISSIONER FIEDLER: Thank you very much.

DR. MADAN: If I might just add, there's largely, on the government side at least, a fair amount of continuity when it comes to both U.S. policy and China policy across political parties government to government. You might see some changes. You see parties like the Communists who have been supporting governments from outside but haven't really come to power who do reflect a different tone, both towards the U.S., skeptical, much more skeptical of it, and want friendlier relations with China, but largely you've seen India grow closer to the U.S. under multiple governments, but also kind of engage and kind of compete with China under both.

The Indian public does not tend to vote on foreign policy issues domestically. But as Dr. Ollapally said, there is skepticism and a lot of concern about China. You see when polls are done, polling is still--you have to take it with a grain of salt, but when it is done on foreign policy issues, China is often, if not number one, at least seen as a long-term challenge. You know, over three-quarters of the public polled will say it sees a war with China as sometimes realistic in the next ten years.

So there is skepticism. It comes from this legacy of the war but also a sense that every time there's a positive development with China, there's a sting at the back of the mind, well, will they betray us again? Is this all just an act? And so the public in some ways is primed to see China from a certain prism, and that's actually kind of been harder for even policymakers to get the public to move away from when they have wanted to.

So when there is an incident at the border, if the media plays it up, policymakers have to actually work to make sure that doesn't lead them to conflict.

On the U.S., the difference is, even when things weren't close, the U.S. has never really been seen as a threat. There still is skepticism of the U.S., but it's not been seen as a threat.

The other kind of key point about the difference between the two is the lack of familiarity that most Indians and Chinese have with each other. You know, there are 800,000 people that go back and forth, but that's still very limited compared to just the sheer number of Indian students who are in the U.S., business, et cetera, and so I think you will see a little more of that in terms of Indian business and Chinese business engagement, and student exchanges, but

the asymmetry in those two relationships is quite stark, especially on the public side.

COMMISSIONER FIEDLER: Thank you.

HEARING CO-CHAIR TOBIN: Chairman Shea.

CHAIRMAN SHEA: Well, thank you very much.

I apologize for this pass the microphone game that you have to play. I think we're going to get it fixed shortly.

I have two questions. One, about the Nicobar and Andaman Islands, and they're-- if you look at the map, that's those little yellow, on the far, lower right, 500 plus islands, which seem to be sort of acting as a sentry to the Strait of Malacca.

So I am curious as to what the Indian military and government is doing on those islands? Do they view those islands as a source of leverage vis-a-vis the Chinese? Do the Chinese perceive that as an Indian source of leverage over them? That's one question.

And the second question is would you view the succession to the Dalai Lama as one of the major potential flashpoints in the Indian-Chinese relations, particularly if the Dalai Lama maybe chooses his successor, and if that successor happens to be on Indian soil? Just curious about that--those two questions.

MR. SMITH: I'll take a stab at this. I traveled to the Andaman and Nicobar Islands in 2011 when I was doing research for the book *Cold Peace*, and it's an issue I've followed for some time.

It's a bit of a mystery to many Westerners who look at this because it really does look like a tremendously valuable strategic asset to have a strip of islands essentially serving as a gate at the mouth of the Strait of Malacca, capable of keeping an eye on traffic into and out of the Western Pacific.

The story of the Andamans has been that they've been largely underfunded and underresourced. They began as a penile colony, and as a result for much of the 20th century were looked at as kind of a backwater and a place that nobody really wanted to serve, and I think many in the Delhi have long looked at it as simply too far away to protect.

COMMISSIONER BROOKES: How far is it?

MR. SMITH: It's closer to Myanmar than India. It's about a three-hour flight from Calcutta. So in 2001, they had a somewhat significant development where they established their first tri-service command there. So heads of each of the three military services would rotate through, and there was some interest and discussion that maybe India had finally decided to adequately staff and resource this command, and frankly in the 15 years since there has not been much done.

There are some patrol aircraft stationed there. There's about 3,000 soldiers. There are helicopters. They've built--there are three airbases there, one of them more recently built, just in the past three years, but in total I think anybody who looked at it would say the resources there are very modest. Every few years you have discussion in the Indian press that finally the military is taking this seriously, and you can expect to see a major military modernization package unveiled for the Andamans, and it simply hasn't happened yet.

But I would say it's a space to watch with the growing Sino-Indian--I mean it's only now, the past two or three years, that Chinese submarines have been operating in the Indian Ocean on a regular basis, and there were reports just last year that the Indian Navy now intercepts Chinese warships snooping around the Andamans two to three times every month.

So I would expect, I would expect the importance of the Andaman and Nicobar Island chain to grow in the years to come, and I wouldn't be surprised if India does begin to take

it seriously.

DR. MADAN: Just to add to Jeff's point, India has also been paying more attention to the Bay of Bengal in general. Part of the, you know, working with both, it's got connectivity projects by water as well as land with Bangladesh and Myanmar, but you've also seen kind of the resolution of some of the maritime disputes, and as Jeff said, to make sure to kind of try to increase its capabilities there.

It was not just the incidents Jeff talked about, but during the rescue operations for--at least the search operations for MH-370, there was some concern that China was using that, the PLAN was using that as an excuse to come into the area, and a strong message was sent about the Indian Navy handling the search operations there.

On Tibet, yes, there is concern about the succession and what that might do, not just for China-India relations but because of the domestic implications for India as well. This is partly the reason that India has been encouraging, trying to encourage Beijing to actually talk to the Dalai Lama because they are trying to say he's much more moderate than what you might get next. But also there is concern in India that younger Tibetans already think the Dalai Lama is too moderate, and there are a number of young Tibetans in India, and there was also the concern about this being a domestic political issue.

Before the 1962 war, in the late '50s, it was domestic political pressure, including on the subject of the Dalai Lama and Tibetans, where the Nehru government felt quite pressured not to back down because there was a lot of concern about what India--the approach India had taken, which was seen as kind of a bit too Beijing-friendly at the time. But India recognizes Tibet as part of China, has for years, but it does seek for China to give that region more autonomy.

DR. OLLAPALLY: On the Andaman and Nicobar, I'll say that if you look at the Indian defense forces, the navy has been the one that has been getting the greatest increases in its budget. In fact, it's gone up from something like in the late '90s, was only about six percent--it was seen as a stepchild--and now it's up almost 19 percent, so, in that sense, I think there's a real growing recognition that it's the navy that needs serious attention.

Within the navy, the chiefs have been at the forefront of laying out maritime doctrines that have been quite wide ranging. So, for instance, I think that most recently, there was a new one that was released just last year, and it hasn't been, I don't think, public, but the idea is that the, whereas earlier, it used to say that the maritime frontiers would be seen up to, you know, up to the Malacca Straits, now it's well beyond it.

And I think India sees the Malacca Straits as China's Malacca dilemma, and it would be--I think there's increasing understanding that this is one of the levers that India has. So I think you'd see more of that coming up.

As far as the Tibet question, yes, like Tanvi said, India has agreed that Tibet is part of China. On the other hand, there is a live dispute about what the Chinese call South Tibet and what India calls as its Arunachal Pradesh state, and therefore that I think is, you know, one doesn't know how that bargaining is going to play out, but, depending on who's going to be the successor, I see there are ways in which India also has certain levers and, you know, these things can change depending on political relationships between these countries as well.

CHAIRMAN SHEA: Thank you.

HEARING CO-CHAIR TOBIN: The question I wanted to explore was Tibet, too, so let me push a little bit further on that. Are there any discussions that you're aware of going on in India now, table top exercises or the like that are talking about that. Given the age of the Dalai Lama, a transition might happen at any time, and you would think there would be some

strategic focus and thinking on the issue? I'll hear from whomever has thoughts on that please.

MR. SMITH: Yeah, it's kind of a tricky question. I don't know what discussions may be going on behind closed doors, but whenever I've raised the subject with Indian analysts, they have said this is a potentially serious issue that we're going to have to deal with, and this could be potentially very disruptive in China-India relations, but I don't know that they have a plan, a gameplan, because it's unclear.

The Dalai Lama has been very shrewd in promoting ambiguity about how this process is going to happen. At first he said he may emanate a successor, which is a process that had very rarely been used with Dalai Lamas but with lower ranking Buddhist monks. Rather than after they pass, a regent or a body of experts finds the next Dalai Lama in a young boy, which was traditionally the process, he could essentially before he passed emanate or identify himself and his successor in someone else.

He's also floated the option that there will be no further Dalai Lama, that he will be the last Dalai Lama. He has entertained the idea that some kind of body of people that he has nominated and Tibetans have elected could select the Dalai Lama, and he's engaged in a very active fight with the Chinese government now about the legitimacy of this process, and since the mid-2000s, China has been passing a series of regulations, sort of assuming more power, authority and control over Tibetan Buddhism in general and over the right to nominate and appoint mid and higher-ranking lamas.

So this battle has been playing out in public, really a war of words, for some time. But as far as India is concerned, one of their officials said to me sometime, of course, we want the Dalai Lama to nominate a successor; we just hope he picks it in America so then you have to deal with the Chinese.

[Laughter.]

HEARING CO-CHAIR TOBIN: There you go.

MR. SMITH: I think they are concerned that Tibetan militancy could increase after the Dalai Lama passes, but I don't know what they're doing to sort of mitigate any potential problems.

HEARING CO-CHAIR TOBIN: I wonder from India's viewpoint, and briefly, because we have about five more sets of questions coming from the Commissioners.

DR. MADAN: Nothing that's in the public domain that we know of, but I would say given the implications for India and the fact that this is not something that would be unexpected, I suspect that it is something--

HEARING CO-CHAIR TOBIN: Absolutely.

DR. MADAN: --that they look at quite closely, and I would not be surprised if this is something that they discuss with the U.S. as well. The Special Coordinator for Tibet Issues was in India recently I think in January or so.

HEARING CO-CHAIR TOBIN: Thank you.

I know our former Ambassador of the U.S. to China sees this as a very critical moment for us all.

Next, Senator Talent, please.

COMMISSIONER TALENT: Well, as is often the case in the Commission, Commissioner Fiedler anticipated my questions, and I think you answered it, and given that we're low on time, I just want to confirm what I understood to be your answer to him, which is that the current policy of India towards the United States represents, if I understood your answers correctly, an equilibrium, if you will, in Indian politics such that it probably will continue even

under successor governments barring some major kind of change; right?

So it's not just the policy of the Modi government; it's likely to continue in the future. That's a consensus on the--

DR. MADAN: Yes.

MR. SMITH: [Nods affirmatively.]

COMMISSIONER TALENT: All right. Thank you. That's all I have.

HEARING CO-CHAIR TOBIN: Thank you.

Colonel Wortzel. Dr. Wortzel.

COMMISSIONER WORTZEL: I'd like to focus on some of your analyses on defense cooperation and Secretary Carter's suggestions, if I could, Jeff.

It seems to me that for a very long time, Indian defense production was highly dependent on the Soviet Union, and it's still dependent on Russia, and that does not make it easy to transform defense-industrial cooperation on sophisticated systems. You can build--you can work together on a ship hull, but when it comes to fire control systems, they're very different, and they may not be integrated.

I don't know that the Russians were great on sophisticated jet engines, and I know the Indians are not. So I wonder if you can address what the horizons on these things might be, and whether these are--whether these are even realistic suggestions?

MR. SMITH: Well, potentially a greater obstacle than India's past reliance on the Russians and the Soviets is their current insistence on "Make in India." You know, for many years now, they have tried to develop their own defense-industrial complex with I would say unfortunately very little to show for it so far, but they have continued this policy, essentially for fear of being too dependent on outside powers.

They understandably want their own defense-industrial complex, and what they've said to many U.S. companies and others is if you want to sell us arms you need to pump money back into our domestic industries, and we want co-development and co-production here, and for a long time that's been a big and major stumbling block.

And what we've tried to do now is we have four pathfinder projects. We're starting small, and we are--I believe two of them have been moving forward with some success, but these are things like mini-UAVs. All right. So if we can establish trust and basic working relationship between our bureaucracies, maybe we can begin to move up the supply chain, and I think it's notable that we are now talking about aircraft carrier technology cooperation. We're talking EMALs. We are talking about advanced platforms, and we're beginning to have real discussions.

I mean some of our top carrier tech guys have been over to India two or three times now. I think in some ways, though, this insistence on--it's called this offset policy--that if you want to sell arms, you have to pump a certain percentage back into the domestic industries, has resulted in very, very little investment in Indian companies, in the millions of dollars--single millions or tens of millions at most.

And until I think you get a defense minister and prime minister who is willing to sort of look beyond that strict adherence to "Make in India" first, we will continue to face some limitations, but I think psychologically the idea of cooperating with the United States on some of these big ticket platforms has come along much further than the bureaucratic angle.

Tanvi may--

DR. MADAN: I think all of what Jeff says is valid. There have been changes even to--I mean to some extent it is unnatural how big a percentage for a country India's size of

defense equipment it imports. It does need to develop its defense-industrial base. The change that is positive, and they are looking at even changing their procurement practices and thinking about things like how do you make higher technology transfer possible, but the other thing that has changed that the private sector here does see as a step forward is that it is no longer just public sector companies that they can work with in India. The private sector now, albeit not to the extent that people would have liked to see, is also partnered with a number of companies.

You've seen some projects, but as Jeff said, it's not gone forward as fast as people would like it to.

DR. OLLAPALLY: I think just one point on after Modi came into power. One of the things first he did was to change the domestic content of defense industry from abroad that has to be included. He reduced it. So that was a step forward in that.

But I think one thing that's still beyond the points that my colleagues said, I think one other point that is sometimes a factor in U.S. sales is price. Because, for instance, when India went with the French Rafale fighters over the U.S., one of the problems was the price. So I think that still--cost is still a factor.

HEARING CO-CHAIR TOBIN: Senator Dorgan.

COMMISSIONER DORGAN: Thank you very much.

This is about China and India, but let me include Pakistan in the question, if I might. Is there anything on the horizon that would restrain the growth of the number of nuclear weapons with respect to the three countries? China, Pakistan, India all possess nuclear weapons, we understand. Are all of them aspiring to produce more nuclear weapons?

And then the question is would the possession of more nuclear weapons be any more destabilizing than the possession of some nuclear weapons, especially in that region?

DR. MADAN: I'd just say more than numbers, I think the big concern in terms of the destabilizing effect these days that people are focused on is potentially Pakistan's development of tactical nuclear weapons and deployment of those. That perhaps is more something that concerns I think both China and India, especially India, and the U.S. as well.

DR. OLLAPALLY: I think on the China-India nuclear conduct, I would say that the drivers toward increasing in a significant way don't really exist if you look at the India-China situation. And you have seen how even today, there has been I think a steep learning curve for the second-generation of nuclear countries to not go the U.S.-Soviet way, and you do see very much of a factor of order of difference in their numbers, in 500, 300, that sort of thing.

And so I don't see that, but as Tanvi said, I think there is a big concern now in the Indian circles about Pakistan's pursuit or at least talking about it, and actually, yes, because it did test the--in 2011, it tested the Nasr missile, which was basically a short-range one, and so there is some evidence that it is pursuing that, and, you know, the Pakistanis' argument is that it is because of the Indian conventional superiority. But it is a very destabilizing thing and something to be factored when Pakistan is now trying to argue that it, too, should be given a civil nuclear deal the same way as India, and I think there's a lot of reasons why that would be problematic.

COMMISSIONER DORGAN: The previous panel also mentioned tactical nuclear weapons, and I'm just wondering, maybe wonder out loud--you don't necessarily have to answer--whether there's some notion when you speak of nuclear weapons, that somehow tactical nuclear weapons might potentially be useable. And--

DR. OLLAPALLY: That's exactly.

COMMISSIONER DORGAN: And if that is the case, that's a very, very serious problem. That is probably the most destabilizing thing I could think of for this planet because

tactical and theater strategic weapons once used, it's a cork that will never be put back in the bottle and will have a huge impact on planet Earth so--

DR. OLLAPALLY: And also the fact that if you get the tactical nuclear weapons, then the command chain drops, and so that also creates a very destabilizing political environment.

HEARING CO-CHAIR TOBIN: Vice Chairman Bartholomew, please.

VICE CHAIRMAN BARTHOLOMEW: Thank you very much and thank you to all of our witnesses.

It's interesting, we've been doing this now for about three hours, and nobody has yet mentioned that one of the issues in the alignment of interests is that India is the world's largest democracy, and of course China is authoritarian country that is run by the Chinese Communist Party, and I think we need to remember those issues as we talk through all of these things.

I'm wondering if there's any evidence of Chinese efforts to influence Indian perceptions about China and also about the United States?

MR. SMITH: This kind of piggybacks off of the earlier question about Indian perceptions of the U.S. and China, which I would associate with my colleagues that really anti-China sentiment in India is very pronounced and very profitable. I mean if you look at The Times of India news articles that gets the most hits, it's generally the one that has the most outrageous claim about China or what China recently did at the border.

They, frankly, I don't think, have much opportunity to influence and shape Indian public opinion because it is so virulently anti-China, and the scars of the 1962 border war still linger today.

One thing they have tried to do, though, if you look at the nationalist narratives inside China, is try to exploit Indian fears about dependency on the U.S. So oftentimes what they'll say is, you know, India and the United States have held a security cooperation agreement, but America's plan to bring India into its containment policy against China will never work because India has always been an independent nonaligned country.

And they've tried to sort of play up this sense that America is either an unreliable partner or an overbearing partner or, you know, remind India of its history of nonalignment and Asian solidarity, and frankly in the early and mid-2000s, that maybe was effective, and I think in recent years it's become far less so.

For a long time, one of the obstacles to greater U.S.-India collaboration I think was a lack of certainty about where the United States stood, but also a fear that if we move too close to the United States, even though that may be our greatest insurance against Chinese aggression, that moving closer to the United States will actually provoke China and make China more aggressive.

And I think Modi and his team have more than anyone in the past turned that thinking on its head and said no, if we move closer to the United States, that actually puts us in a stronger position vis-a-vis China, that China will listen to us if it believes we have the backing of the superpower and that U.S.-India ties are as strong as they've ever been.

DR. MADAN: I think there are about two or three ways in which they have tried to influence perceptions. One has been through the media to encourage journalists to come. They've sponsored visits from journalists from India to go to the China, to spend some time there. There are only about four or five Indian journalists based out of Beijing. It's quite small even given how much the country looms large in kind of the Indian mindset.

But they've been trying to encourage these visits. A great number of students going there, but they also see, for example, as economic activity increases, more Indians working in the economic sector, that there will be more familiarity.

As Jeff said, they've kind of tried to make the case for both limiting the relationship with the U.S. as well as why a relationship with China would be better. Arguably, the best thing that they could do is change behavior. They have tried through visits, for example, President Xi's visit to India as well as Prime Minister Li Keqiang's. His first visit was to India when he came to office. This was a way to signify that China does actually take India seriously. In fact, he went before he went to Pakistan. That was meant to send a signal. He wrote an op-ed in the newspaper.

The problem with both those visits is that just before the--or in one case, President Xi's, during that visit, there was a border incident so you had kind of two windows on TVs playing out where you had the border incident and the visit playing out. It didn't quite influence people in the way that I suspect they'd imagined.

They've also gone, when Prime Minister Modi was in Beijing, or actually in China, President Xi broke protocol, went to visit, greet him in Xian. Those things, they are very much designed to kind of influence, but there's--I think despite the words, it's the actions that people focus on and therefore there is--Indians are even looking at what happens in the South China Sea, which is not really considered something that is in India's traditional kind of area of thinking about what that means about Chinese intentions in general.

So I think the best thing they could do if they wanted to influence India is behavior more than words.

DR. OLLAPALLY: And it's clear it's going to be an uphill battle for China to influence Indian perceptions, but a couple of years ago, India actually was trying to get approval for having a cultural center in Beijing, but the flip side was that India would then have to have a Confucius Institute in India. And I think the Indians didn't really want that because, again, so there is a sort of a competition in that sense because India would also like to influence the other way around as well.

But I don't think it's going too far because of some of the reasons that have been mentioned.

VICE CHAIRMAN BARTHOLOMEW: Thank you.

I was going to actually ask if there were any Confucius Institutes in India. But young people all around the world, with this perception that China, well, the perception until recently when China's economic growth has stopped, but that the economic future of the world is China, young people around the world are studying Chinese in higher numbers. They're being encouraged to study Chinese, and I wondered if there was an uptick in Indian students learning Chinese, and whether the Chinese are in some way paying for it because they do here in the United States? They give money to school systems for kids to learn Chinese.

DR. OLLAPALLY: I think it's very difficult for China to infiltrate Indian system in that way because even when it comes to Chinese investments in certain sectors, India is hesitant to do that. So I don't see that happening although I think people-to-people relations are being encouraged quite a bit, and I think in the case of business groups in India, the Confederation for Indian Industry and so forth, there are a lot of big cheerleaders for China within those countries, I mean within those entities, and, in fact, when you go back to the early 2000s, one of the ways in which there were certain breakthroughs that were made with China was going back to the business leaders, including having a direct flight from Bangalore to some

parts of China for business reasons.

Those are the ways that I think that links are being set up, but it's not really done in a--because even today, I think there are a handful, maybe two or three top Chinese scholars, Indians who are Chinese scholars in India, which is shocking actually.

DR. MADAN: I mean I would just say that there is an increase. In fact, you know, as much as there is skepticism and concern about China in the Indian public, there is the flip side of it, which is admiration for what China has achieved, given that India and China started off from--and so you occasionally do hear people with great admiration looking at how much China has grown. You have even politicians, including Prime Minister Modi when he was Chief Minister, talk about the successful Chinese model in that sense, but then caveating, well, we're a democracy and so that makes a difference.

There is a growth, and arguably the government has been encouraging it, of the number of Chinese speakers but also there is very small number of Indians who really focus on China, and there's a concern that that actually creates part of the problem even for Indian policymakers in business.

What's happening with a lot of the Chinese speakers is, though, and specialists on China, they're going into the business sector and not things like international relations or the government, and so that's been, that's been a bit of a concern.

VICE CHAIRMAN BARTHOLOMEW: I was just going to quickly ask, it seems to me that one of the places that there would be potential interaction would be in the diaspora, and whether you're seeing that at all, or whether there's competition between the Indian and the Chinese communities in Africa, for example?

DR. MADAN: Not really the diaspora communities. You did have, and the media used to play this up, which was Chinese-Indian companies competing in China, in Africa. You saw this in the energy sector as well. But for one, Indian companies just didn't have the kind of resources, and the scale was entirely different with Chinese companies coming or going to Africa and a number of different countries there with immense amount of resources. Also, but and that kind of, Indian companies just didn't have that because it wasn't a state-driven effort. These weren't necessarily state companies who were doing this, though India has a lot of those as well.

But it's the approach that actually China has been learning from Indian companies because they've gone in very differently. Indian companies have, encouraged by the government, encouraged things like developing schools and hospitals and things like that, and not just promising pipelines and roads to try to kind of develop soft power also. They're just--the Indian communities have been in Africa for many, many more years, have had some learning on that side as well from having had bad experiences as well.

HEARING CO-CHAIR TOBIN: So we have one last question from Senator Goodwin, who had to leave, and I'm going to direct it, since we are past our time, to Dr. Ollapally.

He mentioned after reading your testimony a statement from India calling on China to resolve territorial disputes in the South China Sea through international arbitration. He wonders if you could give us any additional context surrounding India's interest in pushing China on that?

DR. OLLAPALLY: Actually I think that was probably not my testimony, but in any case I'll respond. I'm happy to respond. So far, India has been until a couple of years ago, I would say about three or four years ago, India has been fairly circumspect about making

pronouncements on China's core interests like the South China Sea.

However, there were reports that a couple of years ago there was some mention of when the Philippines and--

HEARING CO-CHAIR TOBIN: Right.

DR. OLLAPALLY: --China and the South China Sea, when they took them to court, that India used the term West Philippines Sea somewhere. I mean so in that sense, you know, that was sort of seen as a statement. Now, for India, I think, you know, freedom of navigation is absolutely critical, and increasingly from the east, although most of it is still located in the west, and therefore India I think is now seeing itself as having a more stake in the outcome of these disputes, and so the--whereas, earlier both India and China in some sense were more oriented toward coastal, they had the outlook of a coastal nation state, now, it's a much more broader maritime freedom.

And so I think India will be very interested. I mean I don't think--I think India will take others' lead. I don't think it will be in the forefront of this particular issue, but I think we all know how it wants it to come out.

HEARING CO-CHAIR TOBIN: That's good for us to hear. We could go further with a second round of questions from this group, but time is a factor since we have an afternoon panel to convene.

Thank you very much. Should there be more questions from the staff, you can count on the fact we'll be in touch with you.

Thank you.

MR. SMITH: Thank you.

DR. OLLAPALLY: Thank you.

HEARING CO-CHAIR TOBIN: We'll reconvene at 1:30 here for our third panel on China and Pakistan.

PANEL III INTRODUCTION BY COMMISSIONER DENNIS SHEA

CHAIRMAN SHEA: We will convene our final panel for this afternoon, and I would recommend all, anyone with a jacket and tie on, it's so impossibly warm in here, feel free to take off your jacket and untie your tie.

This panel will explore China-Pakistan relations in the economic, diplomatic, and security realms, and discuss how this relationship colors China's other relationships in the region, particularly with India and Afghanistan.

First, we'll hear from Andrew Small. Mr. Small is a Transatlantic Fellow with the German Marshall Fund of the United States, which he established in 2006. His research focuses on U.S.-China relations, Europe-China relations, Chinese policy in South and South-West Asia, and broader developments in China's foreign and economic policy.

He previously worked as the Director of the Foreign Policy Centre's Beijing office; as a visiting fellow at the Chinese Academy of Social Sciences; and in the office of Senator Edward Kennedy.

His articles and papers have been published in outlets including the New York Times--I've heard of that--Foreign Affairs, Foreign Policy, and the Washington Quarterly. He is the author of *The China-Pakistan Axis: Asia's New Geopolitics*. And he was educated at the University of Oxford.

Next, we have Daniel Markey. Dr. Markey is a Senior Research Professor in International Relations and the Academic Director of the Global Public Policy Program at Johns Hopkins University School of Advanced International Studies.

He is also an Adjunct Senior Fellow for India, Pakistan and South Asia at the Council on Foreign Relations. Previously, he held the South Asia portfolio on the Secretary of State's Policy Planning Staff.

He is the author of several reports on South Asian security issues and wrote a book on the future of the U.S.-Pakistan relationship, *No Exit from Pakistan: America's Tortured Relationship with Islamabad*.

Dr. Markey earned a bachelor's degree in international studies from Johns Hopkins and a doctorate in politics from Princeton University. Welcome.

Finally, we have Shamila Chaudhary--did I get the first name?

MS. CHAUDHARY: Shamila.

CHAIRMAN SHEA: Shamila. Excuse me, Shamila. Shamila Chaudhary, a Senior South Asia Fellow at New Americas' International Security Program and a Senior Advisor at Johns Hopkins University School of Advanced International Studies.

Ms. Chaudhary specializes in U.S.-Pakistan relations, Pakistan's domestic politics and security policy, and regional issues in South Asia. Previously, she worked on Pakistan, Afghanistan and Sri Lanka at the Eurasia Group, and she has 12 years of experience working in the U.S. government. She was the Director for Pakistan and Afghanistan on the National Security Council; worked on the State Department's Planning Staff for Afghanistan and Pakistan; and worked at the State Department's Pakistan and Indonesia desks.

So welcome to all of our witnesses. We ask that you keep your oral statements limited to seven minutes, and we'll begin with you, Mr. Small.

**OPENING STATEMENT OF MR. ANDREW SMALL
TRANSATLANTIC FELLOW, GERMAN MARSHALL FUND OF THE UNITED
STATES**

MR. SMALL: Thank you very much, Chairman, and thank you to all of the Commissioners for having me back here, and to your staff as well, to have the opportunity to testify again.

This hearing I think actually dovetails very closely with the hearing that was held a year ago on "China Looking West." And my remarks are going to be framed particularly within that broader context because although I think we're looking at these issues case by case, we're really dealing with a very broad phenomenon that is recasting China's strategy and relationships across a broad region stretching out from China's western borders, and the China-Pakistan relationship is no exception.

A lot of this has been subsumed, of course, under the umbrella of the "Belt and Road" initiative, but many of the driving factors predate that, and if OBOR were at some point to be parked or rebranded, I think many of these factors would persist.

The strategic and security factors have been there for a number of years. The worsening terrorist threat in Xinjiang, the U.S. drawdown in Afghanistan have, I think, heightened the sense of need to stabilize China's western periphery. You have the long-standing almost paranoia about sea lanes of communication and the search for alternative transportation routes. You have the perceived need in the PLA to facilitate power projection capabilities farther from China's shores, and these have now dovetailed with the economic factors.

As China's economy goes through the transition that's currently underway, the slowdown, seeing a number of industries hemorrhaging--jobs on a spectacular scale--the need to export excess capacity, to build new markets, and to find new growth drivers in the Chinese interior are now converging with some of those prior strategic objectives.

I think if you'd said to Chinese officials as the Belt and Road scheme was being dreamed up, which country is going to be testing case number one for it, I think it's fair to say that not many of them would have picked Pakistan. This has historically been a relationship where economic ties have really been its weakest part. The statistic that's often cited between 2001 and 2011, \$66 billion of investment was promised at different points from the Chinese side. Only six percent of it actually came through.

And there have been all sorts of reasons for the weak economic relationship--poor complementarity of industries, poor implementation capacity on the Pakistani side, obviously the security threats, and so on.

And the projects that did come off tended to be the ones that were more political and strategic in nature--the Gwadar port; the nuclear plants; the Karakoram Highway, further back in time. But, in fact, Pakistan embodies a number of the most important elements of the Belt and Road scheme. You have a government now that's enthusiastic about moving ahead with just the sort of large industrial projects that China wants on a scale that very few other countries are really willing to contemplate.

You have a real need for steps to be taken to address long-term stability issues in Pakistan itself and to create some incentives to recast Pakistan's behavior in the wider region, especially Afghanistan, and you have a country that is essentially China's closest military partner that could add as a more effective balance and a better facilitator for the PLA's power projection capabilities if some of these problems could be addressed.

And there's also a bit of a window in Pakistan at the moment. The number of

irritants that were there in the relationship in recent years, they have been somewhat resolved. The Zarb-e-Azb operation the Pakistani Army conducted has pretty much displaced the sort of small numbers of the Turkistan Islamic Party that were there in North Waziristan. It's been a number of years actually in Pakistan since there was a successful attack on a Chinese target. The security measures that have been put in place, particularly since 2008, have been relatively successful.

And objectively, I think the security conditions in Pakistan are just markedly better than they were a couple of years ago. So what you have at the moment behind the China-Pakistan Economic Corridor that has been the materialization of OBOR in Pakistan is a level of political momentum that was pretty much absent in the past, on the Chinese side in particular.

And I think it's quite tangible at the moment in Pakistan. You have the NDRC and the Planning Commission pretty much in biweekly meetings. Large numbers of personnel and delegations going back and forth. All of the big firms on the Chinese side, Gezhouba, SINOHYDRO, CRBC, the big financiers, EXIM, China Development Bank, all swinging in very actively at the moment.

And I'm sure we'll get into the political controversies over CPEC, the problems it faces, what are the metrics for its success, but I think the broader point at the moment is that there is something genuinely underway at the moment on the China-Pakistan economic relationship that was just not there before. And I think characterized politically, previously if there was a reason not to push ahead with the projects, they pretty much wouldn't happen.

If there was an attack or a slowdown, and the projects wouldn't go ahead, now there tends to be an attempt to overcome those obstacles. And I think when thinking about CPEC, it can be unhelpful to think about it as just a line between two points, the Xinjiang to Gwadar thing. In China's eyes, it's essentially a large-scale investment package in the Pakistani economy that is designed to fulfil a much broader array of tasks. So it means that even where there are problems in any specific area, say in Balochistan, and it doesn't mean that the package as a whole is necessarily in trouble.

This is all quite new because this is a relationship that has been security-centric and India-centric really for decades. In its most reductive terms, Pakistan plays a balancing role, and China provides the backing for it to do so. Not necessarily, indeed very rarely, in terms of direct involvement in conflict but consistent support to develop Pakistan's military capabilities, most importantly its nuclear missile programs.

And it's been a uniquely close relationship over the decades, but it's one that has in one sense benefited from a degree of distance. It's been managed by a small number of political and security elites on both sides. Opinion poll ratings for China and Pakistan are off the charts--plus 80 percent, plus 90 percent popularity ratings--but it's been easier to preserve the mythology around the relationship, the "all-weather" friendship, I think, in the absence of these large-scale day-to-day interactions.

What you're now starting to see is a relationship that should become somewhat better balanced but also in certain respects demystified.

You have a similar situation with Afghanistan. Pakistan was pretty much left with a free hand by China in Afghanistan. China did count on Pakistan to look out for its interests there, but they were extremely narrow in scope: protect Chinese assets; target Uighur groups, ETIM; not a huge amount beyond that.

Again, this is no longer true. China's heightened interests for the reasons that have been outlined, Xinjiang related, but also for all of these projects across the region, has led it

to take a greater interest in seeing at a strategic level a stable outcome in Afghanistan, and this has clearly not been wholly consonant with Pakistan's demonstrated willingness to sustain ongoing conflict there when other strategic imperatives have weighed more heavily.

So what you've seen over the last year, in particular, is a bit more pressure coming in on the Chinese side for Pakistan to deliver on the peace process, in particular, with the Taliban. That has been in one sense a sort of sweet spot and everyone can agree, perhaps apart from factions in the Taliban itself, that it's a value to getting a peace process underway. If that falls apart, I think you get left in a somewhat different space where China and Pakistan's interests in Afghanistan see far less eye-to-eye than they did in India.

I don't want to oversell how different the relationship is now. Not only have the traditional elements of military cooperation not gone away, in some respects they're deepening and becoming more valuable to Pakistan as the PLA's own capabilities grow more sophisticated.

If it hadn't been for CPEC and Afghanistan, I think we'd probably spend a fair amount of time talking about the submarine deal, for instance. The nuclear cooperation between China and Pakistan has pretty much been on a continuum ever since its early days, and I think we're now seeing that effectively move into the naval side, and I think that's one of the most important developments in the relationship that's been somewhat neglected at the moment.

And all the strategic issues vis-a-vis India I think still provide a very important backdrop to the relationship. But this different framework, looking West and looking internally and looking at these economic issues rather than just the India-centric framework, I think is going to put the relationship to the test in some different ways.

Can the two sides maintain the all-weather friendship special status in a context where these issues start to weigh more heavily? I'm inclined to think that the stakes are sufficiently great for the two sides to hold this together even with some of the potential new tensions that are there.

I think the additional context on the Chinese side now, as well, is that this is a framework where friends and allies matter more to China than they did. Looking out from the PLA around who can you really count on in a crisis when all the other powers are against you, I don't think the answer is Djibouti, and I think China has had a tough time in some respects in the last few years in managing some of its relations--the DPRK, Burma, Sri Lanka. I think there have been a number of adverse developments for them there.

And so I think there's a first order interest at the moment in doing a better job with that on Pakistan.

And the last point, and it's striking that there's been a more open embrace in the last year of this relationship on China's part about--a relationship about which China was previously a bit sheepish if anything. The language that you start to see coming out from people on the Chinese side-- "the one real ally," "the highest level of strategic partnership," "a model to follow for other relationships"--is something that was really not there before.

And just to wrap up, seen from the U.S. perspective, I do think, as was the case with Afghanistan, in a relationship that's otherwise heading in a more competitive direction for all sorts of reasons, this is one of the rare areas where there's a degree of congruence emerging between U.S. and Chinese interests. The Pakistan-China relationship has normally been in the box of just cause for concern for proliferation reasons in the past. Instead, I think you're seeing at least some progress on areas where the U.S. has been urging China to take on more responsibility, more economic support, push on the Taliban, and elements of internal militancy.

I don't think it means that you're going to see the cooperation of the sort that

you've seen in Afghanistan, but I think you do again see a very different landscape looking out to the West for U.S.-China relations than you do in the Asia-Pacific.

**PREPARED STATEMENT OF MR. ANDREW SMALL
TRANSATLANTIC FELLOW, GERMAN MARSHALL FUND OF THE UNITED
STATES**

**Rebalancing the China-Pakistan relationship
Andrew Small, Transatlantic Fellow, German Marshall Fund of the U.S.
Testimony before the U.S.-China Economic and Security Review Commission
Hearing on China and South Asia - March 10th, 2016**

China's relationship with Pakistan is in transition. For decades it operated largely within a South-Asian security context. China benefited from Pakistan's role as a counter-balance to India, while Pakistan benefited from China's willingness to provide the capabilities it needed to do so effectively. This shared strategic framework, and the ensuing cooperation on sensitive military and intelligence issues, resulted in an unusual level of trust between the two sides. Pakistan was the country Beijing counted on to play a diplomatic and physical bridging role during its years of isolation, while China was Pakistan's political protector and most reliable arms supplier. Although the relationship expanded well beyond its original India-centric rationale, it was still underpinned and conditioned by this guiding logic. Economic links were modest, bar a few symbolic projects that were more significant politically than they were commercially. Cultural and personal relations were narrow, restricted to professional ties between the two sides' senior leaders and militaries. Even in the security sphere, while China was intimately involved in the development of Pakistan's most advanced weapons systems, it more often occupied the position of a distant patron rather than a day-to-day partner. And when it came to Afghanistan and dealings with militants in the region, Beijing virtually outsourced its policy to the Pakistani intelligence services. The "all-weather friendship" between the two sides has been a firm feature of the region's geopolitics but its limits were always clear.

While elements of this framework remain intact, the balance of the relationship is shifting. China's focus on an expanding spectrum of economic and security interests that stretch out from its western borders now puts Pakistan in a different place in the overall scheme of Chinese foreign policy. China's Silk Road Economic Belt and 21st Century Maritime Silk Road, the "Belt and Road" initiative (OBOR), has given this westward push additional profile and impetus, but many of the driving factors predate it. The heightened terrorist threat that China has faced in Xinjiang since 2008, and the 2011 announcement of the drawdown of US forces from Afghanistan, were already pushing Beijing to take more active steps to stabilize its western periphery. Its interest in access to reliable facilities for power projection in the Indian Ocean and beyond has been intensifying since the PLA Navy's Gulf of Aden operations started in 2008. China's desire to develop alternative transit corridors to the maritime routes that pass through vulnerable chokepoints is also longstanding. But it is the confluence of these strategic factors with China's urgent economic challenges that has catalyzed a more concerted drive west. As the Chinese economy faces a significant slowdown, the need to find ways to mitigate the impact on major industrial sectors and the Chinese workforce has grown more acute. The proposed solution has been an expanded program of infrastructure and connectivity projects that are intended to serve several purposes - outsourcing excess industrial capacity, building new overseas markets for Chinese products, and developing stronger growth drivers in the Chinese interior.

Pakistan is one of the early hubs of this initiative. South and Central Asia are regions with substantial infrastructure needs, but have lacked the capital willing to take the risks to finance it. In principle, China's new silk road schemes, and the financial firepower it has been lining up behind them, should be welcomed there. But many of China's neighbors are understandably cautious about accepting a major influx of Chinese money, particularly given the associated expectation that much of the work will be undertaken by Chinese firms. Some economies are too small to comfortably absorb investment on such a large scale, while others – such as India – have reservations about the security and political ramifications of Chinese-built ports and other sensitive infrastructure. Pakistan, by contrast, has a long list of shovel-ready projects that it has been pitching to Beijing for over a decade, and a unique level of comfort with the strategic factors that underpin OBOR. It stands virtually alone in being able to move so quickly to offer opportunities for industrial ventures on a scale that matches the scheme's ambition. Consequently, the China-Pakistan Economic Corridor (CPEC), the umbrella under which these investment plans have been brought together, has been accorded the status of a “flagship project” for the Belt and Road initiative, and is arguably the most developed set of plans under its auspices to date.

“If ‘One Belt, One Road’ is like a symphony involving and benefiting every country, then construction of the China Pakistan Economic Corridor is the sweet melody of the symphony’s first movement,” Wang Yi, Chinese Foreign Minister, Feb. 2015

CPEC's formal announcement, during Xi Jinping's April 2015 visit to Pakistan, was greeted with a degree of skepticism. Between 2001 and 2011, a sum of \$66 billion of financial assistance was pledged by China, but only 6% of it ever came through. The last Pakistani government, under President Zardari, had been assiduously seeking Chinese investment, to little avail. There were exceptions – the expansion of the civil nuclear program, and the assumption of control of Gwadar port by Chinese companies – but Pakistan was simply not seen as a safe or productive investment location, particularly after a spate of kidnappings and killings of Chinese workers. For several years, notably from 2004-2008, Pakistan was the most dangerous overseas location for Chinese nationals, who faced politically-motivated targeting from groups ranging from the Balochistan Liberation Army to the Pakistani Taliban. The security situation in the country as a whole was poor and deteriorating. Economic growth after 2007 – partly as a result – was lackluster. There were also bilateral tensions over the continued presence of Uighur militants on Pakistani soil, and the willingness of Pakistan's security services to take determined action against them. While the capabilities of these groups were questionable, they were a source of propaganda that Beijing blamed for encouraging the worsening attacks in Xinjiang. As a whole, although the underlying Sino-Pakistani relationship was still sound, there was a tangible sense of frustration on Beijing's part with the Zardari government, more discreetly-expressed worries about Islamist sympathies in the Pakistani army, and longer-term concerns about where the country was headed.

The period following the new Pakistani government's election and change of chief of army staff in 2013 has seen a number of these problems addressed. Elaborate new security measures meant that China had already gone several years without any successful attacks on its own workers in Pakistan, but the improvement in the security situation in the country as a whole has been marked, with an estimated 70% decline in terrorist attacks in the first nine months of 2015. The

Pakistani army's Zarb-e-Azb operation in North Waziristan, one of the contributing factors, also dealt with a longstanding Chinese irritant by displacing Uighur militants from their bases there. At present it appears that the Turkistan Islamic Party is no longer meaningfully active in Pakistan. Nawaz Sharif and the PML-N's historic track record of delivering grand infrastructure initiatives made it a more appealing partner, and the government moved quickly to place China at the center of its economic planning.

Under Xi Jinping, China has also more actively sought to use economic tools as means to achieve regional stability, including in Pakistan itself. The rationale is that by helping to kick-start the Pakistani economy, addressing its energy challenges, and putting on the table the prospect of tens of billions of dollars of investment, it will serve to generate growth and employment while restraining Pakistan's proclivities for regional adventurism and making it a stronger and more capable partner. Most pithily, Li Keqiang is quoted, in the readout from a meeting with his Indian counterpart, describing CPEC as being "designed to wean the populace from fundamentalism". China's reservations about investments in Pakistan have certainly not gone away. It has requested an extraordinary level of protection for the projects, in the shape of a new 12,000-strong Special Security Division of the Pakistani army, raised specifically for CPEC, a personnel number that could even go up depending on which projects move forward. There are good reasons to doubt Beijing's equation of investment flows with stability. But the political conditions for Beijing to push ahead with its economic plans for Pakistan, even in the face of threats, are now far stronger than they have ever been.

The popular conception of CPEC is that of a transit corridor, connecting Xinjiang to Gwadar via a series of different land routes. This is in many ways misleading. CPEC's first phase does include road-building projects and the upgrade of Gwadar into a functioning port, but the bulk of the initiative is composed of energy projects in diffuse locations around Pakistan. China continues to envisage CPEC more as an investment package than a set of transportation connections. There are still difficulties in establishing a detailed breakdown of the CPEC projects. While figures cited have ranged from \$28 billion (the project list that appeared to have been agreed in time for the Xi visit) to \$46 billion (a number from the Pakistani government that included a number of other projects under negotiation too), the reality is that this is a process in flux, with many of the details of the first phase projects still subject to rolling negotiations. Some of the initiatives cited in the April 2015 list have already been put on ice, while new ones have emerged since. But the composition of the list is at least indicative – three-quarters of the projects, in dollar value, are focused on energy, with road, rail, mass transit, fiber optics and Gwadar composing the rest of the investments. This excludes the new generation of 1000MW Chinese nuclear power plants, which have not been formally designated as part of the initiative.

The details of the financing, which is primarily in the form of loans but also a small number of outright grants, have not been publicly released, and the terms vary considerably, with notably high rates of return (30-40%) on a number of energy projects, others even up to 100% within a year. While the timeline for CPEC as a whole is long – plans run beyond 2030 – the first test of the corridor will be the early harvest phase, concluding in late 2017. Coming shortly before the next Pakistani elections, this will be the first indication of how much new energy has been added to the grid, whether Gwadar itself has made meaningful progress, whether the initial road-building process has been completed, and the contours of the 25 industrial zones that are also

envisaged under the scheme. CPEC's opacity has already been the source of some controversy. The leaderships of Khyber-Pakhtunkhwa and Balochistan have complained that their provinces are not going to attract a due share of investment and that the Punjabi-based leadership is directing the resources, and the principal corridor route itself, to its home region. Yet despite some of the political disputes that are still underway, there is a tone of cautious optimism around CPEC: that while it may not deliver on its most ambitious goals, even if a modest portion of the plans are realized it will represent a significant influx of investment for an economy that is still in real need of it.

“I informed the [Chinese] president that Pakistan desires a peaceful neighborhood to focus on pursuing growth and delivering prosperity to the people. To this end, we want peaceful relations with all our neighbors.” Nawaz Sharif, April 2015

A resource commitment on this scale does come with heightened expectations. China has made clear to Pakistan that its investments there rely on a degree of stability being maintained in the country and in the neighborhood. This has particular significance when it comes to Pakistan's approach to Afghanistan. China's concerns over the impact of militancy in the region on Xinjiang, and on its strategic projects across South and Central Asia, have resulted in it taking on a considerably greater hands-on role, a subject addressed in more detail during testimony to the USCC's prior hearing on “China Looking West” in March 2015. There has been a commensurate shift in the demands on Pakistan, which has been under pressure from Beijing over the last year to do its part to facilitate a viable Afghan peace process. The Murree meeting in July 2015, attended by Chinese officials, was a product of these efforts to bring the Taliban to the negotiating table, and recent months have seen a series of US-China-Afghanistan-Pakistan quadrilateral meetings to put a more sustainable track in place. This does not amount to a broader recasting of China's approach to militancy in the region. Beijing has evinced no greater interest in Kashmiri groups, for instance, and its continued willingness to extend protection to Pakistan in this respect was evident in its defense at the UN Security Council sanctions committee of the release of suspected Mumbai attack mastermind, Lashkar-e-Taiba commander Zakiur Rehman Lakhvi. China has conveyed its general concerns to Pakistan about its handling of militancy issues, but while it is more willing nowadays to encourage Pakistan towards the limits of its comfort zone, it does not attempt to push beyond it. China is still heavily reliant on the Pakistani military for intelligence on jihadi groups, and their judgments on how best to deal with them, even if Beijing's reservations about some of these calls are greater than they used to be. Nonetheless, the fact that Afghanistan now features so prominently in the China-Pakistan relationship, and that Beijing has a clear strategic agenda there that goes beyond the protection of Chinese assets and the targeting of Uighur militants, is a shift of qualitative importance. It implicitly limits the degree of freedom that Pakistan had previously felt it could exercise when its most important partner was disengaged.

Over the last couple of years, CPEC and China's heightened involvement in Afghanistan have drawn attention away from the more traditional elements of Beijing's military support to Pakistan. China's position as the world's third largest arms exporter relies to a significant degree on sales to the Pakistanis. These weapons transfers have rarely been restricted solely to outright purchases but have involved defense co-production, and the continuous sharing of China's expertise. Some of the largest joint projects of this nature, such as the JF-17 combat aircraft, are

longstanding but the last couple of years have seen a couple of developments of note. The confirmation in 2015 that China would be pressing ahead with the sale of eight diesel-class submarines, a \$4-5 billion deal that will be one of Beijing's largest ever arms sales, is significant not simply for Pakistan's navy but for plans to develop the third leg of its nuclear triad. While the most important phase of Sino-Pakistani nuclear cooperation came in the 1980s and 1990s, China has remained closely involved in the development of Pakistan's nuclear programs, and is believed, for instance, to have provided assistance with the miniaturization of warheads for Pakistan's growing arsenal of battlefield nuclear weapons. The development of Pakistan's naval nuclear capabilities looks set to become the next frontier. Another notable development over the last year was Pakistan's first use of armed drones, in September 2015. While these, like many of Pakistan's systems, were claimed to be based on indigenous technology, they are generally believed to have Chinese lineage. It is illustrative of a growing trend: with the exception of its nuclear programs, Chinese military cooperation with Pakistan had historically been limited to lower-grade equipment but as the PLA's technical capabilities improve, Pakistan is becoming one of the principal beneficiaries. Lastly, Pakistan's position as a trusted partner makes it one of the most important locations identified by the PLA for its growing global presence. Gwadar itself is likely to be utilized by the PLA Navy in the long term, though this will still depend on ensuring that the port is rendered functional for other purposes first. If security and logistics challenges there persist, China is likely to use other ports, notably Karachi, but potentially also Ormara, as its primary naval facilities in Pakistan instead.

Conclusion

The rebalancing of the China-Pakistan relationship has a number of implications. The launch of CPEC means that China is now a far more active factor in day-to-day Pakistani politics and economic life than it ever was. At one level, this is likely to make for a more comprehensive and broad-based relationship, better balanced than the narrow security ties that characterized it in the past. But it is also likely to see the relationship demystified: Beijing has benefited from its status as the mythologized "all-weather friend"; it would be a surprise if China's stratospheric opinion-poll ratings survive at quite the same level after the far more expansive set of interactions with Chinese officials and companies that are now underway. The political squabbles and resentments that have been manifest in Pakistan in recent months are an early indication of some of the sensitivities that are already in play. Similarly, while the traditional India-centric framework of the relationship saw the two sides' interests structurally (if not always tactically) aligned, there is considerably greater scope for differences over Afghanistan. China's heightened interest in seeing a stable outcome there is not wholly consonant with Pakistan's demonstrated willingness to sustain ongoing conflict in Afghanistan when other strategic imperatives weigh more heavily. Beijing's growing involvement in the broader region comes with substantial opportunities for Pakistan, particularly in the economic sphere, but also a new set of pressures. For the most part, though, this is a relationship that is going through an upswing. During a phase when China is placing greater attention on friends and allies, Pakistan occupies a privileged position. Its central role in Xi Jinping's signature foreign policy initiative, the Belt and Road, has resulted in an unusual level of energy being put into ties with Islamabad. And China is now more willing to embrace the relationship openly, in marked contrast to the period when this was a relationship to be preserved and defended but not advertised. In the year since Xi's visit, we have heard previously unfamiliar language being used by leading Chinese thinkers that Pakistan is China's

“one real ally” and that the relationship is a “model to follow”.

In the context of the US-China relationship, this rebalanced framework is leading to a greater congruence in views between Washington and Beijing. Many of the steps that China has been taking – supporting infrastructure development in Pakistan, more active Chinese efforts to utilize its relationship with Islamabad to address Afghanistan’s future, and even a degree of pressure from China on Pakistan’s internal militancy issues – have been urged on Beijing by the United States for some time. This does not imply that there will be active Sino-US coordination of the sort that has been in evidence in Afghanistan, but it is a very different context from the period when the China-Pakistan relationship was primarily of interest to the United States as a proliferation concern, and where Chinese officials were moved to rebuff US pressure with the line: “Pakistan is China’s Israel”.

**OPENING STATEMENT OF DR. DANIEL S. MARKEY
SENIOR RESEARCH PROFESSOR IN INTERNATIONAL RELATIONS AND
ACADEMIC DIRECTOR, GLOBAL POLICY PROGRAM, JOHNS HOPKINS
UNIVERSITY SCHOOL OF ADVANCED INTERNATIONAL STUDIES; ADJUNCT
SENIOR FELLOW FOR INDIA, PAKISTAN, AND SOUTH ASIA, COUNCIL ON
FOREIGN RELATIONS**

DR. MARKEY: Thank you. Thanks to the Commission for this opportunity. Thanks also, and let me make this clear, as a researcher, thanks for your prior hearings, particularly the one that Andrew mentioned on Central Asia. For those of us outside of this room, I think this has been a very valuable thing, and if I could make a plea, that you might do another one, but this time China looking--or looking at the China-Middle East relationship. This might be an interesting next step. Maybe you've considered it or not, but with some of the developments. I'll just say for my next book, it would be very helpful.

[Laughter.]

DR. MARKEY: So I appreciate it.

Let me, let me try to focus my comments on three areas: first, the goals of the CPEC, or China-Pakistan Economic Corridor, as seen from Pakistan and Chinese perspectives; second, where I perceive U.S. and Chinese interests overlapping or diverging in this region; and third, some recommendations for U.S. policy.

So, to begin, what are the goals for CPEC? I was just in Pakistan so I feel that I have a somewhat better sense as to how they're thinking about it than I do about how the Chinese are thinking about it, but I have been to Beijing on a number of occasions, and here I think the view is that this is a strategic bet by China, and it's a bet that is based on the assumption that development yields security, and that in China's western reaches and its western neighborhood, whether it's One Belt, One Road, or CPEC, or some of its other initiatives, there's a fairly linear relationship between promoting development and getting security.

Now, we can all have questions about how wise this bet is, and how likely it is to come out positive, but that's the bet that they're making. And that's their goal. To boil it all down.

From the Pakistani perspective, there's both a strategic and a political bet that's being undertaken right now. Let's start with the easier one. The political one is that the current Pakistani government, Nawaz Sharif's government, believes that within the next couple of years, it can see some "early harvest" projects, is what they call them, come out, whether energy projects or roads, backed by Chinese investment, which will help them win the next elections. So that's the bet that they're making, and they're willing to do a lot to make that happen.

And then the strategic bet, which is a broader one made by the Pakistani state, and by this I mean it includes the military, is the notion that with massive or significant, at least, Chinese investment, they can begin to turn the tide in Pakistan at a broader level. They can begin to stabilize their economy, then to stabilize their politics, and then to find security internally.

So that bet is similar to the Chinese bet, and they're more or less on the same page with that. Wise or not? That's still an open, open issue.

All right. So my second point: where do U.S. and Chinese interests overlap in Pakistan? I think we have to begin with the counterterrorism agenda, and here we see a significant overlap in terms of top level rhetoric. Both the United States and China have

problems with Islamist extremism or jihadism, and both of them are eager to fight Islamist groups, militant groups, based inside of Pakistan or into Afghanistan and Central Asia. That's the convergence.

The divergence is they have very different priorities about which groups they want to target. So whereas the Chinese are principally concerned about ETIM or Uighur separatist groups, the United States, obviously, more concerned about global terrorist groups. Chinese obviously not interested in anti-Indian terrorist groups, like Lashkar-e-Taiba, in ways that I think we are increasingly concerned about. Okay. So that's point one.

Point two: both of us do--that is the United States and China do--have an interest in avoiding all-out war between India and Pakistan. But then after that, the question of the nature of our relations with India, as I think we heard in the previous panel, diverge markedly. So I'll leave that there.

In Afghanistan, we both at the moment--we and the Chinese--have an interest in seeing a reconciliation process move forward. That is a process of basically a peace process that includes Afghan Taliban. We're both interested in that. We both have an interest in some degree of political stability inside of Afghanistan. But our time lines and our priorities, again, differ with the Chinese.

We I think have fairly short time lines for political and other reasons. The Chinese, I think, see Afghanistan in a much longer time frame, and so their concerns about whether the peace process bears fruit this summer, where we're particularly focused, is less important than what Afghanistan looks like five years from now, and so you can see where that plays out differently.

Last, on Pakistan itself, we both want--we and the Chinese both want to see a politically stable and secure Pakistan, and here is where I think you might see the most potential overlap from a policy perspective in terms of the kinds of investments that might make that happen.

Now, as I said before, the Chinese strategic bet is that investments in Pakistan's development will eventually bring stability. We've tried a similar approach through direct assistance to Pakistan over more than a decade, and now the question is whether some of our continuing assistance to Pakistan might overlap in useful ways with the Chinese projects that they have in mind? In other words, can we do development, if not together and cooperatively, in ways that are more or less harmonized that bring together greater stability inside of Pakistan?

Now, let me shift last to some specific recommendations and observations about what the United States can do. I would say overall, China's involvement in Pakistan offers the United States a timely opportunity to really recast our broader strategy in Pakistan. There are benefits--and I heard this certainly from the U.S. Embassy during my last trip--there are benefits for China playing a more front and center role in Pakistani politics and strategic thinking and having the United States step back out of the limelight, which at least in our embassy is seen as a positive change.

If we become less radioactive or less of a focus for the Pakistanis, then I think that also provides opportunities to do more, but to do it more quietly, maybe to do it in a more narrowly or targeted focus, and maybe to do it in a way that will be more politically stable or sustainable here in the United States as well.

And it's on that point, the political sustainability, that I'll conclude, and because it's really related to the principal tool that you have or that Congress has at its disposal, which is money, which is assistance, and what we ought to do for U.S. assistance for Pakistan moving

forward. That's our principal point of leverage. And here I would say we ought to, and we are, I think, rethinking the form of that assistance to Pakistan, but it's a complicated issue, and this came out in some of the earlier conversations.

And I'll just make three basic points on it. One, don't overestimate the leverage from any U.S. assistance to Pakistan. That we do at our peril.

Second, we should seek much greater clarity on ends and means for our assistance. We should know specifically if there is a dollar being given to Pakistan, what we realistically expect that dollar to do.

And the last point, relating more to the China angle, don't make assumptions that our assistance is either in conflict with or necessarily complementary to what the Chinese are doing. We're acting independently. We need to continue to see our efforts in Pakistan with Pakistan in ways that are potentially harmonized and useful ways with the Chinese but also will be justified independently by our interests and not by what the Chinese are doing. And I'll leave it there.

**PREPARED STATEMENT OF DR. DANIEL S. MARKEY
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FOREIGN RELATIONS**

**Testimony before the U.S.-China Economic and Security Review Commission
China and South Asia**

March 10, 2016

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Members of the Commission,

Thank you for this opportunity to address you today as part of your hearing on China's role in South Asia. It is an honor to participate with other leading experts on this topic. As you have offered a series of questions to guide our discussion, I have endeavored to answer each question in turn. My answers tend to reflect a South Asia-heavy perspective and are informed, in part, by a recent research trip to Pakistan.

Let me observe from the outset, however, that the topic is an extremely timely and exciting one. China's new initiatives and ambitions should make it clear that we must focus greater attention on strategic connections across Asia and not be wedded to a longstanding tradition of stove-piping our policy and academic research between East, South, Central, and West Asia. Over the coming decades, as the region becomes increasingly interconnected, our strategies and policies must keep pace.

1. Describe the tenor of China-Pakistan relations in recent years. To what extent has the Xi Administration pursued relations with Pakistan similarly to or differently from previous administrations?

The China-Pakistan relationship has experienced a burst of high-profile activity in recent years, centered on the China-Pakistan Economic Corridor and linked to China's broader ambitions for its western periphery. But there is also much continuity in the relationship.

Continuity: China under the Xi administration will continue to back Pakistan's military. The joint development of the JF-17 fighter jets is an example of conventional defense cooperation, but past history suggests that China will quietly work with Pakistan on nuclear and missile programs as well. Continuity clearly also extends to the diplomatic and political arena, where the two sides profess deep and abiding friendship and have a long history of cooperation in

international forums like the United Nations. On the trade front, continuity prevails in the form of overall growth as well as a mounting surplus of Chinese exports to Pakistan.¹

Change: The Xi administration's ambitious "One Belt, One Road" (OBOR) initiative places Pakistan in a different strategic framework for Beijing. Although Pakistan has held utility to China for decades since the early 1960s, principally as a reliable and cost-effective means to balance India, now Pakistan also serves as something of a pilot project for OBOR, where a first round of infrastructure and energy investments is already underway.

In addition, although cooperation on counterterrorism and in Afghanistan has been a feature of Sino-Pakistani relations dating back to the 1980s, China is now more directly involved in Afghanistan and more focused in what it is demanding from Pakistan on counterterror operations.

The most obvious instance of China's greater attention to Afghanistan is found in its decision to play a leadership role in the "reconciliation" dialogue between the Afghan state and the Taliban insurgency. U.S. and Afghan government officials hope that China's participation will place additional pressure on Islamabad to bring insurgent leaders to the negotiating table.

China's heightened concerns over Uighur separatist movements—sparked, in part, by several deadly terrorist incidents inside China—has motivated the Xi administration to place greater attention on stemming the tide of radical Islamist ideologies from its western periphery.² Although the number of anti-Beijing terrorists is almost certainly tiny, China has placed significant pressure on Pakistan to "do more" to deny these groups sanctuary on its soil. Pakistan, accordingly, has highlighted its actions against the East Turkistan Islamic Movement (ETIM) in the context of military offensives along the Afghan border.³

More broadly, at least part of Beijing's motivation for investing in the countries of its western periphery lies in the belief that economic growth will undercut the appeal of fanaticism and that a stable periphery is required to build stability within China's western provinces.

¹ Total bilateral trade between China and Pakistan grew from slightly over \$1 billion in 1995 to over \$16 billion in 2014, but whereas Pakistan's exports to China have grown roughly twelve-fold (to \$over 2.7 billion/year), imports from China to Pakistan have grown nearly twelve-fold (to over \$13 billion/year). Statistics gathered from <http://comtrade.un.org/data/>.

² Benjamin David Baker, "Pakistan Announces That It Has Defeated ETIM. So What?," *The Diplomat*, October 22, 2015 accessed at <http://thediplomat.com/2015/10/pakistan-announces-that-it-has-defeated-etim-so-what/>; "Reports: Unrest in China's Xinjiang Kills 35," *CNN*, June 28, 2013 accessed at <http://edition.cnn.com/2013/06/27/world/asia/china-xinjiang-violence>; "Chinese police say Tiananmen Square crash was 'premeditated, violent, terrorist attack'," *Washington Post*, October 30, 2013, accessed at https://www.washingtonpost.com/world/asia_pacific/chinese-police-say-tiananmen-square-crash-was-premeditated-violent-terrorist-attack/2013/10/30/459e3e7e-4152-11e3-8b74-d89d714ca4dd_story.html; "China mass stabbing: Deadly knife attack in Kunming," *BBC*, March 2, 2014, accessed at <http://www.bbc.com/news/world-asia-china-26402367>; "Knife Attack at Xinjiang Coal Mine Leaves 40 Dead, Injured," *Radio Free Asia*, September 22, 2015, accessed at <http://www.rfa.org/english/news/uyghur/attack-09222015150820.html>.

³ See, for instance, the June 16, 2014 Inter Services Public Relations press release No PR126/2014-ISPR accessed at https://www.ispr.gov.pk/front/main.asp?o=t-press_release&id=2577.

2. What are the main objectives and concerns guiding Pakistan’s economic engagement with China? What are the key drivers of the China-Pakistan Economic Corridor (CPEC) for China and for Pakistan? Who are the major stakeholders in the CPEC projects in China and Pakistan?

Pakistan has political and strategic aims for CPEC. Politically, the civilian government of Prime Minister Nawaz Sharif perceives that by delivering a range of “early harvest” projects—primarily in the area of energy and transportation infrastructure—it will have a strong case to make in the next round of national elections in 2018. Strategically, Pakistan’s current civilian and military leaders appear to believe that Chinese investments are the best way to turn the nation’s sagging economic fortunes and strengthen the state against challengers, both foreign and domestic.

Thus, CPEC benefits from the support of nearly all major stakeholders in Islamabad. This is also true in Beijing, where CPEC enjoys the blessing of President Xi Jinping, which empowers bureaucrats charged with the planning and implementation of the effort.

Beyond that, many different parties are involved in CPEC on both sides. The Pakistani civilian government is shepherding its initiatives through the Ministry of Planning, Development and Reform, but it is also clear that other power players of the Nawaz Sharif government—including the ministries of Finance and Water and Power as well as provincial governments—are involved in different aspects of planning and implementation. The military is also playing a leading role, first by standing up a new force to secure CPEC projects and workers, and also by using its own Frontier Works Organization for roads and other projects in parts of the country particularly hard-hit by violence.⁴

On the Chinese side, the National Development and Reform Commission (NDRC) has participated in a series of working groups with its Pakistani counterpart in a Joint Cooperation Committee, and relevant experts from both sides have participated in Joint Working Groups on energy, infrastructure, Gwadar port, and long-term planning. Chinese companies are involved in projects and bidding for new ones, many of which are being financed by concessional rate loans from China’s EXIM bank.

3. How does Beijing conceive of the role Pakistan plays in bolstering China’s energy security?

Pakistani briefings on CPEC almost always stress the fact that an overland energy corridor through Pakistan to the Arabian Sea trims thousands of miles off the maritime route between China and the energy-rich Gulf States. And it is conceivable that one day a combination of roads, rails, and pipelines could offer China a partial alternative to the Malacca Strait, where 85 percent

⁴ Syed Raza Hassan, “To protect Chinese investment, Pakistan military leaves little to chance,” *Reuters*, February 7, 2016 accessed at <http://www.reuters.com/article/pakistan-china-security-gwadar-idUSKCN0VH06F>; “Linking Gwadar: FWO pulls off rare road building feat,” *Express Tribune*, July 23, 2015 accessed at <http://tribune.com.pk/story/924783/linking-gwadar-fwo-pulls-off-rare-road-building-feat/>.

of its oil imports and more than 35 percent of its liquefied natural gas imports now flow.⁵

Yet it is hard to believe that many serious Chinese analysts see CPEC as a realistic solution to China's Malacca dilemma, at least not in the short-to-medium term future. 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.⁶

That said, Pakistan offers China a long-term western access route that Beijing is not in a position to ignore. Depending on Chinese demand, Pakistani stability, and the state of the global energy market, it is at least conceivable that several decades from now Pakistan could become a viable energy artery into China's western provinces.

4. How does the Sino-Indian competition for influence in South Asia inform China's economic relationship with Pakistan?

It is important to begin by recognizing that China's trade and investment relationship (and potential) with India is greater than with Pakistan.⁷ Although China and India are wary neighbors and their relationship has the potential to become even more competitive over time, the two also (like China and the United States) appreciate the imperative for economic cooperation.⁸

That said, CPEC must be recognized as a strategic tool for China. China bolsters Pakistan's economy in part to preserve Pakistan's traditional role as a strategic distraction for India (if not a full balancer or rival). And as China's naval ambitions grow, Pakistan's location along the Arabian Sea holds obvious appeal as well. Gwadar port may never achieve significant commercial success, but as a real or potential base for Chinese warships, it undoubtedly expands China's range of strategic options.

5. How does Pakistan conceive of its relationship with China vis-à-vis India and the United States?

Some Pakistani strategists portray tighter relations with China as a strategic masterstroke, both with respect to India and the United States.⁹ By their logic, an increasingly powerful China will serve as an even more effective external balancer against the India threat, thereby neutralizing Pakistan's main enemy and possibly even forcing New Delhi to deliver concessions in their outstanding disputes. Simultaneously, Pakistan can use U.S.-China competition to its advantage,

⁵ "China," *U.S. Energy and Information Administration*, last updated May 14, 2015 accessed at <https://www.eia.gov/beta/international/analysis.cfm?iso=CHN>.

⁶ "World Energy Outlook 2015," *International Energy Agency*, 2015, accessed at http://www.iea.org/publications/freepublications/publication/WEB_WorldEnergyOutlook2015ExecutiveSummaryEnglishFinal.pdf

⁷ Total China-India trade in 2014 was over \$70 billion, as compared to \$16 billion between China and Pakistan. Statistics from <http://comtrade.un.org/data/>.

⁸ This is a point I make in my recent Council on Foreign Relations *Contingency Planning Memorandum*, "Armed Confrontation between China and India," accessed at <http://www.cfr.org/china/armed-confrontation-between-china-india/p37228>.

⁹ Author interviews in Islamabad, February/March 2016.

encouraging Washington and Beijing to enter a bidding war for influence in Pakistan and extracting maximum benefits (with minimal conditions) along the way.

But there are significant flaws with this Pakistani narrative. First, China's willingness to back Pakistan must be weighed against Chinese economic interests in India and, more generally, against China's interest in the stability of its neighborhood. On every recent occasion of Indo-Pakistani tension, China has counseled restraint from Pakistan; Beijing seems to have little desire to advance Pakistan's territorial claims against India; and on multiple occasions, most recently in the Kargil conflict of 1999, China refused to save Pakistan from serious military setbacks against India.

Second, few U.S. policymakers perceive the need to compete with China for influence in Pakistan. The U.S.-China competition is not the same as the U.S.-Soviet Cold War game of competing alliances, and for various reasons it may never be. Moreover, far from being a "strategic prize," Pakistan is widely perceived in Washington as a weak, possibly failing state—a place where the United States would prefer to be less involved if not for persistent concerns about international terrorism and nuclear proliferation. By now, American frustration with Pakistan is high enough that dropping Pakistan into China's lap holds at least some appeal. In short, if Pakistanis attempt to play the "China card" with the United States, they are more likely to irritate U.S. officials than to worry them.

6. Where do U.S. and Chinese interests converge and diverge regarding Pakistan? Assess opportunities for U.S.-China cooperation regarding Pakistan (including but not limited to those related to Afghanistan).

Washington and Beijing are both interested in fighting Islamist terrorist groups in Pakistan, but they hold different priorities about which groups are most threatening. Where China prioritizes the Uighur threat and shows no concern about anti-Indian groups (like Lashkar-e-Taiba), Washington has generally placed its greatest emphasis on fighting international terrorist organizations like al-Qaeda.

This mismatch in prioritization has generally stifled meaningful counterterrorism cooperation between Beijing and Washington, and while efforts to explore better working relationships in these areas should be encouraged, they are unlikely to pay off in the near term. Looking ahead, closer China-Pakistan ties need not pose obstacles to U.S.-Pakistan counterterror efforts, and U.S. officials will want to avoid perceiving cooperation with Pakistan as being in competition with the Chinese, even as Pakistani officials may attempt to spur precisely that reaction.

Both China and the United States also share an interest in avoiding all-out war between Pakistan and India, although their other views on India differ markedly. U.S.-China cooperation in crisis management has helped reduce tensions in recent Indo-Pakistani disputes. Additional discussions between Washington and Beijing on how better to coordinate their tactics along these lines would be worthwhile.¹⁰ It is less clear that Washington and Beijing can play a greater role in mediating the underlying differences between India and Pakistan, as the greatest progress toward

¹⁰ For more on this topic, see my chapter on "Pakistan Contingencies," in *Managing Instability on China's Periphery* accessed at <http://www.cfr.org/asia-and-pacific/managing-instability-chinas-periphery/p25838>.

normalization is more likely to come through direct talks between top Indian and Pakistani leaders.

In Afghanistan, Chinese and American leaders are united in wanting to advance the process of a political settlement that would end the Taliban insurgency, but their timelines and priorities differ. Washington's political timelines and desire to reduce its military presence in Afghanistan undoubtedly helped to spark China's unprecedented diplomatic engagement in the Quadrilateral Consultative Group, but Beijing is generally less time-sensitive, more concerned about long-term, post-NATO conditions in Afghanistan as they relate to regional conflicts, and eager to avoid taking sides in a conflict that could range for many more years. The most Washington can hope is that Beijing will see a near-term political settlement in Afghanistan as a better bet than any of the alternatives, and will therefore encourage Pakistan to facilitate that outcome (as much as it is able).

Finally, both sides would prefer to see a politically stable and secure Pakistan, one that is more able to address the economic needs of its fast-growing population. Here is where one would expect that the United States and China would find the most room for harmonizing their development efforts in Pakistan, if not coordinating them in a deeper sense. U.S. assistance programs, especially in the areas of infrastructure, could be linked to Chinese projects in ways that are mutually beneficial. For example, where China is building a power plant, the United States can help improve the capacity of electrical transmission lines or connecting rail. Over time, such steps should improve the chances that U.S. investors also see an attractive environment for their own projects where currently the risks and challenges are too great.

That said, the United States and China clearly differ on the issue of how political systems relate to peace and development. Whereas the United States can be accused of hypocrisy in its on-again, off-again application of democratic principles to policy in Pakistan, China simply has no such aspiration. As a practical matter, for the time being both sides will continue to work with Pakistan's civilian institutions, knowing that the army dominates national security and foreign policy and calls the shots on much else as well, including its own budget. U.S. policies would be complicated, however, if the army were to reassert direct control over civilian institutions as it has during long periods of Pakistan's independent history.

7. The Commission is mandated to make policy recommendations to Congress based on its hearings and other research. What are your specific recommendations for congressional action related to the topic of your testimony?

CPEC and the overall intensification of China's role in Pakistan offer Washington a timely opportunity to recast U.S. strategy in Pakistan. There are benefits to the United States of playing a role in Pakistan that is less "front and center" than it has been since 9/11. With China catching more attention, Pakistani expectations for the United States have already been reduced in ways that, ideally, should permit U.S. officials to continue to focus on areas of greatest priority without some of the radioactive political baggage of the past.

Given persistent U.S. concerns about terrorism, nuclear proliferation, the war in Afghanistan, and Pakistan's own fight against internal insurgency, Washington has every reason to remain

involved in Pakistan, if with an agenda that is more targeted, politically sustainable, and clear about U.S. ends and means.

For the Obama administration and its successor, this suggests the need to exploit the advantages of Chinese involvement in Pakistan without getting sucked into a needless competition for “influence.” The United States should rest assured that it offers Pakistan opportunities and resources that China cannot, and therefore that U.S. influence and access will not depend on Chinese policy.

Moreover, because U.S.-China tensions are high in many other areas, in Pakistan (and Afghanistan), we should actively seek out opportunities for cooperation, even if only at a tactical or operational level. Where U.S. civilian assistance can help to enhance the viability of CPEC projects in ways that create jobs, growth, and incentives for additional outside investment that should be a priority. This will require active diplomatic outreach to both Chinese and Pakistani counterparts, recognizing that, at least initially, they may be skeptical about U.S. goals.

For Congress, the primary question for U.S.-Pakistan relations is how best to structure U.S. civilian and military assistance programs. In general, we suffer from a too-frequent inability to link ends and means in a credible manner, leading skeptics to doubt the wisdom of our assistance.¹¹ There is a constructive role for U.S. aid to Pakistan, and it should include development funds intended to improve the potential for security over the long run. Where possible, these should be harmonized with Chinese efforts as a means to enhance the efficacy of both.

In addition, no matter China’s policies, U.S. military assistance for objectives shared with Pakistan—namely the fight against anti-state insurgents like the TTP—should continue as long as those threats persist and where our specific goals overlap. Other U.S. assistance to Pakistan, much of which has been conceived as leverage to advance our aims in Afghanistan or to encourage other Pakistani reforms in their economic or military policies, will hold value if it is tied to conditions with flexibility appropriate to our purposes and realistic expectations about Pakistan’s likely strategic choices culled from recent and historical experience.

¹¹ Daniel Markey, “Stop Writing Pakistan Blank Checks,” *Foreign Policy*, February 18, 2016 accessed at <http://foreignpolicy.com/2016/02/18/pakistan-corker-military-aid-blank-checks-corruption-terrorism/>.

**OPENING STATEMENT OF MS. SHAMILA CHAUDHARY
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MS. CHAUDHARY: Thank you to the members of the Commission and staff. I'm especially appreciative of the subject of today's hearing. As a former policymaker, I often struggled with having enough information to even come to a concrete analysis about the--[microphone off].

I was saying that as a former policymaker in the U.S. government, I often struggled with having enough information about this relationship to make concrete analyses of the impact on U.S. interests, and so I think that the more information that we can generate and analysis, the better off we'll be even though the United States will have, may have a limited role in this relationship.

So let me start with what we know about China-Pakistan. We know that for over six decades, China has stood by Pakistan's side as a pillar of its foreign policy, as a major developer of its military and nuclear capabilities, as an ally in the region but also in multilateral settings such as the United Nations, and as a trusted intermediary with India and the United States when the going gets tough.

And none of that seems to be changing, but the relationship itself is transforming and expanding because of geopolitics in the region, the poor security situation in South Asia, as many of us have referenced, and growing energy demands. The U.S. drawdown in Afghanistan is also playing a factor in the strategic calculus between the two countries, as well as instability in the Middle East. I haven't heard that talked much about today, but I do think that that's factoring into their thinking, and in particular also what's happening with the United States and Iran. That's very much on the minds of the two countries.

And all of those more regional drivers serve to align China-Pakistan relations. And then closer ties are also the result of those mutual concerns on counterterrorism, specifically Uighur militants and their relationships with Pakistani militants. And so as a way to address these changing challenges, Pakistan and China now view regional connectivity and economic diversification as mechanisms to promote their national interests, and I think this is a very interesting and intriguing development.

It's something that U.S. policymakers often thought they could do with the Pakistanis, that with just enough money and investments, we could change their security policies and the situation on the ground. And so the current state of the China-Pakistan relationship is really embodied in that \$45 billion package and set of projects, which will alter the balance of power in the region, and it will definitely have ramifications on internal politics in Pakistan, its economic viability and relations with its patrons and neighbors, and I'll try to talk a little bit about the internal political side of it and also Pakistani perspectives.

At the same time, we look at these changes and think what can this do for the United States and our interests in the region? Can we actually benefit from Chinese efforts to promote stability inside Pakistan but also elsewhere in the region? And I think that's a very big question right now.

Within Pakistan, there's definitely a combination of political will and economic necessity that's driving this expanded relationship with China. Prime Minister Nawaz Sharif believes that China can help with Pakistan's energy crisis. There are 16 to 18 hours of energy shortages a day, and that's not really a shortage; that's just no electricity. And he believes that China can help Pakistan diversify traditional strategic alliances, as we see U.S. congressional

support for Pakistan waning and sectarian tensions with Saudi Arabia are complicating that relationship with Pakistan. There really hasn't been a true challenge to that, to that access, and I think we're seeing that happen with instability in the Middle East.

So as we look at CPEC as something that comes with great promise, we have to recognize that there's great risk as well. The Pakistani government has been, I think they've been more honest than not about the challenges it poses. They recognize that they may not meet the Chinese time line due to capacity issues, bureaucratic delays, and the very real security issues.

And so what I see happening right now--it's already started--is that this CPEC endeavor will lead or could lead to a prolonged struggle over access to resources between opposition parties in Pakistan, provincial leaders, provincial leaders in the provinces that are less economically developed, and who might see this as an opportunity for them, and they all suspect that government nepotism will guide the CPEC process, which is just the reality of doing business in Pakistan.

And they're also concerned about the physical security of the route, which does snake through a part of disputed Kashmir and west of Balochistan, and in response, the military has committed this ten to 12,000 soldier force to protect the route, but this is a huge commitment for a country that's very stretched in the tribal areas and has been struggling to get a strong presence up there. So think about what that means about how they see China and its investments there.

But it also testifies to fear, to Pakistani fears that if implementation takes too long or if it's too difficult, or overly complicated, that China may explore other options such as Iran. I actually had a senior Pakistani government official say this to me very directly, that they may go to Iran. So I think that's, I think that's very interesting considering what's happening with the U.S. and Iran as well.

Within Pakistan amongst the elites, there is, they're divided on CPEC's chances of success. Many of them, as we've all heard, they have high expectations of Chinese commitments, and this is the result of the government's lofty rhetoric. That rhetoric is really a tool that gets used by the government to placate public criticism during times of economic and political insecurity.

It can be used any time. It doesn't have to be about CPEC. It can be about the U.S. withdrawing or putting conditions on aid. It can be about not giving them F-16s. It can be about something that India is doing or just that there are energy shortages. So it's a tool that they like to keep in their back pocket.

There's a lot of skepticism of CPEC in Washington and New Delhi, and the civilian and military officials in Islamabad recognize that, but they have a very bullish perspective on what China can deliver. These are the most positive views you'll hear.

The private sector, however, I would say, is much more cautious as they have seen large-scale projects run by the Chinese in Pakistan just stall and haven't been able to get the funding for them, and so they're a little bit more cautious about that, and also there is a free trade agreement between Pakistan and China, and the private sector and the traders have seen that do significant harm to smaller industries, and they would not like that to happen again through CPEC.

And the Pakistani activist community is also very skeptical about the impact of this construction and other projects on local communities in not just the disputed areas but elsewhere along the route. Many of these people are already politically and economically marginalized, and this is not going to do much to help that, they suspect.

And so why are these perspectives so important to us? Why is recognizing Pakistani, the view of Pakistani people so important, especially towards China? And this is where I think what gets missing in the Washington conversation about this. CPEC is acknowledgement that China, a great power--right--with great influence on the world stage, has enough confidence in Pakistan to make long-term commitments like this.

So even if nothing happens in the next coming few years, these are long-term commitments, and these are commitments that the United States was incapable of making, and commitments that will allow Pakistan to redefine itself as it struggles to escape from this dark shadow of terrorism and instability that itself has actively promoted through its national security policies, but still it blames a lot of other countries for that, too.

So this is really a big opportunity for the psychology of the people in the state. And as they're trying to expand these ties, there has been success, or some progress, you could say, on counterterrorism, specifically in limiting the ability of Uighur militants to operate alongside Pakistani militants in the tribal areas. These are all great developments, but they have raised the expectations that China can encourage Pakistan to play a more constructive role in counterterrorism, especially in Afghanistan and India.

And I really believe that these expectations are premature. There's just too much of ambivalent policy. China demands swift action on the Uighurs, but it has not really asked Pakistan to target the Afghan Taliban groups like the Haqqani network or anti-India militants in Punjab. So the focus on stability and security is very specific for the moment. That could change, of course, but I just think that given that ambivalent approach and very specific focus on terrorism, the U.S. should really temper its expectations that China can influence Pakistan's relationship with the Taliban.

In fact, I see the approach or the policies of China and Pakistan on the Taliban as very similar. There's a common interest in making sure that the Taliban doesn't support anti-China or anti-Pakistan militant groups. That's kind of the common interest. While both countries might be concerned about regional security, stability, that's not a priority. That comes second. And protecting American national security interests is further down the line so we have to keep that in mind.

And in responding to this growing relationship, I think the United States should consider the fundamentals of this relationship and how economic engagement will impact them. So, for example, China's supply of military equipment to Pakistan, its support to Pakistan's nuclear program, its support for Pakistan at the United Nations on difficult issues that it doesn't agree with with the United States, how are these things going to change because of this new relationship?

And so I think with some modest investments and sustained engagement and more information, I think we can get a better handle on this growing relationship, which is illusive but does not need to be.

In my written testimony, I've made several recommendations for what the United States should do. I won't mention them now, but they're centered around information sharing and engaging both the Chinese and the Pakistanis.

But moving forward, I would just say that the U.S. does need to be pragmatic about what we can expect China and Pakistan to deliver from these very ambitious economic commitments. No one donor relationship is going to stabilize Pakistan. The United States hasn't been able to do it after several billions of dollars, and so I think there are a lot of institutional changes within Pakistan that have to change to get us there, and at the same time, even though

Washington's ire with Pakistan fluctuates from time to time, our focus on its internal stability should not, and we should find ways to stay focused in that area.

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**Testimony before the U.S.-China Economic and Security Review Commission
Hearing on China and South Asia**

For over six decades, China has stood by Pakistan's side as a pillar of its foreign policy; a major developer of its military and nuclear capabilities; an ally in the region and multilaterally; and a trusted intermediary when tensions with the United States and India flare up.

This relationship is now in flux. The traditional framework for pursuing their national interests is no longer sufficient for China or Pakistan. Due to changes in geopolitics, the deteriorating security situation in South Asia, and growing energy demands, Pakistan and China now view regional connectivity and economic diversification as major drivers in protecting their national interests in the region. Their joint economic expansion, embodied in the \$45 billion China-Pakistan Economic Corridor (CPEC) project, promises to alter the balance of power in the region. It will also have ramifications on Pakistan's internal politics, economic viability, and relations with its traditional patrons and neighbors.

While the new framework may seem to exist at the expense of the United States, it also offers a potential opportunity for the United States to benefit from Chinese efforts to promote stability in Pakistan and the region. Through modest investments, sustained engagement, and more information, it is possible for the United States to better understand and manage the elusive but critical Pakistan-China relationship. The United States must do so, however, with strong pragmatism about how much China and Pakistan can deliver on their ambitious economic commitments and their subsequent impact on stability.

Deeper than the Atlantic and Pacific Oceans

At the Chinese-run port of Gwadar on Pakistan's southern Makran coast, a sign welcoming visitors reads: "*The Pakistan-China friendship is deeper than the Atlantic and Pacific Oceans.*" Chinese businessmen, Pakistani military officers, and a smattering of locals bustle about the port, which is a major hub of activity in the otherwise desolate and barren landscape of Pakistan's Baluchistan province.

Gwadar port, which China acquired in 2013, is a central node of China's strategy to improve Asian connectivity by building a new "silk road" and is the centerpiece of China's economic expansion into Pakistan. It will be a major link on CPEC, a massive collection of projects consisting of special economic zones, dry ports, rail links, energy, and other infrastructure

projects across Pakistan that will connect the major Chinese trading hub of Kashgar to the Persian Gulf.

Since the late 1990s, China-Pakistan economic ties have strengthened, partially due to a convergence of American, Pakistani, and Chinese security interests on the rising threat of Islamic radicalization. During former President Pervez Musharraf's tenure from 1999 to 2008, China began to view its "stake in Pakistan's economic success as a safeguard against the infiltration of Islamic radicalism into its restive Xinjiang province."¹ Likewise, Pakistan

"began to recognize the need for economic growth as a remedy against the rising menace of Islamic radicalization within society and subsequent risk of state failure... This took on new urgency, not least because of pressure from Washington, following the September 11 attacks on the US."²

When President Asif Ali Zardari was elected in 2008, he continued where Musharraf left off. Despite the broadly held view in Pakistan that Zardari was unpopular with the Chinese, he took innumerable private and official trips to China to discuss the possibility of many of the outcomes we witness today in CPEC. When the business-friendly government of Prime Minister Nawaz Sharif was elected in 2013, the tenor of the China-Pakistan relationship became markedly more positive in both public and private settings.

Three Mutual Interests

Underpinning that positivity are three mutual interests that guide the current direction of China-Pakistan relations.

First, both China and Pakistan seek to contain India and the United States. The 2008 passage of the U.S.-India Civil Nuclear Agreement signaled to Pakistan and China that India was the strategic partner of choice for the Americans, leaving Pakistan looking like a nuclear pariah and China the loser in its global competition with India. Additionally, Indian commitments to upgrade Iran's Chabahar Port, which is just 76 nautical miles from Gwadar, have renewed Chinese and Pakistani interests in containing India.

Second, both countries want to eliminate threats posed by closer links between al Qaeda, the Pakistani Taliban, and anti-Chinese Uighur militants belonging to the East Turkestan Islamic Movement (ETIM). China and Pakistan also want to prevent the ideologies of groups like the Islamic State from influencing anti-state militants in Pakistan and China – a motivation that grows out of the rising influence the Islamic State in South Asia.

Third, both countries seek greater economic diversification, energy security, and regional connectivity. China's commitments to countries on its peripheries is motivated by prospects of economic gains during a time of market instability. It is also seeking more efficient trade routes as part of its "One Belt, One Road" initiative. Pakistan's changing relations with traditional

¹ Matthias Hartpence, "The economic dimensions of Sino-Pakistan relations: an overview" in *The Journal of Contemporary China* September 1, 2011; p. 583.

² Ibid.

patrons like the United States and Saudi Arabia means that it too is looking for new ways to stimulate economic growth and end chronic energy shortages.

Regional Drivers of Change

The expansion of China-Pakistan relations has been shaped by a number of regional drivers of change in recent years.

Pakistan and China are concerned that the U.S. drawdown in Afghanistan will create a security vacuum in the region. While both countries have viewed the U.S. presence in Afghanistan as problematic, they still want to benefit from the influence the United States has on balancing power between the many stakeholders in the region. In the absence of that lever, China and Pakistan must rethink their respective policies on Afghanistan and how they might fill the void left by the United States.

Instability in the Middle East has pushed China and Pakistan closer together. China and Pakistan worry that the rise of the Islamic State in Syria and Iraq will further radicalize their own Islamist movements and sectarian groups. Additionally, Saudi Arabia's unmet requests for Pakistani cooperation in Yemen and Syria have added a layer of tension to Saudi-Pakistan relations, compelling Pakistan to invest more in its other alliances.

The U.S. opening with Iran and lifting of sanctions bolsters China's economic expansion in Pakistan. As talks on the U.S.-nuclear deal progressed in 2015, China committed to financing the construction of the long-delayed Iran-Pakistan pipeline, which will transfer gas from southern Iran to Gwadar as well as connect to the industrial hub of Karachi through already existing distribution systems. If successful, the pipeline would address Pakistan's energy crisis while also strengthening China's connectivity agenda in the region.

Domestic Drivers of Change

Within Pakistan, a combination of strong political will and economic necessity move China relations forward.

A "China deliverable" is a political win for the Sharif government. CPEC's focus on infrastructure and energy can help the Sharif government deliver on its campaign promise to end electricity shortages, reform the energy sector, and complete big-ticket infrastructure projects. If CPEC energy deliverables begin to show progress by 2018, as the government indicates, then Prime Minister Sharif will have a strong foundation to campaign on in the national elections that year.

China can bolster Pakistan's energy security. Pakistan desperately needs energy. Through a combination of Chinese financing, support from investors in the Middle East, and development assistance from donors like the United States, successive governments have repeatedly attempted to tackle the problems of the energy sector, which center on weaknesses in expanding power system capacity.

Due to the gravity of the problems, the crisis persists. In recent years, energy shortages have become more acute and resulted in protests and the destruction of public property. In 2013, Sharif set out an ambitious agenda to raise tariffs, increase generation, and improve efficiency by mobilizing private sector expertise, management, and finances. However, high costs of energy subsidies, ongoing circular debt issues, and lack of investment in infrastructure still prevent progress, making for a mediocre attempt by the Sharif government to solidify Pakistan's energy security. That is why the massive CPEC focus on energy, if successful, could be a game-changer for Pakistan.

CPEC will include 14 Chinese-constructed energy projects that will “provide an additional 10,400 MW of electricity by March 2018 – more than enough to make up for Pakistan's 2015 energy shortfall of 4,500 MW.” Combined with an additional seven other projects slated under the CPEC framework, “altogether these projects should eventually produce 16,400 MW of power, roughly the same as Pakistan's current capacity.”³

Pakistan seeks to diversify relationships with its patrons and neighbors. Both the United States and Saudi Arabia have come to Pakistan's aid during times of economic crisis with budget support, soft loans, and emergency assistance. However, as support for Pakistan in the U.S. Congress diminishes and Saudi-Pakistan relations grow tense, Pakistan realizes it may face limitations in securing financial and economic support through its traditional patrons. While Pakistan is not looking to replace those relationships, its expanded economic ties with China suggest an interest in other countries filling the void.

Pakistani Concerns about Engagement with China

Work on some CPEC projects has already started and a handful of rail and road projects are intended for completion by 2018. But Pakistani government still has significant concerns about its ability to keep up with the CPEC timeline, which aims for full operationalization by 2030.

Pakistan recognizes that its weak human resources capacity, especially in technical expertise, may cause delays both in implementation and in the sustainability of CPEC over time.

The implementation process could lead to a prolonged struggle between the center and peripheries of the Pakistani government over access to resources generated by CPEC. As an initial step towards mitigating such fears, Prime Minister Sharif hosted an All-Parties Conference last May to explain CPEC; he established a special bicameral parliamentary committee of top political leadership from all parties for regular oversight of CPEC; and he charged the Ministry of Planning, Development, and Reforms with formally conducting CPEC outreach.

But opposition parties viewed the information from these initial engagements with deep suspicion, fearing they will tilt in favor of Prime Minister Sharif's party, his home province of Punjab, and his businesses of choice. The outreach has also brought to light the complexity of issues involved in CPEC implementation and the many unanswered questions. For example, provincial stakeholders want more information on the exact route, the sequence in which it will

³ Shannon Tiezzi, “China Powers Up Pakistan: The Energy Component of the CPEC”, January 13, 2016, Available at: <http://thediplomat.com/2016/01/china-powers-up-pakistan-the-energy-component-of-the-cpec/> (Accessed March 1, 2016)

be developed, the timeline for its development, details on investments required to develop the route, and the sponsors involved.

Many Pakistani political analysts believe CPEC implementation will be a major test of Prime Minister Sharif's commitment to provincial autonomy, as the endeavor comes at a time in Pakistan's history when more power is being devolved from the federal government to the provinces. If opposition parties, private sector stakeholders, or local communities do not view CPEC outreach as transparent or as being unfairly fast-tracked, then the government will be vulnerable to public criticism, possible protests, and even violence by local militants in areas along the proposed CPEC route. If political infighting causes CPEC to fail, it could also negatively impact civilian ties with the military, which is the primary steward of the relationship with China.

The military faces challenges in managing security along portions of the CPEC route in disputed Kashmir and Baluchistan, where there is an ongoing local insurgency against the Pakistani military. Chinese workers and citizens face specific threats from Pakistani Islamists and by Baluch nationalists who view China's presence as an extension of Punjabi economic encroachment in the province. China also fears backlash from its own Uighur separatists residing in Pakistan. The largesse of CPEC makes protecting Chinese interests even more difficult. To mitigate Chinese concerns on security, the Pakistani military has committed a 12,000-member security force to protect the route.

This serious move by the military is a testament to ongoing Pakistani worries that if CPEC implementation takes too long, is too dangerous, or is overly complicated, that China may pursue other options, such as routes in Iran. Further raising these fears was the January 2016 trip of President Xi to Iran, during which media reported Chinese commitments of \$51 billion into Iran – a little over the amount committed to CPEC.

Pakistani Perspectives Unified on China but Divided on Chances of Success

Pakistani elites across the board are unified on China's role as an "all-weather friend" but are divided on the chances of success for renewed economic engagement.

Civilian and military officials in Islamabad are the most positive on China-Pakistan relations as they stand to benefit the most – politically and financially – from increased engagement. The shared political will among this group, which crosses the civil-military divide, is a major force behind CPEC. This group views China's growing economic and geopolitical influence in Asia as a hedge against the United States and India – and they want Pakistan to take advantage of that. This group's bullish perspectives on China-Pakistan relations serve as a counterweight to skepticism in Washington and New Delhi on the viability of CPEC. Others play the China card more directly - as one Pakistani government official recently told me, "it is important for the U.S. to keep some balance of power in the region," because it may not like who comes in after it leaves Afghanistan.

Many Pakistanis have high expectations of Chinese commitments. This is due to a common practice of the Pakistani government using China's "all-weather" friendship as a way to placate

public criticism during times of economic and political insecurity. The message is simple: *Pakistan should not worry because “big brother China” will always be there to help when everyone else abandons it.* The extent to which Pakistanis truly believe this varies, but it remains an unavoidable part of the political culture.

The private sector is much more cautious and realistic, knowing that large-scale projects with China have failed in the past and that deals, such as the 2007 Free Trade Agreement, were harmful to some Pakistani industries.

Pakistani activists are just as hawkish, viewing CPEC implementation in Baluchistan and Kashmir as threatening to local communities, who are already political and economically marginalized. They find little truth in statements like that of Sun Weidong, the Chinese Ambassador to Pakistan, who in 2015 told a gathering of Baluch tribal leaders and investors that CPEC would end unemployment in Baluchistan.

The variation in Pakistani perspectives on China is unified by one constant. In characterizing China as an “all-weather friend,” Pakistan’s relationship with China is *by design* intended to be in opposition to the United States, especially during times of crises for U.S.-Pakistan relations. The military and civilian leaders who have crafted and refined this approach over the decades have been successful in getting Pakistanis to subscribe to it, despite the fact that it has never truly lived up to its public expectations.

Recognizing the attitudes of the Pakistani people towards China is critical to understanding why CPEC is so important for Pakistan. CPEC is acknowledgement that China – a recognized power in the world – has enough confidence in Pakistan to make long-term and large-scale commitments that the United States was incapable of doing, allowing Pakistan an opportunity to redefine itself when its identity continues to fall under the dark shadow of terrorism and instability.

China-Pakistan Convergence on Regional Security, with Limits

As Pakistan and China expand economic ties, they have shown some progress on counterterrorism cooperation, mainly in limiting the ability of Uighur militants to operate alongside Pakistani militants. For example, Pakistan has closed Uighur settlements, arresting and deporting fighters. Another significant development has been Pakistan’s crackdown in North Waziristan on the al-Qaeda affiliated ETIM. Pakistan has also taken action against its own militants that have targeted Chinese interests in Pakistan, such as in 2007 when President Musharraf led a siege on the Red Mosque, a well-known militant seminary, after its students were involved in kidnapping Chinese nationals.

These developments have raised expectations that China can tip the balance on problematic Pakistani relations and actions in Afghanistan and India. However, the troubling asymmetry surrounding the terms of China-Pakistan counterterrorism cooperation rejects that view. For example, China demands swift action against Uighurs but assumes a less antagonistic approach to the Afghan Taliban. China has not asked Pakistan to target Afghan Taliban groups like the Haqqani Network, which threaten American and Afghan national interests.

China's participation in the quadrilateral peace talks with the Taliban does offer an opportunity to better understand the Chinese position on stability in South Asia. However, the United States should temper expectations that China can influence Pakistan's relations with the Taliban through the talks. The set-up actually enables China and Pakistan to strengthen their complimentary approaches to Taliban engagement. China needs to maintain relations with the Taliban so that it doesn't offer safe haven in Afghanistan for Uighur militants. Pakistan wants to use the Taliban to serve as a hedge against Indian influence in Afghanistan and to also ensure the Taliban doesn't offer safe haven for anti-Pakistan militants from the tribal areas.

Pakistan and China need to be part of reconciliation negotiations, but their involvement may not go outside seeking a limited peace with anti-Chinese militants in Pakistani and Chinese borderlands. Beyond this, we have yet to see how China and Pakistan can concretely work together and with others in a process to guarantee a comprehensive regional security.

A Stalled Peace with India

China-Pakistan counterterrorism cooperation does not feign to focus on the militancy problem in Pakistan's Punjab province, where anti-India militants, such as Lashkar-e-Taiba, plan attacks on Indian targets and support Taliban fighters in Afghanistan. As long as Pakistan addresses Chinese security concerns on the Afghanistan border, it is likely that the Chinese will continue to accept Pakistani inaction in Punjab – where the Pakistani military is far more entrenched with jihadist networks than on the Afghan border and where the Sharif government also deals more intimately with such groups.

Chinese expansion into Pakistan will be viewed by India as yet another attempt to contain it through economic and military ties with its neighbors. It may also have the added effect of tarnishing what little sentiment there is left in the Indian government for rapprochement with Pakistan. We should also pay attention to how this dynamic unfolds in Afghanistan, where India and China both maintain a significant economic and development presence.

Specific Recommendations for U.S. Action

While the parameters of CPEC have been made public, what remain unclear are the private conditions or terms associated with it. For example, what impacts will CPEC have on the more foundational aspects of the relationship, such as China's supply of military equipment to Pakistan, its support to Pakistan's nuclear program, and its support on behalf of Pakistan on the United Nations Security Council? These are important questions for the United States to consider as it attempts to make sense of China's growing role in Pakistan.

The lack of information, policy awareness, and available research on China-Pakistan relations makes it difficult to suggest recommendations for U.S. action. But the United States can get a better handle on this elusive but critical relationship with modest investments, sustained engagement, and more information.

Specific recommendations for U.S. action include the following:

Recommendation 1: The U.S. Congress should provide funding for independent studies, policy analysis, scholarly research, and conferences that will track, report, and inform on Chinese economic activities in Pakistan and its broader strategy to utilize South Asia in its connectivity agenda.

Recommendation 2: The United States should assess its current ability to report on China's growing role in Pakistan and South Asia, and the U.S. Congress should prioritize additional resources for expanded reporting of the subject in relevant U.S. embassies.

Recommendation 3: The United States should create a formal mechanism, built upon the conversations started under the U.S.-China Counterterrorism Dialogue, to engage China on counterterrorism issues in South Asia. Over time, such a mechanism could enable greater mutual understanding of U.S. and Chinese counterterrorism interests in the region and may even allow for selective information sharing with China on militancy in Pakistan and Afghanistan.

Recommendation 4: CPEC is a massive endeavor that will require complementary initiatives sponsored by other countries. The U.S. Congress should advise that portions of U.S. development funding to Pakistan be directed towards projects that complement CPEC goals, such as conducting environmental studies for proposed coal-based power plants or feasibility studies for transit infrastructure development.

Recommendation 5: Given the Chinese expansion of Gwadar Port and increased foreign country activity along the coastlines of Iran and Pakistan, the United States should consider creating a mechanism or platform that would enable it to have more in-depth conversations with Pakistan on maritime conduct and naval engagement.

Conclusion

Moving forward, the United States must be pragmatic about how much China and Pakistan can deliver on their ambitious economic commitments and their impact on stability.

The United States should look for ways to engage China on counterterrorism, but with caution, as China's foreign policy in South Asia continues to evolve and much remains to be seen of its direction. A watchful approach is all the more necessary as the terms of U.S. engagement with Pakistan still depend heavily on potential adjustment to the drawdown calendar in Afghanistan and on the tenuous security situation on the Afghanistan-Pakistan border.

The United States must also recognize that while Chinese support to Pakistan may alter the balance of the U.S.-Pakistan relationship, it will not replace it. Pakistan is still likely to seek American financial, development, and diplomatic support if need be – especially if any part of its government continues to support the U.S. counterterrorism agenda in the region.

Finally, no one donor or relationship can stabilize Pakistan. Even if CPEC was 100% successful, Pakistan's internal security situation requires more than energy and infrastructure investment to stabilize it. It requires a new system of governance in the tribal areas. It requires the state to be

strong enough to fight the growing influence of militancy that has roots in the country's national security policies. It requires greater investments in the Pakistani people.

Stabilizing Pakistan is a multifaceted approach that must be led by Pakistani institutions and leaders and aided by foreign partners. And while Washington's ire with Pakistan may fluctuate from time to time, its focus on its political and economic stability should not. Playing the long game with Pakistan is important, as we are learning more and more from the Chinese.

PANEL III QUESTION AND ANSWER

CHAIRMAN SHEA: Thank you, Ms. Chaudhary.

Commissioner Fiedler.

COMMISSIONER FIEDLER: Just a quick factual question. Has China deported any Uighurs back to China from Pakistan--I mean has Pakistan deported any Uighurs back?

MR. SMALL: Yes.

COMMISSIONER FIEDLER: How many?

MS. CHAUDHARY: Yeah.

COMMISSIONER FIEDLER: A lot?

CHAIRMAN SHEA: Please use the microphone. Thank you.

MR. SMALL: It has. We don't know, I think, what the total number is. I mean it would be, I'd say, in the tens rather than--I mean there's a total Uighur population in Pakistan of about 3,000. The numbers in the tribal areas were maybe as low as 80, 100. It's not been very large numbers so the numbers--I mean they have deported them when they've--when they've been caught, but the numbers have not been huge.

COMMISSIONER BROOKES: Those are militants, I assume, or what? These are people that Pakistan--that China has requested; is that what you're saying?

MR. SMALL: They're people that China has decided are militants.

COMMISSIONER FIEDLER: Yeah.

COMMISSIONER BROOKES: I just wanted to make sure what you were saying.

COMMISSIONER FIEDLER: Yeah, I mean I--you can never trust whatever the reason is. So I'm perhaps more cynical on the Chinese role in peace talks--okay--and given Pakistani behavior vis-a-vis the Taliban over the last decade or more. So something dramatic has got to change the Pakistani calculus about the Taliban for there to be true peace.

If the Chinese goal is, in fact, peace, then it seems to me that the selling out of the Taliban by the Pakistanis, if they were to do that, represents a big problem, and if they don't, it represents another problem. That's why I'm cynical about this.

And the treatment of the United States vis-a-vis the Taliban and the Pakistani intelligence services or whomever's relationship with the Taliban is sort of a pretty rotten example of that behavior. So I'm not convinced that that behavior changes. I mean you have to explain to me what changes that behavior in their calculus. Otherwise, you're giving up 20 years' worth of their policy.

DR. MARKEY: So your cynicism is well placed, of course. And what I think the best read on Pakistani policy with respect to reconciliation now is one of continuity, not change. That is the Pakistanis have been saying since 9/11 that the only way to resolve the conflict in Afghanistan would be to bring the Afghan Taliban factions to the table and to bring them into a broader political process--their factions and all the factions; right?

Now we are the ones who have altered our position on strategy in Afghanistan and the effort to reach out,--

COMMISSIONER FIEDLER: To get out.

DR. MARKEY: --right, and it's driven by our desire, yes, to get out, to get out, and to get out and leave some semblance of a settlement in place. And so you really have to read the Pakistani strategy as one of continuity. Now, the Chinese have changed, and I don't think we should overlook their behavior as a shift. Now, whether it's eyewash or whether it's serious, the

level of diplomatic engagement by Chinese in the Afghan reconciliation process is unprecedented.

They have convened meetings. We talked about the Quadrilateral Coordination Group. They have been at these meetings. They have actively pushed to have these meetings. My read on their calculation is that at some point they woke up and realized that the United States actually was leaving, and they too have a desire to see some degree of a political settlement that is stabilizing for Afghanistan, and that they perceive that playing a role in this doesn't undercut their relationship with the Pakistanis.

They play a neutral role, even with respect basically to the Taliban, so they maintain ties with everyone, and they win points with us for basically doing what we've been asking them to do for some time. So that would be my read on both of their--

COMMISSIONER FIEDLER: Before you answer, let me just add a question to the--how, how much do the Pakistanis actually control the Taliban; right? So clients have a way of getting uppity, right, every now and then.

[Laughter.]

COMMISSIONER FIEDLER: So I've got to wonder.

MS. CHAUDHARY: So, yeah, maybe I can talk a little bit about that, and I hope I don't get in trouble with my former employer.

COMMISSIONER FIEDLER: That's all right. It's okay.

MS. CHAUDHARY: So I'll try to answer it as directly as I can. So when we talk about what can China do for us vis-a-vis Pakistan and the Taliban, we often don't talk about what is it that Pakistan actually wants of the Taliban; what is it looking for out of this relationship, this client relationship? Why has this gone on for many years despite the amounts of money going into convince them otherwise?

And Pakistan wants a government in Kabul that is not anti-Pakistan and that's probably not too pro-India either. And historically they've used the Taliban for that purpose, and Pakistan helped create this organization, this political entity that we're calling the Taliban. They put money and investments into it because they also saw a pro-Pakistan government in Kabul as a way to protect whatever economic expansion, transit routes they were looking at, you know, into Afghanistan, into Central Asia, et cetera.

So there is a lot of thinking behind this strategy. It's not just one day they woke up, right.

COMMISSIONER FIEDLER: I agree. I agree.

MS. CHAUDHARY: So because of that--

COMMISSIONER FIEDLER: That's why they can't drop it.

MS. CHAUDHARY: Because of that, they can't drop it, and then there's the issue of the border provinces. There are, you know, Khost, Paktia, Paktika. These are provinces where the Taliban has traditionally dominated, the Haqqani network specifically, which is part of the Taliban, has dominated, and Pakistan has a very bad situation on the border. There are even, now there are more anti-Pakistan militants there, Pakistani militants. So all of these developments actually harden that client dynamic between the Pakistanis and the Taliban.

And the fact that China has gotten involved in this conversation actually strengthens the Pakistani hand, in my opinion. Some people think it may make Pakistan a little bit more cautious because Big Brother is watching and Big Brother is concerned about their own stability, but I don't think so.

It actually legitimizes Pakistan's role in the conversation, whereas if you didn't

have China involved, Pakistan is the duplicitous double-game playing, you know, nefarious state that sponsors terrorism. So it's a very interesting shift that has happened, and part of me thinks it has to happen because you need Pakistan at the table, you need the Chinese at the table, but we should not expect them to carry the U.S. water.

And one point on the U.S. We need to be a little bit more consistent in what we're asking for in these conversations. It's very difficult to say pound the Haqqani network, get rid of their safe havens. Get them out of your country. And at the same time, we would love you to have peace talks with the Taliban, and we would love you to just, you know, help us move this process along.

Well, that doesn't really make sense to those people on the ground. I mean they have a very different way of looking at this landscape, and so the U.S., the inconsistencies in the U.S. approach to terrorism have also contributed a little bit to that as well.

CHAIRMAN SHEA: Well, I'm going to ask a question. I'm glad you mentioned the words "double game." Maybe that's--I think that's two words. I read your book, Mr. Small, *The China-Pakistan Axis: Asia's New Geopolitics*, when it first came out. It's a good book. Thank you.

It was dense, a lot of names, a lot of places. You really got to keep, kept you on your toes. But after I read it, my impression was this is about China's security relationship with Pakistan's military and security services. There's some successes, but a lot of it was intrigue, chaos, backstabbing, double-gaming, overall chaos. I mean that was sort of the impression that I received after reading your book.

Now was that a misimpression or could you sort of describe a little bit about the relationship between Chinese security and the Pakistan security services?

MR. SMALL: I mean in the grand scheme of things, these are the intelligence services and security services that the Chinese probably trust most. You have these stories of the ISI and the Chinese, PLA naming their children after each other. I mean there is a relationship there that--and particularly I think because of the close cooperation on some of the very sensitive areas, on the nuclear side and things. There aren't really other cases that exist like that to that degree and over such a sustained period of time.

And what you have had in the last period, though, is this looming concern about what the relationship between the ISI and these militant groups looks like--who's playing who; what are the motivations? For China, the India framework has been a comfortable one and it's sort of been a secular one. It's been--the strategic logic behind it has been quite clean and clear.

What you had coming in in the last period of time was a set of doubts and lack of comfort about what the sort of religious elements and some of these other motivations look like. And so you started to get, if the Pakistanis weren't taking action against Uighur groups in North Waziristan, say, they may have had their own strategic reasons, but you started getting suspicions on the Chinese side, what is really behind this? Is this because there are sympathies in the Pakistani army for these groups?

What's--so you--although you have a certain backdrop of trust about the security relationship, the religious piece, I think, is the one area where the Chinese are not comfortable with all of what the Pakistanis are doing on that front. So I think you had a period where there was a lot of tension over some of these issues and what they saw as some of the motivations, and the long-term implications if the Pakistani army moved from being a sort of secular, whiskey-drinking, sending their children to schools in the U.S., into something that looked somewhat different.

What I think you've had--you've had a bit of progress on this in the last period of time. I do think the--under Raheel Sharif--I think the Zarb-e-Azb operation has made a bit of a difference because--

CHAIRMAN SHEA: What operation?

MR. SMALL: The Zarb-e-Azb operation, which was the Pakistani army's operation in North Waziristan. The Chinese had wanted to see action taken against these militant bases for some time. There's been resistance to it. The U.S. drone strikes have actually been the main way of taking out some of these individuals with intelligence coming from the Pakistani side.

The fact that they were willing to go ahead with that has meant that--you know, you had a long period of time in which you said where is the main external terrorist threat as China sees it located in Pakistan? Now I don't think that's true anymore, and that's been a development really in the last couple of years, and it's been a product particularly of this military operation.

I think it's been a standing irritant for a number of years. I don't think China's questions and doubts about where the Pakistani army is headed over the long-term have gone away, but I think it's taken out one of the points of sensitivity that was there about what's going on.

MS. CHAUDHARY: Could I comment on that as well?

CHAIRMAN SHEA: Yes.

MS. CHAUDHARY: I agree with everything he said. So Pakistan itself is not comfortable with the rising Islamist extremism in the country, and it's most evident in the kind of inability of the state to move either way. I mean the state has really been constrained in its desires to go after certain groups or to even say that blasphemy laws shouldn't exist, and really what has happened is Islamist extremism as a sentiment has become mainstream in Pakistan.

And part of it is related to this history of the military using militant groups as proxies, whether it's in Afghanistan or it's in India or elsewhere, or even within the country, and they are not able to detach that anymore because the groups have become too powerful. And partially or in part due to the rise of al-Qaeda and its ability to grow in these ungoverned spaces in the country, which they also haven't done anything about.

So they're really kind of trapped by their own double-game at this point and struggling for ways to get out of it, and I'm not, I don't think it's hopeless though. I mean we have seen like Nawaz Sharif, for example, is whatever is good for business is good for him is sort of the approach. And just yesterday, I think it was a well-timed piece in the Washington Post which talks about he's actually not as conservative as we think he is, and he would like to have a much more liberal Pakistan, and as soon as he said "liberal," everyone went crazy in the militant side or in the religious parties.

But you can see them trying to change the narrative a little bit. I mean I don't think that it's going to be easy, and it can't be separated from these national security policies they have, but I wonder how much of that is related to the prospects of Chinese coming in and needing this secure space to operate, and, as Andrew was mentioning, they're uncomfortable with this idea of extremism, and they do see it as a threat.

So I just put that out there. I mean it's hard to draw these connections between public rhetoric and then these bilateral relationships, but in the absence of having more information, I think you can think about them in the same space.

CHAIRMAN SHEA: Do you want to take a pass?

DR. MARKEY: Only just a very narrow observation.

CHAIRMAN SHEA: Sure.

DR. MARKEY: The very narrow observation would be simply that the Chinese-Pakistan relationship has changed, but also the Chinese willingness to discuss Pakistan with the United States has shifted.

Now, it's not night and day--

CHAIRMAN SHEA: To being more willing?

DR. MARKEY: Being more willing. And when Andrew mentions Chinese concerns about the direction or the trajectory of Pakistani society, Chinese concerns about their becoming too sort of fundamentalist or Islamist in their make-up, they do voice those not just to Andrew as an independent researcher, but also to American officials, and that's opened up at least a narrow channel for greater communication, if not coordination.

CHAIRMAN SHEA: I'll follow up just quickly. Has there been communication between the U.S. and the Chinese about the security of Pakistan's nuclear arsenal?

DR. MARKEY: I believe the United States has asked questions. I don't think that there would be any response to those. I mean you're pushing up against, well, up to the limits.

CHAIRMAN SHEA: Okay.

DR. MARKEY: Those are very sensitive issues, but I think those things get raised.

CHAIRMAN SHEA: You want to say something? Okay. All right.

Dr. Tobin.

HEARING CO-CHAIR TOBIN: Thank you.

After hearing, your testimony here, and Dr. Markey, after reading your testimony too, I was somewhat surprised; it feels like there's opportunity we should not be missing. At the same time, like you, Commissioner Fiedler, I can't imagine how CPEC could possibly work given the territory to be crossed and given how India feels regarding that. So I'm going to suspend my caution for a moment and try to pursue this other path.

You said, Dr. Markey, for the Obama administration and its successor, you're suggesting that we "need to exploit the advantages of Chinese involvement in Pakistan without getting sucked into a needless competition for influence," and this morning I didn't have a chance to ask Ms. Curtis, but she had as one of her recommendations, concerning CPEC, she thinks that "the U.S. should help evaluate the progress of CPEC and encourage U.S. companies to support projects that are economically feasible and will contribute to economic development in Pakistan and regional economic integration."

So, Dr. Markey, if you could comment on that, what you had to say, and maybe link it to what Ms. Curtis has to say, and then we'll hear from Mr. Small and Ms. Chaudhary.

DR. MARKEY: Sure. Okay. My point about not getting sucked into a competition with the Chinese relates to a number of conversations that I've had with Pakistanis, and the conversation goes basically like this:

Pakistanis say to me, aren't you concerned about the significant Chinese involvement in our country because they are finding strategic advantage here? And isn't--they are filling a vacuum, a vacuum of American leadership and American involvement. And my reaction typically has been, no, I'm not concerned at all, and let me tell you why. Most people that I know in Washington would be more than happy to let the Chinese have Pakistan more or less if they thought that that could stabilize the country.

So there is clearly, at least from my perspective, a desire on the part of some Pakistanis to get us engaged in a kind of match with the Chinese to see who can be the better partner to Pakistan, and if we can outbid the Chinese, they'd be more than happy to kind of take advantage of us both.

So we need to avoid that, and as I said in my testimony, we need to basically play our own game with the Pakistanis, seek advantage where there is some, seek leverage where there is some, and not allow us--our policies--to get shifted too much by what the Chinese are doing.

On the positive side, though, and here I think I agree with Lisa Curtis, there are a number of specific instances, I'd say, at the more operation or tactical level where the Chinese are making investments that seem to be potentially good for parts of the Pakistani economy. So I'm thinking about say a coal-fired power plant in Punjab where I had a chance to talk with the provincial authorities who are involved in the implementation of this, and one of the things that was missing from this coal-fired power plant was a railroad spur to connect it so that you could deliver coal.

Right now here we are in the process of delivering something over \$300 million a year in the way of U.S. civilian side development assistance to Pakistan, and if we're looking for ways to harmonize our efforts with those of the Chinese, a natural way would be to improve those whether it's the railroad network or electrical transmission lines or to build roads or hospitals or schools or other things around areas which are going to be developed. This seems like a natural.

So that's where the harmonization of the effort would go together, and then the bottom line would be something that Shamila pointed out, which is we the United States have an interest in seeing Pakistan not fail. And yes, we can all be skeptical about whether Chinese investments are likely to pay off at the level that they're hoping, at their rhetorical level. Skepticism is warranted, but we would rather see them succeed than fail, and to the extent that we can lend a hand in ways that we're already doing, I figure we might as well.

HEARING CO-CHAIR TOBIN: Would you see that as a bilateral with Pakistan-

DR. MARKEY: Well--

HEARING CO-CHAIR TOBIN: Or do you see it CPEC and--

DR. MARKEY: Let me just relate one conversation during my trip with a visiting Chinese official, and it was very surprising to me. This was the not-so-friendly Chinese face. It was effectively saying we don't want the United States involved in our projects. Why would we want you to mess them up? So there's some skepticism on the Chinese side about what our motives might be in all of this. So when Lisa says that we should be involved in monitoring or evaluating Chinese projects, there will be many who will read that as trying to spoil a China-Pakistan joint cooperation.

So we do in our efforts have to be sensitive to the fact that our motives are suspect on both sides there, and so if they're actually pure, that is if we really do have a certain amount of money we'd like to deliver to help Pakistan succeed economically, then we need to do so without being too pushy and without demanding a lot of information up-front but with sort of feeling our way through to ways where we can be helpful.

HEARING CO-CHAIR TOBIN: How would we do that?

DR. MARKEY: Well, specifically I think going around and asking, you know, so you're doing the kind of question I asked. You're doing a pilot solar project. How are you going

to be connecting that to the national grid, if at all? What is the area around that? Who will be maintaining that? What kind of training will they have? What kind of other investments are you hoping to build around there?

And then with some of our direct assistance getting involved, and then asking also, you know, the American investor is not interested in investing in Pakistan unless they have a reasonable risk/reward proposition.

HEARING CO-CHAIR TOBIN: Right.

DR. MARKEY: And right now they don't, which is why they're not investing. So getting a better sense as to what the risks and rewards might be after a Chinese project is already in place. The second move or the third move are somewhat safer investments I think both literally in terms of physical security and economically or financially. That's where we can encourage Americans to be more involved. So it's going to take a little time, but that's, those are the ways I'd see it.

HEARING CO-CHAIR TOBIN: Mr. Small.

MR. SMALL: I would agree with that. I mean to add just a couple of points. I mean there have been areas of Chinese investment that fall into the zone of sort of ambiguous areas of concern, dubious port issues, kind of one category; nuclear power plants that have been in violation of the NSG. I mean there have been various areas where some of these investments, where there have been questions about some of these investments. Most of the things that have been put under the umbrella of CPEC are more in the area of things that actually the U.S. has been asking China to do for some time.

I mean I think there has been, if anything, a request from the U.S. side, and directly expressed, step up your involvement. Pakistan's economy is in difficult conditions. One of the most useful things you can do is expand your economic involvement and investment. You've been doing too little there, too little in Afghanistan. And so now in a certain sense they are actually stepping up in these different areas.

And there are lots of reasons why these projects may not succeed, but there are-- actually some of the reasons they may not succeed are also identifiable at the moment, and there are complementary ways in which some of these things can work. I mean if you sit down with the Planning Commission people in Pakistan, they are concerned about the degree to which some of the soft elements--education, health, all of these other elements around some of these projects--the very modest degree to which any of that is being attended to on the Chinese side.

And we know what the Chinese development model looks like. The NDRC is not in these meetings kind of thinking through these questions, and the Pakistanis, because of course they want to get all of these investments in, are not, are not necessarily pushing the Chinese on some of these areas, and those are aspects where there will be local unhappiness and resistance and things.

Some of that can be, I think, mitigated with a more coordinated way of thinking about what does Pakistan actually need on these things beyond just put in a power plant and run with those projects. So I mean I think the distinction between a context in which the degree of exchange not just between China and Pakistan, not just between China and the U.S., but between Pakistan and the U.S. on some coordination on these projects and making some of the things work that the U.S. had wanted to see work for some time could actually be beneficial.

I mean actually when Nawaz Sharif was here last, last year, it was pretty close to CPEC appearing in the joint statement between the two sides. I think partly because of the coal-fired power stations where there are environmental concerns and things, that was one of the kind

of sticking points.

But broadly speaking, I think there are a number of these areas where the three sides should be able to coordinate on a particular set of outcomes that everyone actually wants to see.

HEARING CO-CHAIR TOBIN: With that answer, you may have been the witness last year who said China might be supplying the hardware and we could provide software or “soft power.” But can we hear from--

CHAIRMAN SHEA: No, I think we need to move on.

HEARING CO-CHAIR TOBIN: Okay.

CHAIRMAN SHEA: Okay. Dr. Brookes.

COMMISSIONER BROOKES: Thank you. Thank you all for your testimony.

I have a couple of general questions that anyone on the panel can answer if they feel comfortable doing so. The question essentially is how deep is the China-Pakistan military relationship? And I know the quick answer is deep. But I'm interested in things, when we hear about arms sales, we hear about the nuclear side, is there training going on? Are Pakistani officers being trained? Are Pakistani cadets being trained in Beijing? Are there military exercises, field exercises, going on?

I imagine there's probably been port visits, you know, goodwill sort of things, but is that common? Because I'm also interested in what's going on with Djibouti and whether China might decide to--I think the antipiracy thing has gone away a long time ago. I think it's a ruse for permanent deployments to that part of the world. So maybe instead of perhaps inciting India, that they might pass on Gwadar and just use Djibouti as a base out in that part of, in that part of the world.

The other question is why haven't the Pakistanis thrown off the issues of buying American F-16s for Chinese hardware? The Chinese are developing some very capable front-line fighters and certainly could be moved in that direction. I understand, of course, that changing hardware can be expensive, but it seems to me that would be a natural sort of thing.

Another question I have is what is the current state of the India-Pakistan relationship in general terms? And then--what's that--I've got a thousand questions here. I'm just trying to--

[Laughter.]

COMMISSIONER BROOKES: Well, I can remind them. I think they're making notes on it. And then I can be quiet.

And then Shamila made a very interesting thing about Pakistan-Iran relationship, and I understand countries play each other off one another, you know, show me how much you love me sort of situation, but I was kind of--that kind of--I was interested in that because I've always wondered about that relationship, especially since Pakistan has an interesting relationship with Saudi Arabia, and considering the tensions in that part of the world, was that perhaps a glib comment or are they really serious about their relationship with Iran?

And with that, I'll be quiet. I can repeat any of those questions if you'd like, but that's my list.

MS. CHAUDHARY: Okay. I'll take the military question first because I have the least to say about that. But I do know that there have been trainings and exercises, more so in recent years, on counterterrorism, counterinsurgency, and air warfare and naval engagement. So they do do that. I wouldn't say that it goes back decades. I think it's more recent, but there is that engagement there.

I think that there is an interest within Pakistan to diversify its conventional weapons capability, and as Chinese equipment gets better, that there will be more of a focus there. China's already the number one supplier of arms to Pakistan. The U.S. comes second. And that will, the U.S. will go further down the list as we put conditions, et cetera, what not, Coalition Support Funds go away. So there is a preference still for the American hardware, but I think that could change.

On the Iran relationship, I'm so fascinated by this topic because the two countries share a border. Pakistan has a significant Shia population, one of the largest minority Shia populations in the world, and you don't really hear too much about Pakistan-Iran relations. And part of the reason behind that is because of that Saudi-Pakistan relationship that has been so dominant in Middle East politics and just for Pakistan.

And now that that relationship is seeing significant strain, you know, Pakistan not sending troops to Yemen and working in Syria, and that really has challenged that relationship. It never really had a true challenge before this; right? I mean it was very convenient to invoke the strength of this relationship, but that's changing now, too. So in light of those developments, we have seen more opening just in terms of the rhetoric about Iran.

Before Prime Minister Sharif, President Zardari had very close relations with Iranians. They've been talking about having this pipeline for a long time. It used to include India, now it's just Pakistan-Iran, and with the sanctions lifted, it opens up all kinds of opportunities for Pakistan and Iran, but also for China to take advantage of if China is in Gwadar; right? So the Chabahar port in Iran is only 76 nautical miles from Gwadar. That's not very far, and I believe China is actually committed to financing the rest of that pipeline endeavor.

So there's even more interest for Pakistan to keep engaging. So I think that these changing geopolitics, as we all mentioned in our testimony, is really kind of a motivating factor for this more positive relationship. And the U.S. opening or not an opening, but the changes in the relationship have triggered that as well.

Just a final point on the current state of India-Pakistan relations. I'm a little confused about what's happening right now on India-Pakistan relations because I'm hearing many conflicting things. On the one hand, we saw the two prime ministers have a very kind of warm exchange in the past year, only to be met with a cross-border attack that just stalled any kind of possibility and hope of resuming a comprehensive dialogue.

And both countries have very strong kind of political constituencies and stakeholders to deal with, and it's very easy to derail a process. The fact that there was such warmth at the civilian level made me think that there was a lot of support coming from the Pakistani military because oftentimes the civilians cannot go in front of certain national security issues. India is the number one national security issue for the military.

And I'm hearing things about the Pakistani military that are, that don't coincide with that. I'm hearing that the Pakistani military is actually, you know, looking at what India is doing with its own kind of military posture and things that are happening in Kashmir and the line of control, and they're very upset by that. And so their views on India are actually hardening.

And I'm just wondering how much of this is kind of for the time being because there's this big China endeavor and, you know, so I don't actually know. I think there's a lot of flux right now. It will be interesting to watch, but for the most part I don't think we should expect any kind of massive peace deal between the two countries.

DR. MARKEY: If I can just pick up on a few of these things, and I'll leave the first bit because I agree with Shamila on China-Pakistan military relationship. I know Andrew

can cite you chapter and verse on that so I'll let him do that.

F-16s versus what the Chinese have on offer. I mean the short answer is what they actually have on offer today is not as good as F-16s. So therefore the Pakistanis are quite eager to stick with what they have, what they know, what they can already fly, what they've already got in service, and what they know is excellent.

And if you talk to Air Force on the Pakistani side, that's precisely the story they'll tell you. There's the JF-17, and it doesn't hold a candle to the F-16, and that's not likely to change for at least another decade. So as long as that's the case, we might as well stick with what we've got.

On the Indian-Pakistan relationship, I would say the simplest way to think about it would be no structural change, no deep change in Pakistani attitudes about the basic threat that India represents. But potentially significant sort of tactical change in terms of the assessment of the utility of talks, of opening diplomacy.

Particularly as Pakistan is deployed principally on its western front and fighting internal insurgency, they do not want to have a two-front conflict, and so as they will tell you, very candidly, how idiotic would we have to be to start a war with India right now? So I think there's a narrow opening, but I perceive it as a narrow one, and no lessening of the threat perception about India broadly.

I'm also really interested in the Iran and Saudi dynamic for Pakistan. And I'll just make two points there. The first would be just simply on economic opportunities that are opening up in Iran. The pipeline, gas pipeline, that had been talked about for over a decade, IPI, so Iran-Pakistan-India, there are a lot of negotiations. There was even some building of that pipeline on the Iranian side to the Pakistani border. A lot of progress being made.

Now the natural thing with an opening in Iran, lifting of sanctions, would be to see that come to fruition. But the thing that people need to keep in mind is now Iran has lots of other options too. So before where Pakistan looked like--this is my own view--where Pakistan was maybe one of the only games in town, potentially as a next-door neighbor, now there are a lot of other games to be played.

And so I think the appeal of the Pakistanis, who bring to the table their own problems in terms of financing, living up to agreements, and so on, is somewhat less.

Another point, and more important, in the Sunni-Shia divide or the Saudi-Iran competition, Pakistan finds itself in an incredibly awkward position and has for decades. It's been the locus for proxy wars, for bloodletting, communal bloodletting, sectarian bloodletting for decades.

That's bad. But the really bad thing is that the Pakistani military is not monolithically Sunni or Shia. It is also a mixture, and if you, as I do, see the Pakistani military as kind of your necessary evil, that is the backbone of the state, the thing that provides order and also a repressive order, so it's not all good but it is an order-giving institution, and the one strong national institution, you want to think about the threats to that one national institution. Sectarian division.

So if you're Raheel Sharif, and you're looking at your officer corps and your army more broadly, and you're thinking about what are the primary threats to the unity of my command, they would be seeing a sectarian divide emerge. So you cannot afford to simply play the Sunni game or the Shia game. You want to play both, and you want to be sensitive to both. That's one of the few things that could really rip the country apart.

MR. SMALL: On the military side, yeah, I mean I think the answer is all of the

above. Everything that you have mentioned has been underway. Port visits, joint exercises, Pakistani officers being trained on the--all of these things are there. But I think in terms of the sort of tenor of this relationship, I think it has still tended to be more of a procurement orientated relationship than one that say--I mean to give one obvious example, there aren't joint contingency plans or anything that resembles that, for instance. So whenever you get the questions of say a two-front war with India or something, there is no discernable sign, and there hasn't been across time that there is, there are sort of any operational plans between the two sides that would resemble that, for instance.

And I think it dovetails a little bit with the second question about F-16s as well. I don't--there is the technical capabilities question which takes up a large chunk of the answer, but there is still, both on Pakistan's part and on China's part, a view that says that Pakistan should not cast its lot into too far with China and Chinese equipment when it comes to the army side.

China has tended to see value in Pakistan being able to gain access to U.S. equipment and that has had two benefits. One point, there have been reverse engineering technologies and, two, it has made Pakistan a more capable counterbalance to India, which is its primary, has been its primary utility.

So there have been points where the Chinese, Deng Xiaoping specifically, asking the Americans, please, the equipment we're giving to Pakistan is not good enough; you have to give them better stuff.

So I mean you have a dynamic around this that is certain. I mean there are points where the Chinese want to sell more JF-17s; the Pakistani air force doesn't always want to. I mean it's not that the Chinese don't want to sell them arms, but you have this kind of backdrop there as well.

And on the naval side, which I think is an interesting question, I mean, one, I don't think the Chinese actually mind nowadays if the Indians react to, say, using Gwadar. The reasons--I think that absolutely used to be true that they were concerned about Indian sensitivities. At the moment, I think it's just about the value, the utility of that port. I mean there are points where there is no water in the port. So not making it entirely useful for port visits.

I think the Chinese--

CHAIRMAN SHEA: Airstrip, airstrip.

[Laughter.]

MR. SMALL: I think the Chinese undoubtedly intend to use Pakistani ports for the purposes of the PLA Navy. I think in terms of the category of countries the Chinese really believe they can count on and have that relationship of trust, I think Pakistan is in a unique category. What that then means is they don't need to have some kind of basing agreement type thing that they have with Djibouti. They can just have reliable access to Kharachi, Ormara, or wherever they actually want to use without having to declare anything very much about it.

But I think there is little doubt, I mean apart from the actual geographic issues around where Pakistan is versus some of the Gulf locations, I think for certain purposes Pakistan across the coming actually decades is a place that is absolutely on China's, the PLA Navy's list.

CHAIRMAN SHEA: Okay. Vice Chairman Bartholomew.

VICE CHAIRMAN BARTHOLOMEW: Thank you very much.

I'm going to preface my comment with saying that I have been a strong supporter for development assistance and economic growth investments and even worked on foreign operations appropriations in order to increase what we spend on development assistance because the questions I'm going to ask are going to sound like I'm not a supporter of it.

But one of the things about having access to Google when we sit here is I just googled how much the U.S. has spent in Pakistan, and the Center for Global Development has come up with a report that said \$67 billion has been obligated. Now that's between 1951 and 2011 so it doesn't include the money for the past four years, but I believe it includes military assistance. I don't think it's FMF, but I think it includes military assistance.

And so then I googled further and found out in 2014 Pakistan's literacy rate was only 58 percent and per capita GDP was \$1,427. So there's a whole set of questions about what have we accomplished with all of this spending?

Earlier, earlier, Senator Dorgan went through the litany of why Americans are concerned about Pakistan, and what it has done that we perceive are not in our interests--Osama bin Laden, all sorts of things. I won't go back through that. But I want to sort of tie that in with, first, Dr. Markey, you say the U.S. should rest assured that it offers Pakistan opportunities and resources that China cannot. I'd like to know what those opportunities and resources are.

And, Andrew, you talked about them. I mean we know that Chinese investment in other countries is for the advantage of Chinese companies and Chinese interests. So when you are all talking about U.S. investing in Pakistan in a complementary way, I'm having trouble seeing what that would be, and I'm also having trouble seeing how we would convince the American public--let's put aside the terrible rhetoric that's been going on in this presidential campaign--but how we would convince the American public that this is something that we should be doing.

If the complementarity means that U.S. taxpayer dollars are helping Chinese companies, Chinese steel companies, Chinese concrete companies, and paying wages for Chinese workers to do development assistance in these countries, what are we getting out of it? You know, I mean the Chinese don't want corruption restrictions; they don't want human rights restrictions; they don't want environmental restrictions. So I'm struggling. That's why this didn't sound like a real clear question, but I'm kind of struggling with that bigger, bigger picture.

COMMISSIONER WESSEL: I'm glad you did the preface.

VICE CHAIRMAN BARTHOLOMEW: I know. Because it sounds like I'm not a supporter of development assistance, but I am, but--

MS. CHAUDHARY: I'll say a couple of things, and I'll turn it over. I think with regards to the Chinese investments on energy, in particular, if those could be successful in the short-term and long-term, that those have the most positive impact on Pakistani people outside of Chinese benefits.

So if you unlock the shortages, then you unlock the way that the, you know, any kind of economic progress is stalled by lack of electricity, so I think that opens up opportunities and can be attributed to Chinese energy projects, and the U.S. could use its development efforts or assistance to kind of conduct feasibility studies. I mean these are all very technical things, I think, and modest. I don't think they're big, large-scale projects.

What the Chinese are doing in Pakistan, the U.S. can't do those things. The U.S. doesn't do infrastructure development in Pakistan. We closed our development mission during sanctions. We came back and we didn't know how to do anything of that nature. So those really are not our strengths, but I think that advising the Planning Commission, in particular, on where they lack, so technical expertise, doing these kinds of studies that are required for these coal-based plants. That sort of thing I think is worthwhile and worth the American taxpayer dollar because it does impact Pakistani people.

That's very small though. That's not, that is a very different thing than the U.S.

giving \$67 billion for several decades, and that part of the relationship is just based on security; right? So a lot of that money, you know, you asked about the F-16s, why they take our F-16s, because we've been giving them money to buy them; right? So they're using FMF money to acquire these F-16s for the most part.

The relationship hasn't helped improve education or, you know, various socioeconomic conditions because we haven't been putting our money into those areas. All the way up until I would say the beginning of the Obama administration, there was very little money put into Pakistan development assistance. It just was minimal. It was like \$35 million one year in 2007 when I was working on the desks.

So the other chunk of it is Coalition Support Funds, and if you ask what has that gotten us, and this is a global facility, right, so Egypt used to get it and other countries get it for security cooperation. Pakistan was getting it because they were giving us land and air outs through their country into Afghanistan. That was a very much kind of this-for-that kind of arrangement. And that was budget support for them.

They used that; they relied on that. Now, we eventually stopped getting other things that we wanted from them, so they were going after al-Qaeda for us because they were getting CSF. That evolved, and a lot of that was related to just how the India relationship changed and the new deal over there.

It really did impact the assistance relationship with the United States so that's just some background on that part of it, that really the United States has not focused on the issues that concern the Pakistani people until the past, I would say, eight to ten years, and that's just not enough time to actually see improvements.

DR. MARKEY: If I could, so 67 billion since 1951, that's a long time.

VICE CHAIRMAN BARTHOLOMEW: Some years there hasn't been any of course.

DR. MARKEY: Right, of course. There were sanctions. I mean let me give a slightly more positive take on a few of those efforts; right. In the 1950s, the United States through USAID and through multilateral institutions, like the World Bank, heavily involved in the development of Pakistan's infrastructure, including dams and irrigation canals. And the vast majority of Pakistan's agriculture today could not exist if not for those dams and irrigation canals.

Now they have suffered from decades of not being as well tended and maintained and so on as they should be, and we the United States are no longer in the business of doing those sorts of things anywhere at a significant level, as Shamila pointed out, in the way that we were back then, but I think it would be wrong to say that Pakistan hasn't benefited from U.S. assistance.

I mean there are some absolutely essential areas where their population couldn't be supported, couldn't feed itself in ways that it can if not for those investments. So I'm one to say that, yes, a lot of our investments in Pakistan and assistance to Pakistan have been deeply frustrating, but also to be very careful about saying that none of it works because some of it really clearly has, and let me just make a couple of other specific points.

You asked what opportunities and resources we can offer that China does not? We already talked about one--F-16s. There are certain military technologies that we have on offer that I think are useful that are being used in their counter-terror fight. Now we wouldn't necessarily use F-16s, but they are using them. That doesn't mean that they're going after all the guys we want them to go after, but it's not all a bad news story either, and it's important that we

recognize that.

Also, through international financial institutions, we have a lot of leverage, and the Pakistanis know that. We have, you know, so their access to resources at the international level are often dependent on our policies and our behavior, and we should know that. That's leverage that we have.

More generally, I recently--I just wrote a paper, an article "Stop Writing Blank Checks to Pakistan," so it's exactly on this issue of assistance to Pakistan. And I make two broad points. One is we need to recognize that there is a lack of clarity on the way that we're connecting our ends and means. All right. So if we say we're giving them billions of dollars and they're double-dealing us, both things are true.

But if we don't, if we're not clearer to both them and to ourselves what each dollar is supposed to accomplish, then we're, you know, we're failing. We're failing ourselves. And I think there's room for us to do more of that.

Second point. All of our aid really boils down to three possible purposes: capacity building, which I favor, and I think we can do more of that, and we discussed that; bribery, or leverage building, where I think we've had less success; and then sometimes we talk about access, which I think is the least compelling of the three, right, that we actually get in the door when other countries don't.

I think we enjoy access because we're a superpower, and we're going to continue to enjoy that. We don't have to pay for that. I think bribery or leverage happens only if we dangle the potential for assistance, but not if we provide it whether or not they do--so the conditioning has to be a prospective or forward-looking conditioning. That's the only way that I can imagine it working, and even then it probably won't because there's limits to what our money can buy.

But on capacity building, I think it would be a shame to say that this is a long-term loser. I think there are plenty of examples of where we can actually do things on the ground, and we have, even in Pakistan, and that's where I see this potential harmonizing of our efforts with the Chinese as maybe bearing some fruit.

MR. SMALL: Let me add very briefly, I mean I think it comes down to whether, I mean some of these investments that are being made by the Chinese companies, they have some very high rates of return. I mentioned some of the figures in the written testimony. There are financing issues for Pakistan that are quite opaque on all of this. The Central Bank governor came out and basically said I don't know what the financing on this even looks like at the moment.

There's a lot that needs to be--there's a lot that needs to be figured out on these things, but the question does come down on some of these areas to is there a value in closing the energy gap? I mean Pakistan has real energy needs. China is willing to put in financing to put these plants in place. I think there is. It doesn't solve Pakistan's energy problem in its own right, but it is part of solving the problem.

And the second piece is still on the infrastructure side. Is there a major infrastructure need that is there and that Chinese companies can come in and build, and will there be economic benefits to Pakistan from that happening? I think the answer to that in a number of the cases is still that there is a significant deficit there, and so, and I mean in a small number of places, actually U.S. companies will benefit even as well. GE gets a notable whack out of one of these projects. So it's not just Chinese companies. Pakistani companies I think will benefit. Most of these things are still supposed to be done as joint ventures. There's lots of the financing

that is going to Pakistani companies that didn't necessarily have access to it before.

But in the round, I think it's what will be left at the end of some of these investments that will determine whether they have had really material value to the Pakistani economy or not, even if the Chinese come in and get these high rates of return on a project.

VICE CHAIRMAN BARTHOLOMEW: Thank you.

CHAIRMAN SHEA: Okay. Our last question is from Commissioner Wessel.

COMMISSIONER WESSEL: I'll make it a very simple question because it's late in the day. What's happening with Pakistan and North Korea?

[Laughter.]

VICE CHAIRMAN BARTHOLOMEW: What did he just ask?

CHAIRMAN SHEA: What's happening with Pakistan and North Korea?

[Laughter.]

COMMISSIONER WESSEL: What do we know? You know, using Carolyn's comment of googling while we're here, I notice hearings on the Pakistan-North Korea relationship as late as December of last year. What do we know about current relationship support in any of a number of means? What should we be looking at and what should we be thinking about in terms of that relationship? Maybe a quick answer.

MS. CHAUDHARY: I don't know--

DR. MARKEY: Yeah.

COMMISSIONER BROOKES: You're not thinking of Iran-North Korea, are you?

COMMISSIONER WESSEL: No.

COMMISSIONER BROOKES: I didn't know. There were hearings?

COMMISSIONER WESSEL: What's that?

COMMISSIONER BROOKES: There was a hearing on this?

COMMISSIONER WESSEL: Yes.

DR. MARKEY: I mean we know and I didn't--

COMMISSIONER WESSEL: I mean we know the history, and I think Senator Dorgan raised it, but do we have any insight into any current activity over the last two years or so?

DR. MARKEY: I believe the answer would be no.

COMMISSIONER WESSEL: Okay. We just don't have visibility. It's not that--

DR. MARKEY: We don't have visibility. Look, the--

MS. CHAUDHARY: It's even less visible than the China relationship.

COMMISSIONER WESSEL: What's that?

DR. MARKEY: Yeah. So that was never a particularly visible thing to those of us outside of the U.S. government lacking satellites.

COMMISSIONER WESSEL: Okay.

DR. MARKEY: And so that's--and then some of the stories came out only much later from Pakistani sources so our ability to see into that is, for those of us, again, not peering down from above is close to zero.

The one observation I would make is that if you ask most Pakistanis what the lesson they learned that was mentioned earlier about A.Q. Khan, the lesson that they claimed to have learned is that this was an absolute disaster for us; right? Whereas, we tend to see it as having been something where they got off easy.

COMMISSIONER WESSEL: Right.

DR. MARKEY: They still perceive it as having been a disastrous blow in the international community and something that at the very least they should never repeat. So their claim, at least, would be that they shouldn't repeat similar activities with the North Koreans. Whether that actually affects the behavior of their nuclear establishment, you know--

COMMISSIONER WESSEL: But from an assessment, understanding the visibility may be limited, and as to the U.S-China Commission and the relationship here, that is a relevant area of inquiry. It may not be fully aligned with some of the development projects. Is that--

DR. MARKEY: I think the general question of proliferation of nuclear and related technologies is something that you'd want to continue, yes, to keep an eye on. But it wouldn't necessarily--you know, I wouldn't limit it to North Korea.

COMMISSIONER WESSEL: Agree. Agree.

DR. MARKEY: The earlier questioning about Iran, and then that led to Saudi Arabia, in fact, I think that's been the area that has gotten greater attention and greater focus, particularly as the Iran nuclear deal has come forward, the question of how Saudi Arabia would respond, and then immediately this next step to Pakistan and the debate over whether it would be in Pakistan's interests or, in fact, it might have already hatched a deal with the Saudis to deliver. But that's a, you know, a separate but related issue.

COMMISSIONER WESSEL: Interesting. Okay.

MR. SMALL: I can make one very brief comment on that. I mean the history on the relationship is also one where there was specific exchanges at particular points of specific value to the two sides of those junctures, which also took place in a fashion that China kind of blessed in certain respects. They were quite happy to see the North Koreans transfer these kind of longer-range missiles that actually because of some agreement between China and the U.S., China was in a difficult spot on those things, but saw the value in Pakistan having those capabilities.

I'm not sure there's anything that resembles either of those two factors obtaining at the moment, and if you look at the needs on the Pakistani side, I'm not, I think there are very specific technical areas, including as I mentioned on the naval side there that they're looking at at the moment. There was a phase when there was the miniaturization question for battlefield nukes and things where in all of these cases I think China is actually being helpful.

I'm not sure that from a China-Pakistan perspective at the moment, bringing the North Koreans into play would be seen as wise on anyone's part.

COMMISSIONER WESSEL: Okay. Thank you.

CHAIRMAN SHEA: Well, I want to thank the witnesses for their excellent testimony and thank you for your contributions to our hearing. It is now a little after three o'clock and I officially declare this hearing ended.