

China-India Brief

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Guest Column

Are Strategic Stability Talks Possible for Southern Asia?

By Daniel Markey

In November 2021, President Joe Biden **proposed** opening “strategic stability talks” with China during his virtual summit with President Xi Jinping. That proposal reflected Washington’s **longstanding but repeatedly frustrated** goal of starting an official dialogue with Beijing on issues related to the employment and escalation of nuclear forces. Biden’s proposal also reflected **new US concerns** about China’s rapidly expanding nuclear arsenal and development of delivery systems, including advanced hypersonic missiles.

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AND GLOBALISATION

The *China-India Brief* is a bi-monthly digest focusing on the relationship between Asia’s two biggest powers. The Brief provides readers with a key summary of current news articles, reports, analyses, commentaries, and journal articles published in English on the China-India relationship. It features a Guest Column weighing in on key current issues in China-India relations.

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Since then, the list of active disputes between China and the US has only gotten longer, reinforcing the logic for the two sides to seek **“guardrails”** against dangerous escalation. Drawing from **Cold War experience** with the Soviet Union, dialogues on nuclear matters seem a smart way to avoid unnecessary risks, even in what looks to be an increasingly adversarial relationship.

Yet, a purely bilateral US approach to strategic stability with China would prove inadequate to the task at hand. Today, some of the greatest threats to nuclear peace stem from the **“cascading security dilemma”** that links the United States and China to other nuclear powers, especially India and Pakistan. China’s latest investments in nuclear warheads and delivery systems—presumably made with the principal aim of deterring the US—will have immediate and direct consequences for India’s nuclear security calculations and investments. Those, in turn, will affect Pakistan’s.

Some of the Cold War’s most dangerous moments, such as the Cuban Missile Crisis of 1962 and the Able Archer war scare of 1983, came when the superpowers struggled with the complications of working with allies and partners. Misperceptions, mistakes, and coordination problems all multiply, as does the challenge of clarifying red lines and the nature of defensive commitments to allies and partners. Recent developments in Southern Asia, where nuclear-armed India, Pakistan, and China

share contested borders, and where the US-India strategic partnership is tightening just as China-Pakistan ties are more important than ever, could pose similar if not greater challenges for escalation management.

In Southern Asia, both “arms race stability” and “crisis stability” face new threats. Although Indian and Pakistani nuclear arsenals are **far smaller** and apparently growing less rapidly than China’s (which is itself a fraction of the size of the US or Russian arsenal), New Delhi and Islamabad are actively developing and fielding new delivery systems and platforms that will materially alter the prospects for escalation in future crises. In the early 2000s, Pakistan’s focus on **tactical nuclear warheads** captured attention because it threatened to introduce nuclear weapons into the battlefield at the earliest stage of a conflict with India and raised worrisome questions about command and control under wartime conditions. Over the past decade, India has launched the INS Arihant, a nuclear ballistic missile submarine, as part of its effort to build a full nuclear ‘triad’. This nascent naval component to India’s nuclear arsenal also poses **new escalatory risks**, particularly as India fears ‘two-front’ threats from China and Pakistan across a vast swath of territory on land and sea. In sum, the current moment resembles the early stages of the US-Soviet Cold War, when the emergence of new nuclear capabilities far outpaced calls for restraint, and the terms and practices of deterrence were not clearly established.

Simultaneously, regional hostilities and mistrust are worsening. In 2019, Southern Asia became the first place where two nuclear armed states—India and Pakistan—launched air strikes on each other’s territories. And while the 2020 India-China border skirmishes saw the use of barbarically low-tech weapons, each side quickly brought considerable additional force to their disputed border, including tanks and artillery. Although the prospect of an India-China war remains low, and the intentional use of nuclear weapons even lower, it is hard to be as confident of their ability to peacefully manage differences without violent escalation as it was even a decade ago. Often cited “No First Use” commitments by both [India](#) and [China](#) tend to hold limited weight, especially as neither New Delhi nor Beijing has been entirely transparent about its nuclear doctrine and under what conditions it would consider using the weapons in its arsenal.

Official government-to-government discussion of strategic stability in Southern Asia is shockingly limited, given the risks and stakes at hand. India and Pakistan can claim some historical successes with risk reduction measures, such as [missile test pre-notification](#) and [non-targeting of nuclear facilities agreements](#), but most of their dialogues are now moribund. The United States and Pakistan have held strategic stability dialogues [in the past](#), and US officials have for many years attempted to [engage](#) in related conversations with

counterparts in New Delhi. But India, China, and the United States have no recent experience of sustained official discussions on these sensitive issues.

The list of obstacles to starting these talks is long. Many of the world’s most prominent multilateral institutions devoted to nuclear nonproliferation and arms control exclude India and Pakistan, [both non-signatories](#) to the Nuclear Nonproliferation Treaty. Chinese experts routinely point to this issue as an insuperable barrier to opening talks on nuclear-related matters with India, although there have been attempted dialogues at the unofficial track-two level. And despite [fifteen years of semi-official \(Track-1.5\) talks](#) between Beijing and Washington, in 2019 the Trump administration chose to suspend that dialogue because the Chinese showed no sign of transitioning to an official format and, more than that, seemed to be stringing along the unofficial talks without a sufficiently constructive purpose or prospect of greater Chinese transparency.

India and Pakistan also express [little enthusiasm](#) for talks, despite obvious opportunities to update and refine their existing risk reduction mechanisms at relatively low cost. Deteriorating US-Pakistan relations, especially in the aftermath of the Taliban victory in Afghanistan, place a damper on talks between Washington and Islamabad. Finally, despite widely proclaimed improvements in the India-US relationship, there is little evidence that New Delhi is

eager to entertain a detailed conversation about nuclear crisis management.

Given this context, prospects for constructive dialogue are most likely to advance along one of the following four tracks. First, within any nascent US-China strategic stability talks, topics related to crisis management in South Asia could be raised, as Chinese experts have in the past shown a **greater openness** to such conversations than to many others. Second, in those same conversations, US officials could encourage the start of separate bilateral talks between India and China, referring to compelling policy recommendations advanced by **Chinese analysts** in the recent past and, in addition, by suggesting that such a dialogue might serve, in itself, as a confidence-building measure at a difficult time in India-China relations. Third, as US officials move forward in talks with India to advance defence ties and even to **help fill gaps** created by Russia's diminished manufacturing capabilities in the aftermath of the Ukraine War, they could aim to incorporate strategic stability talks into the process. Fourth, and last, Washington could use the diplomatic openings offered by a new, post-Imran Khan government in Islamabad as an opportunity to reopen a dialogue there too.

To be clear, **strategic stability talks** are not ends in themselves. At best, they can deliver

insights that enable participants to avoid unnecessarily risky policies, open channels for crisis communication, and eventually pave the way to more substantive risk reduction measures if the geopolitical winds blow in a more favorable direction. Yet the Biden administration is smart to count even these as important aims, and it would be wiser still to seek them not just with Beijing, but in the wider context of Southern Asia as a whole.

Daniel Markey is a senior advisor on South Asia at the United States Institute of Peace. He is the author of *China's Western Horizon: Beijing and the New Geopolitics of Eurasia* and one of the co-chairs of the 2022 USIP Senior Study Group report on **"Enhancing Strategic Stability in Southern Asia"**.

China, India and the contest for global supply chains

By Antara Ghosal Singh

The last few months has seen the Chinese economy battered by a complex set of domestic-international challenges, including the intensifying great power competition with the United States, a domestic resurgence of the COVID-19 pandemic, and the devastating Russia-Ukraine war. This has accelerated the relocation of industries out of the Chinese mainland, contributing to a rising sense of anxiety within Chinese policy circles. Although the economic impact of this trend is often downplayed by the state-controlled media, there are growing **domestic concerns** that China's industrial chain is losing ground and will face increasingly stiff competition from the emergence of new manufacturing centres around the region.

New Round of Industrial Transfer: The Reasons

Chinese **commentators** argue that unlike the labour-intensive industries (clothing, furniture, etc.) that relocated from China in the last decade, the latest pull-out appears to be dominated by technology-intensive industries. Three main **reasons** have been put forward to explain this trend:

First, this is part of the **natural process** of



Image Credit: Wikimedia Commons/Chris

industrial transformation where low-value industries flow towards countries with lower labour and land costs. Second, challenges in the external environment such as geopolitics and the pandemic have made operating in China untenable, forcing many foreign-funded enterprises to opt for a “China+1” operation model. Third and most importantly, Sino-US trade frictions which have been intensifying since 2018, and have greatly impacted important sectors like electronic components. The US-China trade competition is viewed by some as the **biggest driving force** for multinational companies to leave China, with high-end manufacturing moving to the US and low-end industries relocating to Vietnam and India.

China sees two big winners: Vietnam and India

Chinese experts are of the **opinion** that in

the past few years, the manufacturing capabilities of emerging economies like Vietnam, India, and Indonesia, have started to catch up with China. For example, while China used to be the global mobile phone manufacturing hub, accounting for 75% of the world's **mobile phone production** in 2016, its share fell to 67.4% in 2021 as production centres began to move to alternative locations like India and Vietnam.

In the Chinese assessment, Vietnam has been the **biggest beneficiary** of this round of industrial transfer from China. Between 2019 and 2021, Vietnam's exports to the US increased by almost 25% to **US\$96.3 billion**. Notably, the export of items like computers, electronic products and their parts exceeded US\$10 billion, demonstrating the impressive growth of Vietnam's high-tech manufacturing sector.

On the other hand, India has emerged as a **key destination** for low-value industries leaving China, particularly mobile phone manufacturers. Many have been attracted by India's low labour cost and high tariff policy. The **supply chain** of global brands like Samsung and Apple, as well as Chinese companies like Oppo, Vivo, Xiaomi, Lenovo, TCL, Haier, Midea and other electronics and home appliance industry chains have taken root in India.

“Cooperative Vietnam” v/s “Competitive India”

Undeniably, the outflow of industries will

be a blow to the Chinese economy. However, some Chinese experts believe that the negative impact to China would be far less if these industries relocated to Vietnam rather than India. After all, Vietnam is **constrained** by a small domestic market, meaning that it could only play a minor role as a processing and transshipment hub in the global electronics industry chain. Thus, China **need not feel threatened** by the loss of manufacturing to Vietnam, and could still treat it as an **extension/spill over** of China's economic space, as an expansion of the international influence of China's industrial chain.

But the feeling is quite different when it comes to India. The South Asian giant, which is currently not quite a part of China-centric supply chain/network system but is set to maintain a **higher economic growth rate** than that of China for the **foreseeable future**, has an extended demographic dividend, a vast domestic market, an improving electronic industry chain, a more developed software and information industry, and language competencies in line with Europe and the United States. Unsurprisingly, **Chinese experts** see India as an imminent challenger to China's position in the global supply chain and an **adversary** to be wary of.

Therefore, a **popular view** in China is that even though Vietnam may be a pain-point in the short term, India, which has ambitions of becoming a manufacturing great power, is a bigger threat to China in the long run. It is within this context that China should strive

to **“distinguish between friend and foe”** (分清敌友) between a cooperative Vietnam and a competitive India.

Growing Competition, Rising Pessimism

In the light of the above discussion, the Chinese response to Apple’s recent decision to shift production of the current generation of iPhones from China to India is worth highlighting. A report in the Chinese media noted with **concern** how India’s share of Apple’s global manufacturing capacity grew from 1.3% in 2020, to 3.1% in 2021, and is expected to reach 5% to 7% in 2022. The report cautioned that India may become the next regional centre of Apple’s global industrial chain.

Apple’s strategic importance to the Chinese economy cannot be understated. Some **credit** Apple with helping China build an advanced and efficient consumer electronics industry chain and for boosting China’s profile in strategic industries such as new materials, chip semiconductors, new energy vehicles, high-end equipment manufacturing, and big data. With Apple now transferring some of its businesses to India, will it allow the latter to establish an industrial system in direct competition with China? And will other international companies follow Apple’s lead and move their businesses from China to India? These are some of the critical **questions** doing the rounds in various discussion forums in China.

It is against this backdrop that Chinese

discourse on India is getting increasingly critical. India is being blamed for being **“opportunistic”**, for exploiting the West’s anxiety vis-à-vis China to further its own interest. There are also **allegations** that India’s frequent high-level exchanges with Europe, Japan, US, Australia, are attempts to convince them to transfer their investment and technology from China to India.

Chinese observers are also very critical of what they refer to as India’s **“replace/substitute Chinese industries”** (对华产业替代) policy, aimed at **“forcefully decoupling”** Chinese and Indian economy. According to them, this policy has **three objectives**: the first is to replace ‘Made in China’ with ‘Made in India’; the second is to replace ‘Chinese capital’ with Indian or third-party capital; and the third is to replace the ‘US+West+China’ industrial cooperation model with the ‘US+West+India’ industrial cooperation model.

Adding to Beijing’s anxiety is the Biden administration’s unveiling of the Indo-Pacific Economic Framework (IPEF) in June 2022, a new economic bloc of thirteen countries that includes India, and conspicuously, excludes China. According to **Hu Shisheng**, Director of the South Asia Institute at the China Institute of Contemporary International Relations, the realignment of supply chains (particularly innovation chains) between the US and India under the IPEF represents the single biggest challenge facing China and its economy. Hu believes that the Indian market has the potential to grow to a size on par with

that of China's in the future. Hence, if the new 'US+West+India' model does emerge, then critical supply chains could very well bypass China. This will deliver a blow to China's power and position in the future digital economy and its ability to take advantage of the upcoming fourth wave of industrialization.

China's course of action?

As evident from the writings of **Chinese scholars**, China's policy priority at the moment is to prevent the formation of a US-India supply chain collaboration as the engine of fourth wave of industrialization. To achieve this, the view in Beijing is that China must pull India into the existing **China-centred economic circuit (US+West+China)** and forge a close China-India **supply chain system**. By tying India closely to China through economic and trade means, Beijing plans to prevent the 'US+West+India' industrial model from ever coming to fruition.

But even as China wants to win over India, it does not want to bear the strategic cost for it, nor offer any tangible benefit to India in return, which in Beijing's view, would further aid India's rise. Instead, it has developed a two-pronged strategy towards India. On the one hand, it **contends** that at a time when the US is employing various resources to attract India, Beijing will use the resources at its own disposal to contain India, including the disputed border, the Russia factor, and a highly efficient propaganda machinery to

sow discord between India and the US. After all, **India**, in its pursuit of benefitting from the US and the West, cannot let China-India relations to decline all the way to the point of a large-scale conflict.

Worryingly, the present **Chinese discourse** on India is, in fact, very similar to that seen in the run up to the Galwan Valley clash in June 2020. Between late 2019 and early 2020, **opinions** like 'India is an opportunist', 'India is seeking to replace China', and 'China should teach India a lesson' were all gaining currency in China. There are echoes of that discourse today, suggesting that there is a possibility of China once again stirring up trouble at the LAC or taking other punitive actions against India in the coming days. The idea is to remind India not to stray too far into the US/Western camp or else face the possibility of military conflict.

On the other hand, China continues to try lure India into a tighter embrace, economically. To compensate for the shrinking space for bilateral trade and economic exchanges due to the conflict over territory, China has been keen to use various multilateral platforms such as the Asian Infrastructure Investment Bank and the BRICS cooperation mechanism, etc., to nullify India's decoupling tendencies, to reconstruct the China-India industrial chain and expand the fields of economic and trade cooperation between the two (including improving the quality of cross-border industrial chain financial services, promoting the signing of the China-India digital trade

agreement and letting small and medium-sized enterprises become the main driving force for future bilateral economic cooperation). Most recently, the [14th BRICS Summit Beijing Declaration](#) gave primacy to enhancing cooperation on supply chains, trade and investment flows, the role of MSMEs, and growing the digital economy partnership among the member nations.

Has China's two-pronged strategy worked? As evident in the last two years, an active LAC or a looming threat of a large-scale China-India conflict has not been able to deter India from pursuing its economic interests or seizing opportunities arising out of the current flux in the international situation. Nor has the Modi government agreed so far to the Chinese proposition of delinking the border dispute from the rest of the relationship or creating a new economic ballast for stabilizing political ties. On the contrary, China's approach has only created strong anti-China sentiment in India, pushed it further away from China, thereby making any kind of progress in China-India relations virtually impossible. Under present circumstances, it is highly unlikely that China can make much headway in its relations with India, without accommodating at least some of India's long-held concerns or aspirations vis-à-vis China, be it in the realm of the disputed border, economy, South Asia or India's membership of certain international organizations.

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News Reports

Bilateral relations

China voices opposition to India's reported plans to hold G20 summit in J&K

The Hindu, June 30

"[Kashmir] should be properly resolved in accordance with the relevant U.N. resolutions and bilateral agreements," Chinese Foreign Ministry spokesperson Zhao Lijian said.

China upgraded firepower on LAC: official source

The Hindu, June 27

According to intelligence reports, upgrades include expanded troop accommodation, long-range artillery and rocket systems.

FM meets Indian Ambassador, says China, India 'should speak for developing countries together'

Global Times, June 23

China and India should safeguard their common interests as well as interests of developing countries, said Chinese Foreign Minister Wang Yi.

India Will Not Tolerate Any Transgression By China: NSA Ajit Doval

NDTV, June 21

Even as border talks between India and China continue, National Security Advisor, Ajit Doval strongly addressed the question of Chinese forays into Indian territory said that India will not tolerate any transgression by China.

China and India in the Region

'Have To See Details': India Non-Committal on G-7's New Infrastructure Project to Counter BRI

The Wire, June 28

The G7 announced details for mobilising \$600 billion to build infrastructure in the developing world.

Modi listening, Xi: Cold War mentality, bloc confrontation must be abandoned

The Indian Express, June 24

Putin also raised the issue of sanctions but Modi steered clear of any specific references and spoke about "governance of the global economy" in the context of the pandemic.

Crisis-hit Sri Lanka plans donor conference with China, India and Japan

The Straits Times, June 22

Sri Lanka will call China, India and Japan to a donor conference to drum up more foreign assistance to find a way out of its worsening economic crisis, the prime minister said on Wednesday (June 22), amid ongoing talks with the International Monetary Fund (IMF).

India's Taliban outreach offers Afghanistan a China alternative

Nikkei Asia, June 20

India is stepping up engagement with Afghanistan's Taliban rulers, insisting that it has only humanitarian motivations, while analysts frame the ties in the context of geopolitical rivalries with China and Pakistan.

Trade and Economy

[China's exports to India rose by 45.51% in 2021-'22 despite border tensions, shows data](#)

Scroll.in, June 23

Notably, India's exports to China grew by 0.61% in the same period.

[How China's growing supply chain constraints are giving Apple's India play a big boost](#)

Forbes India, June 22

The attention to India is very high now for the smartphone manufacturer thanks to the government's production-linked incentive.

[Nearly 1 in 4 European firms mulling shift out of China](#)

Business Times, June 20

Some 23 per cent of the businesses that responded to the survey are thinking of moving their current or planned investments away from China, said the report released Monday (June 20) by the European Union Chamber of Commerce in China.

[India's trading partners—US, China account for a fifth of merchandise trade](#)

Money Control, June 20

India's trade deficit with China was the largest in FY22. It was equivalent to 40 percent of the trade deficit for the year.

Energy and Environment

[Govt puts decision to allow China solar imports on hold](#)

Mint, June 24

Imports have so far been the only major source of solar module supplies, and the bar on imports is likely to cause a supply constraint for solar projects in the short-term.

[Investment in global coal supply chain to hit \\$115 bn in 2022, led by China and India](#)

The Hindu Business Line, June 23

At over \$80 billion, China and India are anticipated to make up the bulk of global coal investment in 2022, says IEA.

[India's Russian oil imports jump over 50 times since April: Official](#)

Business Standard, June 23

'Russia oil now makes up 10 per cent of India's oil import basket in April. It is now among the top 10 suppliers'.

[Biodiversity loss may push India, China closer to default: Report](#)

Business Standard, June 23

A "partial ecosystems collapse" of fisheries, tropical timber production and wild pollination would increase annual borrowing costs for 26 nations including the US by \$53 billion.

[China's oil imports led by Russia for first time since Ukraine war](#)

Nikkei Asia, June 22

Shipments grew 55% in May as Western sanctions depressed demand.

Analyses

BRICS Meet: What Next for India as China-Russia & West Grow More Divided?

The Quint, June 24

By Manoj Joshi, Distinguished Fellow, Observer Research Foundation

While China has been supportive of Russia on the Ukraine issue, other members have adopted a neutral stance.

Recipient countries hold the key to China's BRI success

Hindustan Times, June 23

By Manjari Chatterjee Miller, Associate Professor, Frederick S. Pardee School of Global Studies, Boston University

Recipient countries matter because their geopolitical concerns and domestic interests can intersect to affect how well BRI functions.

India Plays BRICS to Its Interests

Foreign Policy, June 23

By Michael Kugelman, Deputy Director of the Asia Program, Wilson Center

New Delhi makes a fairly safe gamble by supporting the group—without putting itself at odds with the West.

China-India Relations: 2 Years After Galwan Clash

Observer Research Foundation, June 18

By Rajeswari Pillai Rajagopalan, Director, Centre for Security, Strategy and Technology (CSST), Observer Research Foundation

The prevailing tension on the China-India border is a symptom of the broader strategic competition between the two Asian neighbors.

India remains the wild card in US-China security tussle in Asia

South China Morning Post, June 18

By C. Uday Bhaskar, Director, Society for Policy Studies

India still maintains security ties with Russia and China but the troubled Sino-Indian relationship may yet be the critical determinant in shaping Asian security.

Books and Journals

India-U.S. Relations: Priorities in the Next Decade

ORF-The Heritage Foundation, June 30

By Dustin Carmack, Akshay Mathur, Harsh V Pant, Trisha Ray, Jeff Smith, and Kabir Taneja

The India–United States (US) partnership—pivotal in maintaining international security and order—could yet be the defining one for this century. The US is India's most comprehensive strategic partner, and cooperation between the two extends across multiple areas such as trade, defence, multilateralism, intelligence, cyberspace, civil nuclear energy, education, and healthcare. As the two nations venture into a new decade, they must articulate a new agenda for cooperation in the Indo-Pacific region which they are both committed to keeping “free and open”.

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OTHER CAG PUBLICATIONS

- *Remodelling Indonesia's Maritime Law Enforcement Architecture: Theoretical and Policy Considerations* by Evan Laksmana (Contemporary Southeast Asia 44(1), 2022)
- *India-Australia-Indonesia Maritime Partnership: Shared Challenges, Compelling Opportunities* by Premesha Saha, Natalie Sambhi, and Evan Laksmana (ORF, 2022)
- *India Versus China : Why they are Not Friends* by Kanti Bajpai (Juggernaut Books, 2021)
- *A Fragile Fulcrum: Indonesia-U.S. Military Relations in the Age of Great-Power Competition* by Evan Laksmana (Asia Policy 16(4), October 2021)
- *Winning the Fight Taiwan Cannot Afford to Lose* by Drew Thompson (Strategic Forum, 2021)
- *Routledge Handbook of China-India Relations* edited by Kanti Bajpai, Selina Ho and Manjari Chatterjee Miller (Routledge, 2020)



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