

A New China Engages India

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The new China that has emerged in the aftermath of the global financial crisis of 2008 is no longer passive or timid, but sees itself as a big power with a more strategic approach to its external environment. Retracing the ideological contest between reformers and leftists in China on the nature of the post-Maoist system, this article points out that New Delhi has to reassess the type of relationship it wants to build with its stronger and more self-assured northern neighbour.

When Hu Jintao, China's then president, visited India in November 2006, he said China would not seek "selfish gains" in south Asia and called for an "early settlement of the boundary issue" (*China Daily* 2006). Subsequent Chinese words and deeds lent little credence to the notion that there had been a reorientation in Chinese policy. China's posture on the border seemed to harden with ill-timed rhetoric by high officials. Regionally, with an open-ended western military presence in south Asia, Beijing seemed content with playing second fiddle in regional geopolitics.

In December 2010, when Wen Jiabao, the then premier, arrived in India the focus had shifted to geoeconomics. The trade imbalance had become palpably distorted in China's favour and India Inc seemed to have emerged as the swing factor in India's China policy. India's core geopolitical concerns seemed to have been swept aside. China's unfriendly position on Kashmir, where its rhetoric challenged India's sovereignty even on territory east of the Line of Control, coincided with Wen's visit (Krishnan 2010). Overall, China seemed to be uninterested in serious geopolitical engagement on areas of regional discord (Singh and Sahgal 2010).

The May 2013 visit of Prime Minister Li Keqiang suggests China is pursuing a renewed approach of engagement. Retracing China's internal political dynamic might help in understanding the evolution of Beijing's perceptions and world view.

China's Internal Reorientation

Despite adaptation, ideology remains an integral element of China's political structure. The core ideological contest between reformers and leftists is on the nature of the post-Maoist system that Deng Xiaoping adapted after 1978.¹

The reformers prefer an open-ended transition from socialism by liberalising the political economy, but are unable to

articulate a political or institutional template for a post-Communist Party China. The leftists accept Deng's reinterpretation of the Maoist system as "socialism with Chinese characteristics", which enables China to leverage the world capitalist system and the market for economic growth. However, according to them, in this socialist modernisation process the red line of one-party rule must not be diluted. This implies clear differences in economic policy.

For leftists, non-state sectors and multi-ownership systems can coexist in the political economy, but must remain subordinate to the dominant state sector. Reformers are either agnostic or receptive to new class formations that emerge outside the state sector because of privatisation and deep involvement with the international political economy. Leftists, in contrast, remain committed to ideologically preserving China's "socialist" identity and counteracting the effects of parallel class structures with epistemic and capital linkages to the international political economy.

Since the Deng era of economic openness, the factional balance has favoured the reformers, who have been balanced by the leftists. After Tiananmen in June 1989, the exuberance of the liberal reformers confronted an ideological backlash, and Deng was compelled to accommodate the leftists who were aghast at the prospect of a Soviet-style implosion. Deng accommodated these voices and shaped a new consensus where Communist Party dominance would be unquestioned to ensure a single-minded pursuit of economic growth. Deng's last and decisive political act was his famous 1992 southern tour to the coastal provinces to jump-start the reform process and take the initiative away from the resurgent leftists (Macfarquhar 1992).

The post-1992 line was that China's greater danger came from the leftists, who could not be allowed to derail the managed liberalisation of the economy and integration with the east Asian political economy. Both ideological factions disavowed political reform, but on political economy matters the reformers

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under the Jiang Zemin-Zhu Rongji leadership played a significant role in expanding the non-state sector through privatisation of state assets and promotion of foreign-invested enterprises in coastal China. The social composition of the party was also altered as private entrepreneurs entered the organisation. This balance more or less lasted until the Hu Jintao-Wen Jiabao combine assumed power in 2002, and after 2004 the official discourse began to highlight rising inequalities between coastal and inner China, social unrest, and the imperative of balanced development (Fewsmith 2008). The reformers remained ascendant but were tempered by the leftist discourse over rising social inequalities. Externally, China's integration into the global economy proceeded rapidly, and western, Japanese, South Korean and Taiwanese multinational corporations (MNCs) enjoyed an unprecedented profit boom.

With geoeconomics in command globally, the reformers in China remained comfortable in their ability to hold off the leftists who sought to more actively rebalance the economy, and strengthen Beijing's control over the decentralisation that they had encouraged to enable wealth creation in the provinces. The global economic shock of 2008 and the resurfacing of economic imbalances represented a turning point in every sense. To avoid a hard landing, Beijing recentralised the economy after a massive fiscal expansion using state-owned enterprises (World Bank 2010). The post-crisis political economy of turbulent western markets reinforced the leftist influence over economic policy and the banking sector (Dyer 2010; Sanders 2010).

Bo Xilai Crisis

In 2012, the Bo Xilai crisis erupted. While the picture is hazy, at a structural level Bo arguably represented an effort by the crony-capitalist political economy to craft an informal alliance with sections of the security services and the People's Liberation Army (PLA) leadership to emerge as a political axis bypassing the formal party structure (Page and Wei 2012; Ansfield and Johnson 2012; Blanchard and Lim 2012). At first glance, this dynamic was a potential systemic challenge to

both the reformers and the leftists, who are united on the primacy of Communist Party rule. However, the leftists, who are ideologically committed to the state-led model and the socialist ethos, could have been more adversely affected had the Bo experiment succeeded. This new political force would probably have aligned with ideologically agnostic reformists and accelerated the private expansion of the non-state sector. It has been reported that reformers associated with Jiang's followers in Beijing supported Bo before his downfall and "more than half of the 25-member Politburo visited Chongqing to endorse Bo's policies" (Bloomberg 2012; *Want China Times* 2012). With the leftists weakened, the ideological and institutional erosion of single-party dominance would have logically followed.

It is unclear if the leftists sought to leverage the Bo scandal to reshape the balance of power before the leadership transition. Certainly, new red lines over the domestic landscape must have been drawn. The restoration of party control over the PLA has been one evident outcome of this crisis. After a period of intense inter-factional bargaining, the party presented a united front to the world via the Xi Jinping leadership. Hu even relinquished his leadership of the Central Military Commission, the highest political-military decision-making body, to enable the Xi regime to acquire full control over the political and military system (SCMP 2012).

The majority of the new politburo standing committee (PSC) members has, at least on paper, connections to the liberal reform faction, with perhaps Xi indirectly affiliated to the group. Li, a protégé of Hu, is said to represent the leftist faction. In the provinces, leftists dominate with leadership in 21 provinces, up from five in 2002. While the reformers are over-represented in the PSC, in the larger 25-member politburo, the leftists dominate. Of the 14 politburo members eligible for promotion in 19th Party Congress in 2017, nine are with the leftist group of Hu and five with the Jiang faction (Liu and Ip 2013; Bertelsen 2013).

This core ideational contest between reformers and leftists remains a structural feature of post-Dengist politics, and

the flux of the global political economy has undermined the dominance of the reformist world view.

China's External Reorientation

China's foreign policy no longer reflects the accommodative pro-western line of the reformers. On major geopolitical questions, especially after the North Atlantic Treaty Organisation's (NATO) Libyan intervention, China has been adhering to an independent anti-intervention principle, with Syria as the most recent example. On geoeconomic issues, while the private sector might recover the ground it lost after the 2008 state expansion, Beijing has neither acquiesced to western neo-liberal norms to resolve economic imbalances, nor has there been much headway in US market access to China's high-value services sector. Clearly, China's ideational perceptions have changed.

David Shambaugh, a noted Sinologist, recently suggested that there is an intense identity contestation within China and there is "anything but continuity in Chinese foreign policy". He argues that since 2009 China's identity and world view is being shaped by realist and leftist voices (2013: 16, 43).

Harry Harding, another western Sinologist, when asked to explicate Xi's world view, replied it mattered little because collective politics was the determining factor in China's behaviour. What is this collective politics? It is no longer "economics in command", a phrase that described the reform era. Factional preferences have been transcended by a collective world view. The Deng consensus of a low-profile and passive China absorbed in capital accumulation has been displaced by the self-image of a great power, where the country engages with the full spectrum of global issues. China has always had a dual self-image, as a big power and as a developing state. The former has now become prominent.

Li was representing this new China on his recent India visit. Is the new China less selfish? At first glance, this is a paradoxical question. Every indicator suggests a China that is pushing back, is less timid, and even less concerned about western mainstream constructions of its behaviour. The one important

element that the new China brings is a more strategic approach to its external environment. Deng's priority on economic growth shaped the prism through which Chinese policymakers viewed and interacted with the world. China defined itself through its modernisation effort, and defended a narrow conception of national interests where its concern for global and regional geopolitics was relatively ambivalent. The transition to a great power brings political and strategic issues to the fore.

China no longer perceives the international system as unipolar, or that its economic development demands a unilateral accommodative posture to the west. China's vice foreign minister summed up its posture as "we will not create troubles, but we definitely do not fear any trouble" (Xinhua 2012). The image of great power interdependence has become Beijing's new philosophy since Xi's February 2012 speech calling for "a new type of relationship between major countries in the 21st century" (Xiaokun and Yunbi 2013).

Perceptive US Sinologists recognise the new China will not bend to US coercion, and argue that to arrest a deterioration of the security dilemma Washington should engage it on a more equal footing (Lampton 2013). On a broader level, US military leadership, such as Joint Chiefs of Staff Chairman Martin Dempsey, is recognising the "need to adjust our ambitions to match our abilities" (Whitlock 2013). US elite perceptions of its own power and prestige in the global system, however, suggest Washington is reluctant to reconstruct a new global role that is not based on international primacy. The Barack Obama-Xi Jinping summit in June exemplified the impasse between the self-images of a rising China and the US (*Financial Times* 2013).

Implications for India

China is seeking to reshape the geopolitics on its southern periphery. Li's rhetoric of "Do not do unto others what you do not want others to do unto you" (Keqiang 2013), a Chinese scholar stating that a "beggar-thy-neighbour policy is intolerable" (Krishnan 2013), and a Chinese editorial suggesting that the "level of

mistrust could be gradually reduced with good faith in each other's strategic intentions" (Qingchuan 2013) indicate that Beijing is acknowledging the security dilemma.

The ultimate proof of this proactive geostrategy is whether India and China find common ground in their "overlapping peripheries". This would include issues such as negotiations on the border dispute, stability on the frontiers, cooperation under the Bangladesh, China, India and Myanmar (BCIM) Regional Forum, maritime cooperation over the commons, and cooperation over Afghanistan's future. It is only through a reciprocal recognition of Sino-Indian security interdependence that the security dilemma can be managed. The onus is more on China since it has historically pursued a selfish approach to its southern periphery.

In the economic sphere, India's qualitative asymmetry with China is unsustainable. After excluding oil imports, China accounts for nearly 50% of India's trade deficit (Basu 2013). If engaging with China's economy is a humbling experience, India's internal distortions have made it embarrassing. India's commerce secretary admitted, "There is little we can do to stop imports from China, as there is a genuine demand from the Indian industry" (Sen 2013).

The deficit reflects India's imbalanced domestic industrial and manufacturing base that remains stubbornly stuck at 16% of gross domestic product (GDP) for the last two decades. Further, when India's social infrastructure – healthcare, education, social security – is dispassionately appraised, the asymmetry with even middle powers is high. This is a structural crisis that is yet to be holistically confronted (Singh 2012).

Aside from market access, where India's niche capabilities are limited to a select few sectors, the only viable solution given India Inc's dependent position is through a proactive strategy of steering Chinese investment into capital-starved and capacity-starved sectors. Without a policy framework, this too could get stuck in inertia. Bluntly put, without strategic adjustments, India's neo-liberal approach cannot compete with China's economic model.

As Delhi introspects on its China policy, it needs to assess the type of relationship it wants to build with a stronger, more self-assured but not necessarily hostile China. The global balance of power and prevailing alignments will not enable China to have a unilateral path to security. In one global triangle, India has inadvertently attained a position where its equation with both Washington and Beijing is more stable than the US-China relationship. India has some agency to maintain this position, and perhaps even benefit from a multipolar world. Simultaneously, India needs to recognise the upper limits of an external balancing strategy, which cannot resolve the deep structural problems in its political economy, institutions and state capacity.

China is engaging India because of realpolitik reasons and because its internal ideational flux impels it to behave like an independent great power. India needs to discover what it wants in a changing international environment.

NOTE

- 1 This typology is the most appropriate to convey the persistent ideational contestations in Chinese politics. This is not to suggest that leftists reject "reforms" per se, but their interpretations of the transition process begun by Deng are typically distinct from the reformers. The other commonly used typology of liberals-conservatives also conveys the same essence, except that the former can also be politically conservative, thereby obscuring the real ideological differences.

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