



Cover Story

A fresh start: Can Modi-Xi's Wuhan summit repair strained India-China relations?

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The road to Wuhan began, as many stories of rapprochements do, in the most unlikely of circumstances. For 72 days beginning last June, Indian and Chinese soldiers had been eyeball to eyeball on the remote border plateau of Doklam. And for most of those 72 days, the People's Liberation Army (PLA) and China's government turned the heat on India, accusing Indian troops of "trespassing" and not ruling out the use of force to expel them. China's state media, for the first time in decades, used the 'w' word, while the PLA spokesperson reminded India of the "lessons of history", referring to the 1962 war.

Eight days after the August 28, 2017, disengagement, Prime Minister Narendra Modi found himself set for what was expected to be an awkward meeting with a reluctant President Xi Jinping, who for all intents and purposes appeared to play the role of a grudging host who needed India's participation to ensure his BRICS Summit in the coastal city of Xiamen went off without a hitch. Much to Xi's surprise, Modi had raised the Doklam confrontation with him when the two leaders ran into each other on the sidelines of the G20 summit in Hamburg on July 7, and said that the two countries should be talking to each other rather than at each other and also discussing a range of other concerns. Xi agreed, and that informal understanding paved the way for the end of the stand-off several weeks later. That meeting also set the ball rolling for what would be an unprecedented summit meeting between Modi and Xi in Wuhan, eight months to the day of the Doklam disengagement.

"From the crisis came the opportunity," says a senior official. Insiders in Beijing and Delhi say the Xiamen meeting on September 5 saw Modi and Xi work on two important points of agreement. One, that in a world in flux, India and China needed to be forces of stability rather than allow differences to descend into conflict and, two, that a bilateral relationship that was acquiring global importance needed to assert its relevance at a time of increasing global disorder, from protectionism in the West to an unravelling Middle East. And fulfilling these objectives, the two leaders agreed, would require that they engage at the top leadership level, to ensure "a meeting of minds" on issues of strategic importance.

THE WUHAN TANGO

As the leaders of the world's most populous country and the globe's largest democracy sat down to have a freewheeling chat in the picturesque surroundings of Wuhan, they were conscious that, together, they represented close to a third of humanity. India's relations with China have always been a mix of competition and cooperation, played out over bilateral, regional and global realms. It has also always been a relationship of contradictions. China is India's largest trading partner with trade crossing \$84 billion last year. It was also the biggest contributor to India's trade deficit, with the imbalance crossing \$50 billion. Both countries share the longest disputed land boundary in the world that is close to 3,500 km-and the source of both mistrust and frequent border incidents-yet not a bullet has been fired in four decades.

Modi had promised a positive shift in relations with China when he came to power in May 2014. But the first summit meeting between the two in September that year only flattered to deceive. Even as the two leaders were photographed chatting comfortably on a jhoola in Ahmedabad, the PLA made sneak intrusions on the Line of Actual Control in Demchok and Chumar in Ladakh. The issue took months to sort out, and distrust set in. After that, relations between the two countries went steadily downhill.

Boundary negotiations remain stalled. China remains forever suspicious of India's motivations on Tibet, as the country that is home to the largest population of Tibetan exiles. Even on multilateral issues, once seen as a positive counterweight to the bilateral strains, commonalities on climate change and global trade have been overshadowed by differences, from China's blocking of India's attempt to designate the Pakistani terrorist

Masood Azhar at the UN Security Council to Beijing's continued stalling of India's entry into the Nuclear Suppliers Group (NSG).

Even on connectivity projects, where both countries aspire to take the lead in Asia and ostensibly have much to jointly benefit from, mistrust dominates, with India opposing China's Belt and Road Initiative (BRI) which has framed as a flagship project the China Pakistan Economic Corridor (CPEC), that runs through Pakistan-occupied Kashmir (PoK).

Before Modi and Xi sat down, both sides made it clear what the meeting was not about. A senior government official told India today, "We are not terming this a reset. In digital terms, a reset means wiping out the past and rebooting the relations. Historical and legacy issues-what the Chinese call core concerns and we term sensitive zones-will remain. We're not ready to alter our position on these issues."

Lest expectations arise from the unusual meeting of the two leaders, officials were clear that this could not be labelled a summit or compared to the Rajiv Gandhi-Deng Xiaoping breakthrough meeting in 1988. Such summits were carefully choreographed and the outcome determined even before the two leaders shook hands. Instead, the Modi-Xi meeting in Wuhan was kept as a free-flowing discourse where there would be no agreed outcomes, but every subject of importance was open to discussion. There was no "dhobi list" of concerns that India would raise, whether the listing of Azhar or the NSG, although the conversation touched upon larger related issues, from terrorism to access to civilian nuclear technology. The focus was to discuss overarching issues, including restructuring the UN, the action plan on climate change, dealing with the threat of terror, global energy security, rising protectionism and xenophobia, and disaster management.

THE NEW RED CARPET

As a show of goodwill for a fresh start, China wanted to offer India an "unprecedented" red carpet. To begin with, this would be the first ever "informal" summit hosted by Xi, and only the second time he'd travel out of Beijing to receive a foreign leader, the first being his 2015 hosting of Modi in Xian. This was his signal, as an official put it, "that India matters to him and China".

The optics were certainly important, meant to send a clear message to the world-that India and China were back on talking terms. Modi was in any case travelling to the coastal city of Qingdao in China for a meeting of the Shanghai Cooperation Organisation in early June. But both leaders felt that rather than a structured dialogue, a frank and free exchange without the burden of either the past or immediate outcomes would be far more productive, and set the tone of how the two nations would deal with each other.

The meeting was preceded by high-level engagements that saw minister for external affairs Sushma Swaraj, defence minister Nirmala Sitharaman, national security advisor Ajit Doval, foreign secretary Vijay Gokhale and NITI Aayog vice-chairman Rajiv Kumar interact with their Chinese counterparts. So by the time Xi and Modi met, they were both up to date on key bilateral issues facing the two countries. Among India's objectives for the summit, as the official put it, was "to regain some of the trust and goodwill between the two countries that had been lost after the recent rounds of confrontation on various issues".

For India, the summit had become imperative, especially as relations with China in the past year had emerged as the Modi government's most important foreign policy concern. The Doklam confrontation, the differences over the BRI issue and Chinese assertions over the status of Arunachal Pradesh put the relations on a dangerous path of confrontation that both could ill afford. As China turned aggressive, India's counter was to quietly encourage the setting up of the Quad-a loose grouping of US, Japan, Australia and India formed ostensibly to cooperate on Indo-Pacific issues but in reality meant to contain and restrain China.

The move did worry China, but India was careful not to overplay the Quad card and kept the first meeting in Manila on the sidelines of the ASEAN summit in November 2017 at the lowest working level possible. Delhi was conscious of not relying solely on the US or other nations to tackle its issues with China.

Modi's meeting with Xi comes after another world leader, Germany's Angela Merkel, invited him for an impromptu summit in Berlin while he was on an official trip to Europe. India saw the meeting with Xi as part of a process to interact with major leaders so as to be relevant, current and contemporary with the rapid developments sweeping the world. Modi has been following a highly proactive foreign policy that is more transactional and pragmatic, and less preachy. The focus has been to garner foreign investment, secure India's energy supply, take its rightful place in important multilateral bodies such as the UN, boost neighbourhood connectivity and trade and bring a global consensus on combating terror to restrain Pakistan.

THE CHINA CHALLENGE

Dealing with China has perhaps been the biggest challenge. With the two Asian giants continuing to grow in economic size and clout, they had begun rubbing against each other. Given that they are both nuclear powers and have high stakes, at the Xiamen meeting days after the Doklam confrontation, Modi and Xi agreed they needed to work out a modus vivendi on how to conduct bilateral relations. That demanded that

the two leaders have free and frank conversations frequently on key issues. As a top Indian official said, "The time had come to understand each other's growth trajectories and see where each was headed and where they could cooperate and where they could avoid confrontation." If there would be an outcome in the Modi-Xi meeting in Wuhan, it would be as an official put it, "to maximise opportunities and minimise risks".

These goals are tall asks. Where India sees the maximum opportunity is getting China to correct the adverse trade balance it currently faces. India has trashed China's argument that the imbalance exists because of market forces and the structure of world trade. Delhi believes the time is right to push China to take long overdue steps to open up market access in services, where Indian IT and pharma companies have struggled to make inroads. It has told China that if progress is to be made in bilateral relations, then trade is the key. China cannot be content in making portfolio investments or playing the merger and acquisition game-companies from Alibaba to Tencent are ploughing in money into Indian startups-but should be making greenfield investments in manufacturing that would provide a much-needed investment stimulus as well as jobs.

In 2014, Xi pledged to invest \$20 billion in India over five years. Not even a quarter of that has materialised. Chinese projects have been slow to take off, from real estate giant Wanda's ambitious industrial park in Haryana, which has been troubled by what India sees as the Chinese company's unreasonable demands and the conglomerate's own financial troubles at home, to a slow-moving automobile park in Maharashtra, announced with great fanfare by Modi and Xi. At the April Strategic Economic Dialogue between the NITI Aayog and China's powerful National Development and Reform Commission, both agreed they will accelerate long-planned infrastructure and railway projects. As a start, India has offered China two railway stations for development-Agra and Jhansi-and to help raise speeds between Chennai and Bengaluru.

SHELVING DIFFERENCES

Then there is the challenge of managing long-persisting differences that aren't likely to go away anytime soon. For China, India's opposition to Xi's pet BRI plan is a huge setback, especially in the regional context. With the massive investment it is making, especially in CPEC, it is concerned that India may engage in covert activity and destabilise its plans in the region. Modi's decision to conduct surgical strikes and also confront China on Doklam-where India came to the rescue of Bhutan-were worrying signs for Beijing that Delhi's actions were no longer on predictable lines. These incidents introduced an element of uncertainty in India's response that China is uncomfortable with.

China has tried to persuade India by saying that it would stand to gain economically by joining the initiative, which would in the long term also benefit India by bringing stability to Pakistan. But India made it clear that there is no guarantee that this would happen. Nor could it hold China up to its assurance. That China did not consult India before it initiated the CPEC, especially in PoK, had angered the Modi government.

India had protested when China invested and built the Karakoram Highway, which runs through PoK when it was started in 1959 and completed 20 years later. Several governments headed by the Congress had been critical of the development. So Modi can hardly be seen to be lenient or indulgent on CPEC. The other objection India has raised is that even for construction of projects, there is no transparency and the conditions are skewed in Chinese companies' favour.

For the moment, Beijing appears to have adopted a reluctantly pragmatic approach to go forward with economic projects regardless of India's BRI stand. This was evinced in the unusual SCO foreign ministers' statement issued in Beijing on April 24 that saw seven of the eight ministers, barring India's Sushma Swaraj, endorsing the BRI.

On the border, too, the focus is on managing, rather than resolving, differences. A beefed-up border mechanism to prevent the recurrence of stand-offs is under consideration. India is aware that China is playing a game of waiting. Beijing believes that, as it gets even stronger, time is on its side and it would like to wrest as many concessions from Delhi as it can on the border settlement. China also sees strategic value in using the border dispute to hang a sword over India's head. No longer on the table is Deng's offer of a status quo 'swap'-where India gives up its claims to 38,000 sq km in Aksai Chin and China gives up its 90,000 sq km claims on Arunachal, with minor adjustments in the largely settled middle sector. Now, Beijing insists that it would require a concession on the east, and especially in the Tawang region which it sees as significant to its sovereignty over Tibet.

India, for its part, has met China halfway in addressing its concerns on Tibet. China is wary of what Beijing strategists like to call "the Tibet card". It knows that Delhi has been careful to contain the Tibetan resistance groups staying in India. But China remains paranoid over the Dalai Lama's influence. Beijing has been appreciative of India's recent willingness to address its sensitivities, although India has made it clear that it has not changed its stand on Tibet and that the Dalai Lama remains a revered guest. Indian officials say that a note to government officials in February to not attend anniversary events marking the start of the 60th year

of the Dalai Lama's exile was merely a reiteration of past practice-that the previous government also adhered to-and was, in fact, sent out on every prominent anniversary.

THE XI FACTOR

India's assessment of China's current strategy is that Xi is working towards making his country the world's leading superpower and closing the gap with the United States. This also includes slowing down any regional rivals. Xi, Delhi believes, has roughly divided countries into three categories: those neutral to China's rise, those they can subordinate and those that China needs to try and control. India falls into the third category. Hence Beijing's wariness at cognising a greater global status for India, whether through its objection to India's bid for membership of the NSG or its aversion to allow India to sanction JeM chief Masood Azhar as an international terrorist.

Having consolidated power at home and stamped his authority over the Communist Party, Xi is now leaving his mark on how China deals with-and views its place in-the world. Under Xi, China's diplomacy is undergoing a major transformation as he pushes a new doctrine-coined 'Xiplomacy' by China's state media-that combines strong nationalism and assertiveness on China's core interests and territorial disputes, coupled with a more proactive Chinese diplomacy in the neighbourhood, that is riding on, by Chinese standards, an extraordinarily personalised role for China's leader (see The Xi Doctrine).

Given Xi's position of strength, what were his motivations in reaching out? Xi's first term certainly saw muscle-flexing, from the South China Sea to Doklam, coinciding with sweeping military reforms that centralised the party's authority over the military. This has led to pushback from its neighbours. Wang Fan, a leading strategic scholar and vice-president of the China Foreign Affairs University, says the current focus is on engaging with the periphery. Hence the outreach to India, with Beijing aware that Delhi, if it chooses to, could at its will scale up the still modest Quad. "China's turning into a global power from a regional power, so its diplomacy too is shifting to reflect the country's rejuvenation," he says. "But to become a global power, China first needs to have a peaceful environment." He adds a note of caution: this doesn't mean China will take a softer line when it comes to issues of sovereignty. Quoting Xi's pledge at his party congress, he says China "won't give up an inch".

Global pressures also appear to be pushing this course correction. It is hence no surprise that for China, forging common cause with India on protecting the world order that it has so benefited from was one of the prime motivations in repairing relations. Wang Yi, the Chinese foreign minister, said that one of China's hopes for the Wuhan summit was to forge common cause with India on preserving a threatened global order. Not naming Donald Trump, he said, "It falls to both countries to jointly uphold the UN-centred multilateral system, and to jointly preserve the WTO-centred international trading rules." He believed both sides would reach "a strategic conclusion" on their views on the global order in flux. This appears possible. China was thrilled to hear NITI Aayog's Rajiv Kumar at the recent Beijing dialogue lambast "the unseemly protectionist noises from the Atlantic basin", and more than that, offer India's soybean exports to offset the tariff-hit American imports as a result of the Trump trade spat.

Another reason for the reach-out, Delhi believes, is that China has been unnerved by Trump's trade tariffs, with the belated realisation that the US president did, in fact, mean what he said when he pledged to crack down on "cheating" China. Trump has already pledged to impose tariffs of 25 per cent on up to \$100 billion of Chinese imports, including high-value electrical machinery. Then there are the fast-moving developments on the Korean peninsula that have, to some degree, left Beijing playing catch-up. China was a bystander in the remarkable North-South rapprochement-watching from the sidelines as Trump took credit for his muscular diplomacy-and hastily arranged a red-carpet visit for Kim Jong-un, to forestall the embarrassing prospect of Kim meeting the South Korean and American presidents before supposed ally Xi. It took Kim six years to make his first China visit.

A FRESH BEGINNING

Officials in Delhi and Beijing acknowledge that the many issues that challenge relations aren't going to go away. Nor was the intention for them to dominate Modi's and Xi's attention in Wuhan. The hope is not to solve outright the issues that trouble ties, such as the boundary question, but to create the right environment that would allow both countries to manage, if not gradually address, these long-pending thorny issues, says China's point man on India, Vice Foreign Minister Kong Xuanyou. Doklam, he says, exposed "a lack of mutual trust" in relations. "India didn't initiate this summit. China didn't initiate this summit. This was a joint initiative," he says. "What we want is to come up with an overarching long-term vision for the next 100 years... to deepen bilateral cooperation and properly handle differences to bring both countries to a new starting point."

"These issues are not going to be resolved overnight," adds a senior Indian official. "The question is, can we find a long-term, overarching blueprint to manage them?" The Wuhan summit, he adds, wasn't conceived as "a platform where we go down the list of specific issues and tick them off one by one" but one where both

sides find ways to manage differences while preventing an all-important relationship from descending into outright discord that would exact a heavy price on their missions of national renewal. But as with all new beginnings, a long road lies ahead. Meanwhile, the two countries need to ensure it doesn't result in old endings.

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