China's leader Xi Jinping seems to have shifted the focus of his regime’s foreign policy including that towards South Asia from core interests to economic interests. Xi’s statement that China is prepared to sign friendship treaties with the country’s neighbors and the PRC’s willingness to adopt a ‘trilateral’ (i.e., China, India and the concerned South Asian country) approach towards tackling issues in South Asia, signal Beijing’s new conciliatory thinking. Nonetheless, in terms of strategy, China under Xi Jinping shows no sign of any change – balancing India by supporting Pakistan appears to be the cornerstone of Xi’s regional policy; suggesting it, is the China-Pakistan agreement on the need to have a ‘strategic balance’ in South Asia. In a broader sense, through his regional initiatives, Xi seems to be conveying a firm message to Asian nations- China will use its increasing power to create an Asian order which is favorable to it.

To understand the latest position with regard to South Asia policy of the People’s Republic of China (PRC) under President Xi Jinping, one has to pay close attention to what the leader has said on the subject during his visits to New Delhi (September 2014) and Islamabad (April 2015). In New Delhi, Xi, referring to South Asia’s probable emergence as the new growth pole powering the economy in Asia and even the world, stated that “a peaceful, stable and prosperous South Asia conforms to China’s interests. China is willing to align its development strategies with those of South Asian countries to achieve mutually beneficial development and common prosperity”. He considered China’s “one belt and one road” proposal as one in joint interests of the PRC and South Asian nations and expressed the hope that the proposal would lead to boosting the interconnectivity of countries along the traditional land and maritime Silk road, making their economies prosperous and trade complementary. Xi added that China will cooperate with South Asian nations in lifting the two-way trade to US$ 150 billion in the next five years and that the PRC will invest US$ 30 billion in South Asia, along with preferential loans of US$ 20
2. Xi’s remarks on South Asia in Islamabad have almost been identical with what he stated in New Delhi. He reiterated that a peaceful, stable and prosperous South Asia conforms to China’s interests and that China is willing to align its development strategies with those of South Asian countries to achieve mutually beneficial development and common prosperity. New however has been Xi’s observations on the occasion that “the Chinese side is willing to, within the framework of South-South cooperation, offer assistance and support to South Asian countries within its own capacity and that China-Pakistan economic corridor project will bring prosperity in all parts of Pakistan and the region, The Silk route project is a significant move on the part of China to fully open up”.

3. Evident from the above is China’s shift of focus at this juncture to economic interests as it conducts relations with South Asia nations. (In fact, judging from the overall picture, it is clear that the shift encompasses the entire gamut of China’s Asia ties). In the region, the shift is getting manifested in Xi’s efforts to establish economic connectivity with the countries in the region particularly through implementing schemes like the Silk Road Economic Belt (SREB) that would be established along the Eurasian land corridor from the Pacific coast to the Baltic Sea, and the 21st century Maritime Silk Road (MSR) connecting Asia and Europe through sea route. These schemes will facilitate China’s gaining of direct access to the Indian Ocean and beyond, besides helping it in boosting its influence over South Asia and Central Asia. Outside support to the two schemes and membership in the China-proposed Asian Infrastructure and Investment Bank (AIIB) which will finance infrastructure projects in the Asia region, have become critical for the PRC under Xi. China is to invest US$ 46 billion in various projects in Pakistan involving construction of roads, railways, pipelines, fibre optic cables, power facilities and economic development zones. In scale, such investment eclipses the US spending in Pakistan over last decade or so.

4. While it can be seen that Xi Jinping’s pronouncements do not answer the question as to how his government is viewing ties with South Asia in strategic terms, some of the statements coming from senior officials in his government, appear to have dealt with this issue. For e.g, the visiting Chinese foreign minister Wang Yi and the Adviser to Pakistan’s Prime Minister on National Security and Foreign Affairs Sartaj Aziz, while taking stock of regional developments, agreed (Islamabad, 14.2.2015) on the need for maintaining strategic balance in South Asia. Going by the definition of the term “strategic balance”, it means the relative capabilities of Pakistan and other regional powers, especially the rival India, to achieve their respective strategic objectives in relation to the other. Pakistan’s key concern is over its lack of ability to establish strategic stability in South Asia which it believes is due to challenges from the conventional and nuclear imbalances between India and Pakistan. It hopes that not only USA but also other important members of the international community will support Pakistan’s objective of regional balance and strategic stability in South Asia. Importantly, by implication, China seems to have extended such support to Pakistan through Wang Yi. In fact, the support had already manifested in the China-Pakistan Treaty of Friendship, Cooperation and Good-neighborly Relations, signed and ratified by both the sides on April 5, 2005 and January 4, 2006 respectively.

5. Wang Yi’s support to Pakistan vis-à-vis India, as mentioned above, raises questions as to whether China will continue to follow its ‘balanced’ South Asia policy, which began in end seventies, in pursuance of the conceived pre-requisite for the country to have a ‘peaceful
periphery’ conducive to its modernization. Under it, the PRC had modified its pro-Pakistan stand so far kept on Kashmir issue, with the state-
controlled media dropping references to ‘India-occupied Kashmir’ and using instead the terms ‘India-controlled Kashmir’ and ‘Pakistan-
controlled Kashmir’. In December 1996, the then Chinese President Jiang Zemin favoured New Delhi - Islamabad ‘consultations and
negotiations’ on Kashmir issue, during his speech to the Pakistan Senate. During the Kargil conflict in 1999, China refrained from taking
sides and adopted a neutral position. China’s oft-repeated stand since this time had been that the Kashmir issue is one ‘left over by history’
and that ‘India and Pakistan should properly solve the problem through dialogue and negotiations.’ Beijing no longer makes references to
‘self-determination’ for the Kashmiri people and does not consider the ‘Kashmiri people’ as a third party to the dispute.

6. Casting a shadow on China’s ‘balanced’ South Asia policy is the emerging military relationship between Beijing and Islamabad. China’s
missile technology support to Pakistan still seems to continue. Prior to Xi Jinping’s visit to Pakistan, reports appeared on the proposed sale
of eight type 039A submarines by China to Pakistan. With the eight, Pakistan’s such submarines will be more than doubled. India, according
to reports, only has 13 aging conventional subs. It is generally believed that Pakistan, with China’s help, would equip these 039A subs with
nuclear tipped missiles. India still has no such subs with nuclear tipped missiles; though it has conducted trials for nuclear powered ballistic
missile subs. India may therefore feel more and more anxious to fill this gap. India-China arms race is thus most likely to be the
consequence. Another point relates to China’s investments in Gwadar port (Pakistan), Hambantota port (Sri Lanka), Chittagong (Bangladesh) container facility and Kyaukpyu port (Myanmar). These, along with China’s plan now to supply Pakistan the 039 A missiles, are
likely to lead to a rise in India-China geopolitical rivalry in the Indian Ocean region. Such a situation may not be beneficial to India-China
bilateral times particularly at a time when Indian Prime Minister is to visit China in May 2015.

7. Also worrisome to India is that Xi is vigorously pursuing the SREB and MSR initiatives known as “One Belt and One Road” project, of
which the proposal of ‘China-Pakistan Economic Corridor’ is part. The corridor passes through Pakistan Occupied Kashmir. Backed by an
extensive China-led funding infrastructure, the project, as being assessed, could shift the center of geo-economic power towards Eurasia,
and undermine the “Asia Pivot” of the United States and its allies, widely perceived by China as the central plank to contain it. The Chinese
expectations from the MSR has come clearly in a document released at the Bo Ao Forum conference (March 2015) which said that
creation of maritime facilities with the PRC’s assistance will have an obligation for the host country to serve Chinese interests including
strategic interests. It is very likely that China will develop albeit in a slow manner an increased military presence primarily along the Indian
Ocean portions of the MSR. In sum, the project conveys a firm message to Asian nations- China will use its growing power to reshape
economic and security arrangements in the region. India for valid reasons may feel concerned with this. To be noted in this context, is
India’s policy against giving any blanket endorsement to China’s two silk road initiatives and cooperating wherever Indian interests
converge with those of China (Indian Foreign Minister Sushma Swaraj, Beijing, February 2015).

8. Raising questions for China’s ‘balanced’ approach towards South Asia are railway projects falling under “One Belt and One Road”
initiative, designed to link Pakistan and China via Pakistan Occupied Kashmir (POK) where Chinese troops are reportedly deployed
ostensibly for construction work. The reported infrastructure projects undertaken by the Chinese military and nuclear establishments in
Pakistan Occupied Gilgit-Baltistan region, may become strategically important to the Chinese army in the event of another conflict with India; especially, the Karakorum Highway could be useful for China as an overland route for moving missiles and spare parts to Pakistan. Also, there appears to be a deeper meaning to the continuing issue of stapled visas by Beijing to Indians from Kashmir. This may mark a nuanced Chinese position on Kashmir implying a dilution of China’s past stand of accepting Kashmir as a de-facto part of India, while at the same time treating POK including Gilgit-Baltistan region as de-facto and de-jure parts of Pakistan. Is China’s stand a quid pro quo for Pakistan’s help to Beijing in fighting against Uighur separatism in Xinjiang? Is Beijing developing future options for questioning India’s locus standi to negotiate with China on the territory in Ladakh ceded by Pakistan to the PRC? The remarks of the then Indian Prime Minister that China “could use India’s soft underbelly of Kashmir to keep India in low level equilibrium”,[5] demonstrate how serious these questions are.

9. Xi Jinping’s South Asia policy needs a study in a historical context. Since late Chairman Mao Zedong proclaimed founding of the PRC in October 1949, saying that ‘China has stood up’, a tradition always prevailed to develop an overall strategic vision for the country at different stages and link it with the direction of its external course. In the Mao Zedong era (1949-76), the strategic vision was consolidation of socialism in China; the matching domestic goals were ‘self-reliant development’ and the external line was ‘leaning to one side’, in other words getting the support of socialist allies, for consolidating the Communist party rule at home. Internal priorities underwent a major change in the post-1978 period, with veteran leader Deng Xiaoping made building of ‘Socialism with Chinese Characteristics’ as strategic vision; he made reforms and modernization of the country as domestic goals and chose an open door external line to achieve it.

10. In the post-Deng period, the then Chinese President Jiang Zemin formulated national policies centering round his theory of “Three Represents”, with the objective of making the Chinese Communist Party (CCP) a representative of majority of the people and codified ‘three major historic tasks’ for China – Modernization, National Reunification and Safeguarding World Peace and Common Development. To accomplish these tasks, he chose an ‘Independent Foreign Policy of Peace’. Jiang’s successor Hu Jintao brought forth a domestic development model marking a shift in emphasis – from GDP centric growth to ‘balanced development’; to be backed by his own theoretical concept of “Scientific Outlook of Development”, of which creation at home of a ‘Harmonious Socialist Society’ and ‘Sustainable development’ constituted main elements. Correspondingly, Hu put in place an external strategy based on the idea of a “Harmonious World” aimed at realizing a ‘win-win’ solution in international relations’. The then PRC Premier Wen Jiabao, tracing the links between his country’s domestic goals and foreign policy objectives stated, “What China needs for its development first and foremost is an international environment of long term stability and a stable surrounding environment.”

11. For the PRC under President Xi Jinping, ‘national rejuvenation’ is the strategic vision. For realizing it, Xi has set “double century” national goals – (i) building of “moderately prosperous society in all respects” by 2020, the year around 100th anniversary of the CCP’s founding, when in all provinces, the average income of the middle class, will reach international standards, China’s GDP of 2000 will be quadrupled to approximately $4 trillion with a per capita level of some $3,000. Military mechanization and major progress in informatisation will be achieved by this time, and (ii) establishment of an “affluent, strong, civilized, harmonious, socialist modern country” by 2050, the year around the PRC’s 100th anniversary, when the annual per capita GDP can reach US$ 40,000, making China one among top 40 countries in
12. In order to achieve the “double century” goals, Xi has chosen a foreign policy course with two pillars - striving for a win-win relationship with external powers and at the same time not compromising on issues concerning territorial sovereignty. The course, with assertiveness as dominant element, actually began in the middle of 2008; before that Beijing’s emphasis in international relations was on ‘hiding one’s capacities and biding one’s time’ (veteran leader Deng Xiaoping’s famous 24-character maxim of tao guang yang hui). It is an outcome of China’s confidence gained through its ability to achieve a sustained growth; also due to its conviction that the country’s ‘comprehensive national strength’ has grown and hence in proportion to that, it should increase its influence over the world. The course is leading to China’s display of assertiveness externally, giving rise to fears among neighbors having territorial disputes with the PRC.

13. Adding further to such fears is China’s military modernization. China’s fundamental policy direction is that national defence building should be in the ‘service of and subordinated to the country’s overall development’. In other words, economic development and military modernization are to progress hand in hand. China’s defence budget for 2014 was to the tune of US$ 132 billion, an increase of 12.2% over previous year. Its military expenditure has had a rapid rise in the past 20 years. The central point is that the development of modernization in China since 80s of land, air, naval and missile forces has led to a remarkable expansion in the capabilities of the People’s Liberation Army (PLA) for not only defending the country form its soil, but also for operating well beyond its borders to protect PRC’s growing global economic and security interests.

14. To understand the foreign policy of Xi Jinping, especially his approach to neighbors, it would be necessary to look into the reasons behind the PRC’s decision, taken at the Central Work Conference on Foreign Relations of the CCP, held in November 2014 to accord top position to relations with neighbors with ties with ‘Great Powers’ and ‘Developing countries’ ranking second and third respectively. The move reflected the PRC’s recognition that the periphery including South Asia is becoming increasingly vital to China’s economy, trade and security. Notable in this regard is Xi’s stress on the occasion about a Chinese proverb that “close neighbors are better than distant relatives”.

15. Also significant is the concept of “Community of Shared Destiny”, highlighted by Xi at the same conference; it stipulated that “such a community will be based on deep economic integration, but going beyond trade. It will be a vision of a political and security community in which economically integrated countries in the region support and defend one another from outside threats and intruders, as well as manage internal threats together through collaborative and cooperative mechanisms”. Xi spoke again on the concept at the Bo Ao Forum (Hainan, 28.3.2015) adding that China, jointly with Asian nations, would build a regional order that is more favorable to Asia and the world. He avoided saying that China would lead such order; but on the other hand his remarks that “given China’s size, it will naturally play a larger role, but without seeking greater monopoly over regional and world affairs”, convey a definite meaning.

16. Xi’s observations at the forum that the PRC is ready to sign friendship treaties with neighboring countries to build trust are significant. They taken together with his readiness for China-India-Sri Lanka trilateral cooperation to address security concerns in the Indian Ocean...
region (Xi, Colombo, September 2014) and the PRC’s willingness for China-Nepal-India trilateral cooperation (Chinese Foreign Minister Wang Yi, Kathmandu, September 2014) reflect China’s new thinking on relations with South Asian nations. In this regard also looking important is Xi’s call for promoting “common, comprehensive, cooperative and sustainable security in Asia”, and setting up “open and inclusive new security architecture in Asia”, made at the summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA), held in Shanghai, in May 2014.

17. Why Xi Jinping now tends to give prominence to economic interests in its foreign policy? According to known Sinologists[7], it is due to the perception among the leaders that economic recession is a bigger challenge than external threats. They reveal that a consensus has been reached by the Xi administration on what should be the theoretical foundation of the current major contradictions in the Chinese society. Identifying the “Four Comprehensives” concept introduced by Xi Jinping in December 2014 (“comprehensively, build a moderately prosperous society, strengthen reforms, establish rule of law and enforce party discipline”) as such foundation, they have observed that the leader, unlike his predecessors, seems to have realized that the central task of development can be achieved only if changes could be brought into the structure of international economic and political order. Also according to them, President Xi Jinping has redefined and expanded the function of Chinese diplomacy and that he will attempt to alter some of the foreign policy processes and power relationship that have defined the political, military, and economic environment in the Asia-Pacific region.[8] One has however to watch for future developments to confirm the trend in China towards according priority to economic interests.

18. There are also other determinants of Xi Jinping’s South Asia policy. They include neutralizing the perceived US strategy to contain China with support of regional nations, developing economies of China’s border areas, cooperating with South Asian countries in exploitation of much needed energy resources, protecting oil transport security in the Indian Ocean, getting support to ‘One China’ policy and last but not least securing cooperation from the nations in the region in the matter of meeting terrorism threat to China’s South West border coming from outside.
19. What has been said above shows that the Xi Jinping regime in China, despite putting economic interests first in its foreign policy including on South Asia, may not give up its assertiveness on key issues - Sino-Indian border, Tibet and China-Pakistan nexus. The PRC is becoming more vociferous in claiming India’s Arunachal Pradesh as part of its ‘Southern Tibet’ for e.g its objection to Indian Prime Minister’s visit to Arunachal Pradesh. It is suspecting India’s position on the Dalai Lama in spite of New Delhi’s assurances on this count and keeping the talks between Dharamsala and Beijing deadlocked. It is further strengthening strategic ties with Pakistan. Both China and Pakistan are repeatedly laying stress to the relevance to bilateral ties of their peace treaty signed in 2005, unique in South Asia, providing for mutual support in protecting each other’s national sovereignty and integrity; this treaty is being mentioned in several China-Pakistan joint statements. For China, the vital sea route for its energy import from the Middle East has become more important from the point of view of South Asian situation. It is natural for India to watch for the strategic significance of China’s naval modernization and its increasing focus on the Indian Ocean. Indian fears over the future military potentials of China’s port projects in India’s neighborhood, like Gwadar (Pakistan), Hambantota (Sri Lanka), Sittwe (Myanmar) and Chittagong (Bangladesh) seem justified.

20. Xi Jinping administration is projecting China’s economic power into countries in India’s neighborhood and thereby gaining capabilities to influence the latter strategically. This is putting India under compulsion to suitably challenge China. China has become the largest investor in Sri Lanka. During Xi’s recent visit to Colombo, Sri Lanka and China reached 27 agreements, including one to start negotiations on a free-trade agreement. China has several large-scale, ongoing projects in Bangladesh which include deep seaports in Chittagong and Sonadia Island. China also has plans to build a road and rail link through Myanmar to connect the Chinese city of Kunming to Chittagong. China has invested heavily in the Nepalese energy and transportation sectors, including a US$ 1.6 billion hydropower plant and a US$1.9 billion railroad project to connect Lhasa to Kathmandu. Other transportation projects include the Pokhara Regional International Airport, a number of roads, bridges and container depots. China has pledged to vastly increase its investment in Pakistan’s economy and infrastructure sector. Among other initiatives, China has been helping develop Pakistan’s infrastructure sector, details of which have already been mentioned above.
21. India may have to deal with the Chinese enthusiasm to enter South Asian Association for Regional Cooperation (SAARC) on the basis of mutual advantage. Chinese scholars believe\[9\] that combined, the economic integration of the PRC and SAARC will create a huge market with 2.8 billion people, which will bring new force for economic development to China, South Asia and the whole world. The PRC wants to establish a China-SAARC free trade area. The scholars also think that India pays close attention to China’s economic relations with other South Asian countries under the belief that they are aimed at China encircling India. They accuse India as interfering in other South Asian countries’ economic agreements with China, both openly and covertly. India’s contradictions with other South Asian countries will not disappear overnight, unless India abandons its ambition to play the role of “big brother” in South Asia. Furthermore, India’s economic development over the past two decades has not produced substantial spillover effects for its neighbors. The scholars further say that SAARC is now in need of external forces to help drive its development and integration. Whether India likes it or not, it will be unable to prevent other SAARC countries from turning to China for financial support.

22. India under Modi, will have both opportunities and challenges in the South Asia policy of China under Xi Jinping. India can work towards capitalizing on the economic opportunities which may arise in South Asia as Xi promotes his ‘shared destiny’ concept to connect the region, especially through channeling funds through the AIIB, of which India is already a member. In a strategic sense, however, India should be prepared to face challenges as Xi’s policy appears to aim at establishing a new Asian order in which China will play a big, if not leading, role. Hypothetically speaking, the neighbors of the PRC including India who want to benefit from close economic ties with China, but at the same time feel compulsions to worry about Beijing’s aggressive push of its territorial claims, will feel relieved if Xi Jinping’s China, under its economic interests-driven foreign policy, tones down its assertiveness abroad at action levels. In reality however the situation is different; consider creation of artificial islands in South China by sea by China with an eye on gaining strategic superiority vis-à-vis other claimants. This being so, undoubtedly one has to wait further for a full picture; much would depend on the nature of future domestic and foreign policy developments in China. China’s readiness to sign friendship treaties with its neighbors has been a notable development with major implications for future prospects for the regional geopolitics. In such circumstances, it would be beneficial for India to probe the Chinese new foreign policy thinking including on South Asia, utilizing the opportunity of the impending visit to Beijing by its Prime Minister.

22. In a nutshell, the main motivating factor for Xi Jinping’s South Asia policy firmly appears to be the requirement for China to establish economic connectivity with the region arising from the country’s need for natural resources and safe transit routes. The second requirement is the increasing compulsions on the leader to curb support to terrorism in Xinjiang, coming from across the borders. Looking from a strategic view point, however, it can be said that for the Xi regime, the South Asia policy determinants remain without change ever since the end of cold war; balancing against India by supporting Pakistan seem to continue as Xi’s principal aim.

(The writer, D.S.Rajan, is Distinguished Fellow, Chennai Centre for China Studies, Chennai, India. This is an updated version of his paper on the subject, submitted for the National Seminar on ‘Neighborhood Initiatives of the Modi government: Challenges and Road’, organized by the Pondicherry University, on April 20-22, 2015).


[5] Dr Manmohan Singh, Times of India, 7.9.2010


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