ISAS Brief

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China and South Asia - III

A Fragmented Approach towards China

India, South Asia's major power, is showing no interest in evolving a collective regional policy towards China, while Pakistan as well as Sri Lanka and Bangladesh are responding positively to Beijing's moves at weaving a string of strategic assets in the sub-continent. This leaves South Asia wide open to forays by both China and the US.

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Sizeable academic and analytic industries have developed around the making of US foreign policy aimed at Beijing. Some of the advocated approaches are described as "containment" a term that gained currency during the years of the Cold War. Then the challenge was seen in terms of dealing with Moscow, the capital of an expansionist Soviet Union. Some of the proposed approaches with respect Beijing are described as "accommodation". They were first suggested to accommodate a rising Germany and

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Japan and later, briefly, Russia as it was sought to be accommodated in the liberal, democratic and capitalist western world.

Under the more assertive Chinese President Xi Jinping and his ruling partners in Beijing, China has ambitions that will impact on the rest of the world. No matter how its economy performs in the years and decades to come, it is large enough and dynamic enough to make a difference – in fact, a big difference – to other parts of the world economy. One recent example of the way Beijing's decisions have had global implications is the jolt delivered by the adjustments in the rate of exchange of Renminbi, the Chinese currency. On two consecutive days – 11 and 12 August 2015 – China devalued its currency with respect to the American dollar, first by 1.9 percent and then by 1.6 percent. These adjustments roiled the global stock markets. Some analysts saw Beijing's moves as the beginning of a global currency war that would lead to other large trading nations to move as well before they lose ground to Chinese exporters. Others, including the International Monetary Fund, viewed Beijing's actions as moves in the right direction. If the second assessment is correct, these currency moves will result in the Chinese economy getting better integrated with the global economic system. I subscribe to the second point of view.

How should the world respond to China's rise? There cannot be one global reaction, as that would require the world's major powers assembling in one place to craft a new political and economic order. For that kind of reaction, the world has to go through a major convulsion such as the one brought about by the Second World War. Then, a conference in Bretton Woods, a resort in the hills of New Hampshire in the United States, brought together the war's victors to devise institutional mechanisms for stabilising the global flows of finance and trade while providing development-capital to the scores of countries that had emerged or were emerging from colonial domination. China's rise – and, some historians and analysts maintain, the United States' relative decline – are not the kinds of developments that would call for an international conclave to fashion a new global system. Briefly in the mid-1970s, several Third World intellectuals and policy analysts argued for the establishment of what they called the "new international economic order". The NIEO was to be the outcome of "Second Bretton Woods" conference. A number of workshops were held around the globe but nothing resulted from that effort.

A more appropriate reaction now would be for the policy makers around the globe to understand how the world is changing around them and what would be the most appropriate responses to these developments. This will require a great deal of "think-tank" activity which could inform the making of public policy.

This approach leads to an important question: Should the reaction to rapid global change be formulated individually by the world's major powers or in the context of regional or country-cluster policies? Before answering this question, it may be useful to look at the blocs of countries that would be affected by the current developments in China and then determine whether the nations belonging to these groups should act alone or on the basis of first ascertaining common interests. For some of these country-clusters, institutional mechanisms for facilitating policy making already exist. Where they don't, ways will have to be found for coordinating policy making.

The world around as well as at some distance from China can be divided into a number of groups – a half-dozen by my reckoning – given Beijing's interest in them as well as the interest of the nations that belong to these groups. There is, to begin with, the United States and its several Asian partners that are concerned about China's intent in East and South China Seas. Washington's "pivot to Asia" was a response to the perceived Chinese ambitions in the area. The group includes Japan, South Korea, the Philippines, Vietnam and Australia. There is an on-going effort to bring in India into this cluster. There are basically two sets of policies to advance the interest of this group: coordination of military activities as well as trade. The American-led Trans-Pacific Partnership Initiative is one part of this broad approach. Most of the policy making regarding these relationships originated in Washington. The United States has taken the lead in developing an approach towards Beijing for this cluster of countries.

Then there are groups of nations at or near China's western borders that are important for Beijing for a mix of reasons – security, access to minerals and energy, and developing alternative routes for the uninterrupted supply to China of the materials of critical importance to its economy. This group includes Pakistan, Afghanistan, the Central Asian Republics, and the Middle East. Most of the actions relating to this group's way of dealing with China have been taken by Beijing.

To these groups of nations, two more should be added. In these, China's interest is mostly centred in the reason that they meet Beijing's resource needs. The countries belonging to these clusters are in Africa, Latin America. The group also includes Australia. China's involvement in these parts of the world has had profound effect on their economies. The economic boom in Latin America before the Great Recession of 2007-08 hit the world was the result of what then was seen as Beijing's insatiable demand for raw materials. Beijing is in the driver's seat in formulating the policies relating to these regions as well.

The European Union has interest in China as a market for its export industries – Germany, for instance, is a major supplier of automobiles to China, most of them produced by the factories established by it in China – and as a source of manufactures needed by the consumers in the European continent. Finally, there is another group of countries that may begin to interest Beijing. Some of the links with Europe and Africa have led to the establishment of large Chinese communities in the two continents. These diaspora groups have added to those that have existed for centuries in the United States and several East Asian countries. While China is not as protective of the people of Chinese origin residing abroad as Russia is, the links between these diaspora groups and the homeland will have some bearing on the making of foreign policy in Beijing.

How should the countries included in these clusters handle relations with China? Here it would be instructive to reflect on India and its evolving role on the global stage. It is large enough and important enough to stand on its own, or it could work with its neighbours to design an approach that would work for all countries of South Asia. From the way India's Prime Minister Narendra Modi has developed his country's foreign policy, it appears that New Delhi has little interest in crafting a South Asian approach towards Beijing. Left to themselves, Colombo, Dhaka and Islamabad will look after their own interests rather than evincing interest in the entire region's collective interest. Such a fractured approach will create space into which both Beijing and Washington will walk in.

To some extent this has already happened. New Delhi seems happy to be courted by Washington, Tokyo and Canberra to form a quasi "grand alliance" against China's perceived interests. At the same time, Islamabad has negotiated with Beijing a large programme for developing infrastructure that will give China access to the mineral and energy riches in the countries in Pakistan's neighbourhood and possibly an access for the Chinese submarine fleet to the deep water port at Gwadar on the Baluchistan coast. Beijing is also working on the development of ports in Sri Lanka and Bangladesh to which it will have access. This approach has been called the tying of a "string of pearls". Developing links in this way will be of greater interest to Beijing and Washington and not necessarily of benefit to South Asia.

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