

# India - China Clash and its Impact on South Asian Countries

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**As India is trying to manage the fallout from the first major border skirmish, since 1975, with China in which substantial number of troops were killed it would do well to assess its broader political and economic impact on the regional situation. Both China and India, with their growing ambitions are bumping up against each other not only along their 2,100-mile border, but also have been competing with each other for power on many fronts across South increasingly Asia. Over the years China has emerged both as an economic and a military powerhouse. It has a trade surplus with most of the countries in Asia including India.**

There is a long and complex history of border tension between China and India and the problems in the region. These problems, dating back to the war in 1962, have deepened since the Doklam border crisis in 2017. Both countries consider the construction activities on the un-demarcated boundary line as illegal. India is building over 60 strategic roads along the LAC, expected to complete in 2022. China is also undertaking similar activities on its side.

China's One Belt One Road (OBOR) and Maritime Silk Road (MSR), though promoted as economic initiatives have strategic undertone. On the maritime front, China is extending its influence across the Indo-Pacific region. China's deepening relation with South Asian countries, poses significant challenge to India's position in the region. The Belt and Road Initiative (BRI), also provides China an opportunity to expand its India's neighbourhood as for instance in the case of CPEC which has brought the Chinese presence close to Indian border, whether in the Pakistan Administered Kashmir or in the Sir Creek area. Chinese naval bases in Gwadar and Djibouti, in the Indian Ocean and the appearance of Chinese submarines in the Bay of Bengal and Sri Lanka are seen as Chinese intentions to build a network of military and commercial facilities to encircle India.

India has 4000 Km long border with China which has yet not been demarcated. While the US-China relationship has been collapsing, US-India relationship has been rapidly growing. The United States and China are today locked in a quiet but increasingly intense struggle for power and influence, not only in Asia but around the world. India has joined the Quad, or Quadrilateral Security Dialogue, which is an informal strategic forum for the US, Japan, Australia and India for information exchanges and military drills. While it is not a formal military alliance like NATO, however that has a potential for military encirclement of China has not gone unnoticed by Beijing. As early as 2007, when the first Quad meetings were proposed, China had issued formal diplomatic protests to all parties involved. This puts a major constraint on further development of Sino-Indian relations.

Clearly, the present situation did not arise because China merely wanted to take over some disputed territory. One of the reasons that triggered the crisis in the region is interpreted as India's decision of revoking the provisions of Article 370 of its Constitution last year that granted some degree of autonomy to Jammu Kashmir. New Delhi's decision had annoyed China and it demanded New Delhi reverse its decision on the status of Kashmir. China, along Pakistan, condemned India's move and

raised the issue at the UN Security Council (UNSC).

The seeds of the current border crisis and the unravelling of some regional partnerships were likely sown last November, when India released a new map, months after changing the constitutional status of its portion of Kashmir and carving the Himalayan Ladakh area as a separate federally administered region. India has left messy, widely disputed borders that it shares with many of the countries. India's obsession with its own status, and lack of regard for sensitivity of its neighbours is part of the problem in the region.

### **Military conflict spilling into Trade restrictions**

While India and China are in dialogue to restore status quo ante, India has initiated a range of economic measures aimed at Chinese firms to prevent China from accessing Indian market. Clearly New Delhi is indicating that it will not continue trade and investment relations as normal if China does not agree to return to the status quo of April 2020. The ban on 59 Chinese Apps may be just the start, with other measures likely to follow. India's Union Minister for Road Transport and Highways Nitin Gadkari announced on July 1 that Chinese companies will be barred from taking part in road building projects in India. While the government is considering trade and procurement curbs targeting China, it has also increased scrutiny of Chinese investments in many sectors, and weighing a decision to keep out Chinese companies from 5G trials, in which they are now involved.

India suspects China is routing goods to India through their common trade partners in South Asia under the South Asian Free Trade Area (SAFTA), the Asean group, and bilateral pacts with Singapore, Japan, South Korea and Sri Lanka. India is also planning to block routing of Chinese goods to India through these countries and is considering measures to plug gaps that aid imports from China. According to media reports, Indian government has now decided to impose stricter checks on cargo from Sri Lanka, Bangladesh, South Korea, and ASEAN countries to clamp down on the practice. This could result in financial losses to exporters from these countries, as shipments are going to be held up for increased customs scrutiny and demand for "country of origin" certificate. Sri Lankan business persons have already voiced concern.

### **Smaller South Asian Countries maintaining distance**

The clash on the northern border has forced the neighbours of India to tread cautiously to avoid crossfire between the nuclear-armed powers. Smaller countries in South Asia – such as Nepal, the Maldives and Sri Lanka – have decided to stay away from getting involved in the conflict between New Delhi, and Beijing. India has played at least till date, a dominant role in shaping economic and political configurations of most of its smaller neighbours. Over the years, China has expanded its presence in South Asia, including through investments under its transcontinental infrastructure strategy, the Belt and Road Initiative, and closer political ties with countries such as Nepal and Sri Lanka.

Nepal and Sri Lanka, and Bangladesh, which were once Indian allies have recently tilted toward China. Nearly every South Asian nation, with the exception of India and Bhutan have signed in to China's belt and road initiative (BRI) despite Delhi's opposition. Pakistan, is now seen as fully aligned with China, working hand in hand with the Chinese military. The ongoing China-India conflict could reverberate in the geopolitical dimensions of South Asia, leading to new relations in the region. It is a different time and there is a break from the past. Perhaps it is time to look into India's relations with each of its neighbours which seem to have become less cordial if not in shambles, despite Modi governments "neighbourhood first" policy.

### **Modi's 'Neighbourhood First Policy'**

Soon after being elected as India's Prime Minister in 2014, Narendra Modi had invited his counterparts from Afghanistan, Bangladesh, Bhutan, the Maldives, Nepal, Pakistan, and Sri Lanka—members of the South Asian Association for Regional Cooperation (SAARC)—to his inauguration. It was a grand gesture of public diplomacy, as no previous prime minister had done so. Modi used the occasion to announce his “neighbourhood first” initiative, a new focus on prioritizing relations with SAARC member states. Modi's initial moves had indicated his commitment to this new policy.

At the start of his first term, Modi had devoted a considerable amount of time, attention, and energy to regional foreign-policy issues. In June 2014, for his first foreign visit as prime minister he had gone to Bhutan. He visited Nepal twice in 2014 and, Sri Lanka, Bangladesh, Afghanistan and Pakistan in 2015. However, notwithstanding this very promising start for regional relations, New Delhi's relations with its neighbours has worsened across the board.

India's relations with Bangladesh under Modi and Sheikh Hasina had developed into a consummate partnership, after Modi concluded the boundary agreement with Bangladesh in 2015, ending a contentious issue of “enclaves” that had remained unresolved since the creation of East Pakistan in 1947. Yet, this positive impact was lost, particularly, after Modi government initiated its National Register of Citizens in the north-eastern border state of Assam designed to verify the citizenship of its inhabitants. Modi government had made illegal immigration from Bangladesh a key campaign issue in the 2019 national election. Though the objective was to identify illegal immigrants, Modi government used it to create fear among India's Muslim minority and to expel anyone who could not produce the requisite documents. Bangladesh, which could be forced to accept many deportees, strongly objected the National Register of Citizens. Not surprisingly, relations with India have since cooled down considerably.

After the devastating earthquake in Nepal in April 2015, Modi government had acted promptly in sending critical aid. It had created much warmth and goodwill. However, later that year, when Nepal was about to adopt its new Constitution, Modi government imposed an informal economic blockade on landlocked Nepal. Perhaps it was done to gain the votes of the people of northern Bihar and Uttar Pradesh who have kinship relations with Madheshis. The blockade was disastrous for the Nepalese economy - the price of rice doubled, and a cylinder of cooking gas became at least five times. Petrol and diesel virtually vanished from the market. In this situation, China had stepped in to help, setting the stage for Nepal to reduce its dependency on India. Not surprisingly, the reservoir of goodwill for India that its disaster assistance had generated quickly evaporated. Nepal's parliament has just approved a new map that includes land claimed by India, putting relations at their worst in years.

The Modi government wholeheartedly backed the government of Maithripala Sirisena. Gotabaya Rajapaksa's election in 2019 as the President of Sri Lanka, has brought back the Rajapaksa brothers who have long built closer ties to Beijing return to power, has forced, New Delhi on the back-foot.

India nearly went to war with Pakistan in 2019. The frequent border skirmishes between India and Pakistan could easily get out of hand, triggering a “limited war” between the two nuclear armed states. While tensions were simmering down, New Delhi's abrogation of Article 370 in August 2019 to revoke the special status of the disputed state of Jammu and Kashmir led to a dramatic deterioration in India-Pakistan ties. Pakistan withdrew its ambassador from New Delhi and expelled his counterpart from Islamabad.

Democracy in Afghanistan is in deep crisis, with the Taliban continuing to rise in power and influence. This has set back decades of Indian efforts to get a foothold in Afghanistan through investment and diplomacy. It appears that Bhutan is the only country that still has a reasonably cordial relationship with India. But even this friendliness stems mostly from Bhutan's need to gain India's support in its border dispute with China.

## **Whither 'Neighbourhood First Policy'**

The question then is how a policy welcomed by most of India's neighbours unravelled so completely within five years.

One factor is Modi Government's increasing tendency to interfere in the domestic affairs of its smaller neighbours, either citing security implications or to offset the target country's unfriendly strategic choices. Interference in Nepal's internal affairs because it was unhappy with Nepal's new Constitution was completely undiplomatic and ham handed. India's participation in the economic blockade led to Kathmandu complaining to the United Nations, prompting its Secretary-General to highlight "Nepal's right of free transit, as a landlocked nation as well as for humanitarian reasons". As per newspaper reports, recently New Delhi has been actively encouraging Nepalese political groups to topple the K.P. Oli regime in Kathmandu.

In 2015 the Sri Lankan Government expelled Indian spy agency, Research and Analysis Wing (RAW), agent for its role in the 2015 Presidential election. In October 2018, President Sirisena alleged that Indian RAW was plotting his assassination. He made this comment in the cabinet meeting, after Sri Lanka's CID police arrested an Indian national in September for plotting the assassination of Sirisena and former Defence Secretary Gotabaya Rajapaksa, who is the current President of Sri Lanka.

Loose talk can harm relations with neighbours and sully the atmosphere. Indian Home Minister's repeated statement calling the "illegal" immigrants from Bangladesh as "termites" and threatening to push back about four million of the people into Bangladesh has angered not only Bangladeshi politicians also the common people of Bangladesh.

## **Where do we go from here?**

South Asia remains a very poorly integrated region in economic terms. In economic terms, intraregional trade is less than 2% of GDP, compared to over 20% for East Asia. Regional institutions such as BIMSTEC and SAARC, could be vehicles for Indian influence in setting regional standards for trade, investment, and other forms of cooperation. Unfortunately, these have failed to be effective. In complete disregard of its own earlier promises and in a manner that could hurt India's national interest in the longer run, Modi's government has also been reducing the already limited amount of aid and loans to the neighbouring states. In 2017, the Parliamentary Standing Committee on External Affairs had noted that, "There has been a sizeable reduction in aid and loans to countries in our immediate neighbourhood such as Maldives, Bhutan, Sri Lanka, Afghanistan and Bangladesh. The Committee contend that the quantum of aid to a country under this head is viewed as a reflection of India's diplomatic engagements with its immediate and extended neighbourhood." China has very deep pockets, and has used state-backed financing, marketed in recent years as the Belt and Road Initiative, to offer the types of large-scale infrastructure projects that these countries are crying out for, and that India simply does not have the resources to match.

India needs to ask whether the policy of closer alignment with the United States, along the policy path that India is already pursuing, represents is the best way to meet the challenges posed by China. Also, whether building indigenous military power and forging regional partnerships are going to help countering China. The strategic problem that India faces is how to secure itself and promote its national interests in a grossly unbalanced strategic environment. India has abandoned the policy of non-alignment and moving away from South Asian regional community towards an alliance with the West to contain China. This is dangerous for India and for the rest of South Asia. India needs to move away from that trap. India needs to focus on its long term interests and build sustainable and long term relationship with her neighbours. And, for that, India needs to resolve its border disputes

with her neighbours - China, Nepal and Pakistan.

The border dispute between India and China can be resolved only if both India and China are willing to make compromises. In all such disputes, particularly those that carry the legacy of the colonial past, a certain give and take is necessary. China has resolved its border disputes with 12 of its neighbours. The two unresolved boundary disputes till date are between China and Bhutan and China and India. Historically speaking, there was an opportunity in 1960, when the then Chinese Premier Zhou Enlai had paid a very prolonged visit of more than seven days. He had offered a compromise solution which was a package deal to resolve the boundary question. If India had responded positively to Zhou Enlai's offer, there would have been no war in 1962 and there would have been no recurrent problems along the Line of Actual Control.

Last year, during the informal summit at Mamallapuram, President Xi Jinping suggested the need to build a trilateral partnership between China, India and free from the influence of third parties. The idea of trilateral dialogue and cooperation is the only way to go forward.

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**Tapan Kumar Bose**

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