

China-India Brief

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Guest Column

Soft Balancing and the Slow Demise of the Shanghai Cooperation Organisation

By Ian Hall

On July 4, 2023, India's Prime Minister Narendra Modi hosted a Shanghai Cooperation Organisation virtual leaders' summit. Much of the **commentary** about the meeting concentrated—not unreasonably—on the fact that it was held online and not in person. No official explanation was given for the decision to convene a virtual summit. But an Indian government source did suggest, in a briefing to a prominent journalist, that **scheduling was not the reason** why the meeting was shifted online.

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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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It is not hard to work out, of course, why a virtual summit was preferred and even welcomed by some of the participants. The diplomatic calendar is **increasingly crowded**. An in-person meeting would have entailed two complex trips to India for Xi Jinping and Vladimir Putin in the space of three months, with the Group of Twenty summit pending in September. The Russian leader would likely have been relieved not to travel for other reasons too, given **recent events at home** and some **embarrassing and prickly exchanges** with Central Asian leaders at the last meeting in Samarkand in September 2022. An online conversation also spared the host awkward personal encounters with both Xi and Pakistani Prime Minister Shehbaz Sharif, amid ongoing tensions between New Delhi and both **Beijing** and **Islamabad**.

These strains were evident at the summit. In his **opening remarks**, Modi delivered thinly veiled criticisms of both China and Pakistan, alluding to Belt and Road Initiative (BRI) projects in what India considers occupied territory in Kashmir and Islamabad's alleged support for transnational terrorism.

Limited Agenda

The format and testiness of the New Delhi leaders' summit are arguably not, however, the most interesting aspects of India's just-completed stint as the organisation's chair. More intriguing is India's strictly limited SCO agenda, pursued over the last ten or so months since the Uzbekistan meeting.

This **agenda** has five elements: start-ups and innovation, traditional medicine, youth empowerment, digital inclusion, and recognising a shared Buddhist heritage. All these elements have been present, of course, in the Modi government's domestic and foreign policies over the past decade, and the Indian Prime Minister has spoken with enthusiasm about each. But none can reasonably be considered substantive in terms of the core aims of the SCO. They are 'soft power' or cultural initiatives at best—hardly hard-edged.

To understand the flimsiness of this agenda and what it implies about India's involvement with the SCO, it is worth recalling what the original members—especially China and Russia—have long wanted the organisation to do, in terms of security and economic cooperation, and geopolitical balancing.

Power and Purpose

The SCO grew out of an earlier grouping, the so-called **Shanghai Five**, formed in 1996 by China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan. Its initial purpose was to resolve long-standing border disputes, build confidence, and establish habits of cooperation. The participants soon found **further common cause**, agreeing in 1998 to work more closely together to address religious fundamentalism, terrorism, and cross-border organised crime. In 2001, the Five were joined by Uzbekistan and the grouping was institutionalised as the SCO, while a formal Charter was agreed a year



later. Mongolia obtained observer status in 2004 and then India, Iran, and Pakistan in 2005.

As the SCO evolved during the 2000s and into the following decade, and various border disputes were resolved, the organisation's focus broadened. The members held their first joint military exercise in 2003 and pledged further military cooperation. A year later, they established the so-called Regional Anti-Terrorist Structure (RATS). In parallel, initial commitments to cooperate on trade developed into deeper collaboration on infrastructure projects, as well as an **Inter-Bank Consortium** formed in 2006 to finance them.

By this point, in the mid-2000s, it had also become clear that China and Russia were keen to see the SCO as an instrument for balancing the power and influence of the United States (US). In 2005, an American

application for observer status at the organisation was **rejected** and, at the same time, a call was made for the closure of US military bases in Central Asia. It was no coincidence that the SCO began to expand at the same time, as Beijing and Moscow increasingly conceived the organisation as an instrument for **deepening ties** with other Asian states, including India, Iran, and Pakistan, and weakening New Delhi and Islamabad's connections with Washington.

Sino-Indian Competition

It took until 2015, however, before the SCO agreed to admit India and Pakistan and two more years before they completed the process. And by then, the geopolitical context had changed. In the intervening decade between application and accession, concern mounted in New Delhi about China's power and intentions, as its behaviour towards its neighbours—including India—**grew more assertive**. By

the time the Modi government came to power in 2014, Sino-Indian relations were clearly deteriorating. China had cajoled and coerced New Delhi over multiple issues, including its **refusal to sign up** to the BRI, and Chinese influence was increasingly felt in South Asia and the Indian Ocean region.

These bilateral tensions escalated into a dangerous crisis on the Sino-Indian frontier just days after the 2017 SCO summit in Kazakhstan—the same summit at which India became a full member. At Doklam, in a disputed part of Bhutan, Indian troops confronted soldiers from the People’s Liberation Army who were building a road. A **seventy-three day standoff** followed, in which Beijing made multiple open threats of military punishment against India. New Delhi responded with a decisive move towards the US, **reviving the Quad** in late 2017, along with Australia and Japan, and working more concertedly with Washington and its allies across the Indo-Pacific.

Almost from its accession into the grouping, India also began to use the SCO to push back against pressure from Beijing. At the Qingdao summit in June 2018, Modi not only **refused to include India** in the organisation’s endorsement of the BRI, but also pointedly outlined a different vision to the notion of ever-increasing integration inherent in Xi’s concept of a **Community of Common Destiny**. The Indian Prime Minister argued that the SCO should instead stand for security, economic

cooperation, connectivity, unity, respect for sovereignty and territorial integrity, and the environment—a list conveniently captured by the acronym **SECURE**. Connectivity projects must “respect the sovereignty and territorial integrity of nations,” Modi **argued**, leaving unspoken New Delhi’s view that part of BRI, the **China-Pakistan Economic Corridor**, does not.

Soft Balancing and the SCO

India’s gossamer-thin agenda for its time as SCO chair is best viewed in this context of Sino-Indian competition, inside and outside the organisation, which has markedly intensified in the five years since the Qingdao meeting. The PLA encroachments leading to the Galwan clash in May 2020 was the **point of no return**, with India flipping its long-standing strategy for managing the border dispute on its head in its aftermath. Since then, New Delhi has refused to work with China in any substantive area, arguing that Beijing **must revert to the status quo ante** before cooperation can resume in any form or forum.

Deflecting the SCO into discussions about start-ups, ayurvedic remedies, and digital inclusion—however intrinsically important these issues might be—was calculated and deliberate. It was simply a form of **‘soft balancing,’** intended to offset Chinese power and to frustrate Beijing’s ambitions within an organisation for which it had high hopes. It is hard to see where the SCO goes

from here, barring dramatic improvements in India's relations with both China and Pakistan. It may linger on, **thanks largely to RATS**, since all its members remain concerned about militant Islamism across the region and especially in Afghanistan. But if India's SCO agenda is any guide to the SCO's future, it will likely become another BRICS—a talk shop devoid of common purpose.

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Between Animosity and Pragmatism

By Zorawar Daulet Singh

Rising powers, it is preordained in western geopolitical thought, are condemned to compete. When they happen to be big neighbours, the prospect for animosity is even higher. For the past century and a half, India, and before that British India, and China, and before that Qing China, have obliged western International Relations (IR) theorists. The history of India-China relations could actually be presented as one of a prolonged era of geopolitical discord punctuated only by fleeting moments of mutual understanding and cooperation.

Seen from this vantage point, the unending 2020 border impasse is another chapter in this long saga. The decade of the 2010's was interspersed by intensifying friction and military brinksmanship on the long Himalayan frontier, culminating in the violent clash in June 2020 that killed several Indian and Chinese soldiers. Since then, the political deep freeze in the relationship has only gradually thawed, though not enough for any meaningful dialogue or bilateral contact to ensue. What both leaderships do agree on is that an escalation of military conflict is in neither side's interest and therefore must be



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avoided. Both sides have also muted the rhetoric on their bilateral problems in international institutions or with third countries.

Beyond this, however, there has been little give from Delhi or Beijing. For Delhi, a peaceful and stable border has always been the centerpiece of a steady relationship with China. For China, the border is an important part, but only a part, of a bigger canvas. Since they are unwilling to see eye to eye on the underlying framework for a dialogue, diplomacy has become more of a crosstalk than a serious attempt to break the impasse.

Strangely, both sides find the stalemate—what has been described as a **'new normal'**—to be a low cost way to manage this complex relationship and convert it to their advantage. India has succeeded in

renewing US interest, which had flagged over the last decade, to build a partnership with Washington whose unstated rationale has been to shape the balance of power in Asia. India hopes that its China problem will keep America interested in supporting India's rise and domestic transformation, without Delhi nailing itself to the US mast in the latter's containment policies and military plans in the wider region. For China, an India front that is relatively quiet post the Ladakh crisis and militarily manageable provides breathing room for Beijing to focus on more pressing issues at home and abroad.

But what has really altered the setting and priorities of Indian and Chinese leaders is the onset of a structural great power confrontation between the US and its main adversaries—Russia and China. US-China and US-Russia ties have changed the context for India-China relations. China is busy managing dangerous geopolitical flashpoints in the east and striving for a new, if tenuous, equilibrium with Washington to prevent Sino-American ties from totally falling off the cliff. India too is preoccupied with domestic stability and growth, along with discovering new opportunities from the outbreak of multipolarity since the Ukraine war.

The India-China question, as a consequence, has become a sideshow and peripheral to the near existential struggle between the big powers over the nature of world order. Ironically, India and China

find themselves in several multilateral networks and institutions promoting similar ideas, despite their dysfunctional bilateral relationship. The reason is straightforward: while India remains wary of China's growing power, it also believes in shaping a post-unipolar world that increases the voice and space for non-western states who have been on the margins or at the wrong end of established governance institutions and rules. This quest has brought India and China together along with a growing list of countries to not merely safeguard their national development interests but hedge against what is increasingly seen by the Global South as a predatory misuse of West-led institutions and rules.

The trend of the collective West's inability and unwillingness to bear the burden of creating an inclusive financial, investment and trade architecture has been apparent for many years. What neoliberal policymakers in India and China once embraced as sacrosanct US-supplied global public goods—a single reserve currency, Bretton Wood institutions, predictable energy supply chains and commodity exchanges—have unabashedly been converted into geopolitical instruments for Western goals since the Ukraine war.

Farsighted strategists in India and China had accepted the logic of alternate frameworks and institutions more than a decade ago with the outbreak of the 2008 Global Financial Crisis. That investment is now gradually paying off. The BRICS, the SCO, a



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common rejection of US-sponsored sanctions against Russia, supporting innovative ideas for development and multilateral norms to benefit the Global South, supporting the idea of a multi-civilisational world order as a normative basis for a post-western dominated world system are all illustrative examples of India and China marching towards a multipolar world order.

These networks are in many ways a return to the old world of inter-connected regions that were severed by the European colonisation of Asia and then further fragmented during the divisions of the Cold War. The BRICS and SCO symbolise a growing multi-civilisational network of nations seeking a predictable and inclusive environment for growth and development. With the West abdicating its role, India and China have positioned themselves as system stabilisers. Nothing perhaps exemplifies this

pragmatism more than India's recent decision to pay for **Russian oil imports through the yuan**, a development unthinkable before the US weaponisation of the global financial system.

Competitive but Peaceful Co-Existence

At the closing stages of the Cold War in the late 1980s, India and China found an opportunity to chart a fresh course in their relationship. Yet, few remember that this *modus vivendi* was decidedly modest. It was devoid of any substance on the resolution of the border dispute, other than keeping the frontier peaceful. Nor was there a common understanding on regional security. In fact, the whole basis of the rapprochement was that Indian and Chinese leaders agreed to disagree on their differences but kept the door open to the development of ties in new spheres like trade and societal engagement.

While it kept the peace for decades, the elephant in the room became larger and larger. Geopolitics became the centre point in the past decade as China's rapid rise and India's insecurity fueled historical fears and a dynamic where each side sought to advance its security at the expense of the other: a classic security dilemma. A series of military crises on the Himalayan border—ranging from innocuous incidents to more virulent standoffs to even a violent clash in 2020—transformed the relationship.

In the absence of any conviction in Delhi and Beijing to truly seek a geopolitical accommodation—neither side is willing to make the concessions necessary for improving ties—Indian and Chinese policymakers need to accept this 'new normal.' Their competition will not disappear. Each side will continue to seek advantages from their global and regional partnerships, as they have done for decades since the 1950s.

At the same time, certain fundamental characteristics of the configuration of world politics will place guardrails on the bilateral relationship.

For one, India and China are not engaged in an existential contest for the normative foundation for a future world order. Ironically, they agree on more ideas on world order than western commentators have led us to believe. Neither do these countries pose an ideological threat to each other. **Indian democracy** that embraces international diversity has nothing in

common with the crusading universalist Western version. Chinese Marxism has been transformed into a complex political-cultural-nationalist amalgam that is now impossible to revolutionise as a global ideology.

India's border dispute, and regional differences with China, pale in comparison to the immensity of the structural competition between the US and China. Both Washington and Delhi face a China challenge that is incomparable and impossible to overcome without strong mutual coordination—something that will likely prove difficult to achieve. India is locked in a continental security dilemma on the Himalayan frontiers that makes it an integral part of Eurasian geopolitics. The US is locked in a maritime security dilemma in the Western Pacific and East Asia that has no logical geopolitical role for India. Indian participation in the Sino-American strategic competition can do little to solve its China problem and more likely make it substantially more costly for India to pursue its geopolitical and geo-economic goals and interests. And since its core interests lie in the Western Pacific, the US is even less inclined to tread on the Eurasian landmass to underwrite Indian security. Most farsighted Indians understand this framework of geopolitics.

The India-China problem is one of power and proximity as well as an extraordinary degree of mutual ignorance and even disdain of the other. The roots of this

phenomenon run deep into India's colonial past and China's 'century of humiliation.' Both those traumatic experiences left Chinese and Indians with an image of the other that has been difficult to transcend with a more sophisticated prism. This is the real failure of Indian and Chinese leaders over the past century. Yet, this is still not a foundation for a Cold War or a great rivalry of the twenty-first century.

As responsible rising powers, India and China can now realistically grasp at the prospect of returning their national societies to **a position they had both held for eighteen of the past twenty centuries— as leading economic and cultural centres.**

A multipolar, multi-civilisational world order that is not anchored in the collective West's discredited neoliberal globalist ideology is the basis for pragmatic cooperation between India and China. This also means a competitive but peaceful co-existence between Asia's largest and oldest civilizations.

Zorawar Daulet Singh is an award winning author and strategic affairs expert based in New Delhi. You can view his work here <https://zorawardauletsingh.com/> or follow him on [@Z_DauletSingh](#).

News Reports

Bilateral relations

India Not In The Business of ‘Containment’ of China: Ex-Foreign Secretary Shyam Saran in Beijing

ABP Live, July 5

According to India’s ex-Foreign Secretary Shyam Saran, “[India] are not in the business of containment and...that the perennial problem with China is that it continues to look at its relations with India not on its own merits but always through the prism of its own relations with the US.”

India and China are buying new tanks designed to fight on one of the world’s highest battlefields

Business Insider, July 3

As tensions escalate at the contested India-China border, both nations are actively bolstering their military forces and infrastructure in order to safeguard their respective interests.

China’s new foreign affairs law says it will target India if relations go worse

The Print, July 3

China is proactively taking stronger legal countermeasures that will allow Beijing to use harsher economic tools to target India.

‘Border tensions dictate the state of India-China relation,’ says S Jaishankar

Mint, June 29

Indian External Affairs Minister S Jaishankar stressed that the state of the border will determine the state of relationship between India and China.

China and India in the Region

U.S. plans naval logistics hubs in India to counter China

Nikkei Asia, July 7

Through a more comprehensive defensive partnership, the US seeks to provide infrastructural support to “transform India into a center for resupplying and miniatous of naval vessels”.

Why India is wary of China’s BRICS expansion push as Indonesia, Saudi Arabia, Egypt seek to join

South China Morning Post, July 5

While China is keen to expand the membership for BRICS, India remains wary.

At SCO Summit, India slams Pakistan, China over terrorism, connectivity

India Today, July 4

PM Modi called upon the Chinese to respect the sovereignty of other countries by ensuring strong connectivity that is not only aimed to boost trade but also build trust and uphold the basic principles of the SCO charter.

India asks China to abide by SCS ruling Beijing calls null and void

The Times of India, June 30

Reiterating the call for a free, open and inclusive Indo-Pacific, India joined the Philippines in asking China to abide by a 2016 legally binding ruling that refutes China’s expansive claims in the South China Sea.

Trade and Economy

Foxconn exits US\$20 billion Indian semiconductor joint venture, slowing country's global chip hub march

South China Morning Post, July 11

The withdrawal deals a blow to India's microchip manufacturing ambitions.

Goldman Sachs says India will overtake the U.S. to become the world's second-largest economy by 2075

CNBC, July 10

On top of a burgeoning population, driving the forecast is the country's progress in innovation and technology, higher capital investment, and rising worker productivity, the investment bank wrote in a recent report.

India is 'not extractive economy' and is not pursuing 'narrow economic activities' in Africa: Jaishankar

The Hindu, July 7

In an indirect attack against China, India's External Affairs Minister S. Jaishankar stated that India's increased engagement with its African partners stems from a "broader, deeper partnership", rather than solely driven by its own economic interests.

China's Slow Economic Recovery Expected to Challenge Asia

Voice of America, July 2

China is facing a range of challenges from limited domestic and foreign investment this year and a drop in demand for its exports due to a worldwide economic slump.

Energy and Environment

India refiners start yuan payments for Russian oil imports

Reuters, July 3

China has also shifted to the yuan for most of its energy imports from Russia.

Historic dip in Chinese solar module prices set to boost India's solar capacity addition

ET Energy World, July 11

The dip in prices is caused by a sharp fall in the Polysilicon prices in China and an oversupply situation in the European market.

India seeks to secure its green growth strategy by identifying a list of critical minerals

The Straits Times, July 9

Faced with the existential threat of climate change, the Indian government has come out with a list of 30 critical minerals that are central to its ongoing efforts to pivot away from a fossil fuel-intensive energy mix.

Analyses

Xi has picked a border fight with India that China cannot win

The Globe and Mail, July 10

By Brahma Chellaney, Professor of Strategic Studies at the New Delhi-based Center for Policy Research

The international focus on the war in Ukraine has helped obscure the China-India military confrontation, which has led to rival force build-ups and intermittent clashes.

India Is Becoming a Power in Southeast Asia

Foreign Policy, July 7

By Derek Grossman, Senior Defense Analyst at the Rand Corp.

New Delhi and its partners are inching together to balance Beijing's aggressive posture.

India's SCO dilemma

Deccan Herald, July 6

By Gulshan Sachdeva, Professor at the Centre for European Studies, Jawaharlal Nehru University

If New Delhi is uncomfortable in aligning its activities with a China-dominated grouping, it must drastically raise its bilateral engagements in Central Asia.

India and the Global Balance of Power Project Syndicate, June 30

By Joseph S. Nye, Jr., Professor at Harvard University and former US Assistant Secretary of Defense

Following the basic logic of balance-of-power politics, India and the US seem fated not for marriage but for a long-term partnership – one that might last only as long as both countries remain preoccupied with China.

Books and Journals

Asian conceptions of international order: what Asia wants

International Affairs 99, no.4 (July 2023)

By Kanti Bajpai, Vice Dean (Research and Development) and Wilmar Professor of Asian Studies, Lee Kuan Yew School of Public Policy, National University of Singapore and Evan Laksmana, Senior Fellow for Southeast Asia Military Modernisation, Asia office of the International Institute for Strategic Studies (IISS-Asia)

How do major Asian states regard the current international security order? Do they agree or disagree among themselves? This is an introduction to a special section on 'Asian conceptions of international order: what Asia wants'. It draws on articles analysing the stances of China, India, Japan, South Korea, Indonesia, Malaysia, Singapore, Thailand, Philippines and Vietnam towards the existing international security order usually described as a liberal international order (LIO). It argues that Asian states substantially support the main constitutive and regulatory norms and institutions of the LIO, but they worry that the LIO does not consistently honour these norms. Asians disagree on the centrality of political liberalism, but even Japan and South Korea, the most liberal states, are uncomfortable with strident criticism, punishment and the exclusion of less liberal states. Asians also disagree on the role of US alliances: some are strongly supportive, some are ambivalent and some are negative.




Finally, Asians disagree on how they voice dissatisfaction. Japan and South Korea supplement existing norms and institutions as a way of transcending the limitations of the LIO; south-east Asian states promote ASEAN's mediatory role for peace and security above and beyond existing global arrangements; and Indonesia, India and China want to move from being norm takers to becoming norm shapers.

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OTHER CAG PUBLICATIONS

- *Asian Conceptions of International Order: What Asia Wants* edited by Kanti Bajpai and Evan Laksmana (International Affairs, 2023)
- *How Realist Is India's National Security Policy?* edited by Kanti Bajpai (Routledge, 2023)
- *Deterring Conflict and Preserving Peace in Asia* edited by Drew Thompson and Byron Chong (Centre on Asia and Globalisation, 2022)
- *What Can the United States Learn from China about Infrastructure?* by Selina Ho in *The China Questions 2* (Harvard University Press, 2022)
- *India Versus China : Why they are Not Friends* by Kanti Bajpai (Juggernaut Books, 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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