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Subject: China's Strategic Engagement in South Asia: A Symposium Event Report
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Colleagues:

Attached, please find a summary event report from the NDU-INSS/DIA-hosted two-day Symposium on China's Strategic Engagement and Implications for United States Policy. It was held at NDU on March 13-14, 2014.

The symposium was conducted under Chatham House rules, so individual speakers are not directly identified.

The first page is a stand-alone executive summary. Remaining pages provide additional conceptual detail on each of the main event insights.

Please do let me know if you have any questions or would like any more follow-up on the insights from this unique and informative Symposium.

Continued best,

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China's Strategic Engagement in South Asia: A Symposium

May 15, 2014

By Thomas F. Lynch III, Phillip C. Saunders and Christopher D. Yung

Executive Summary:

On March 13-14, 2014, the National Defense University's Institute for National Strategic Studies (INSS) and the Defense Intelligence Agency (DIA) co-sponsored a two-day symposium on "China's Strategic Engagement in South Asia." It featured two dozen presentations and over 150 participants.

An overarching theme stood out: China, the nations of South Asia, and the United States view China's role in the region in fundamentally dissimilar ways.

For the United States, interested in regional stability and the responsible rise of China (and India) as stakeholders in the international system, South Asia remains a conceptual challenge.

For China, South Asia is less important than other regions on its periphery, valued more for what transits the region than for what originates there.

For the nations of South Asia, China's engagement is viewed from a wide array of perspectives. Pakistan's is an unquestioning view of China as an "all weather friend." India's features cautious economic collaboration atop a set of longstanding security worries. In between, smaller states in the region are happy to hedge economic and security interests with Beijing.

Beneath this broad theme, there were ten main symposium insights – each of which is explored in detail in the main body of this event summary:

- *South Asia is a region of secondary importance for China.*
- *The disputed Sino-Indian border is a source of security competition, but post-Cold War leaders have usually been able to shelve the dispute and pursue economic cooperation elsewhere.*
- *China and India have shown remarkable restraint in recent bilateral relations, but their deep conflicts of interest could turn violent.*
- *China's relationship with Pakistan, long viewed by Beijing as an unambiguous asset, is becoming more complex as concerns about terrorism and stability in Pakistan increase.*
- *China's historic role in Afghanistan has been limited and Pakistan-centric; increasing Chinese concerns about the impact of an unstable Afghanistan are coupled with wariness about deeper involvement.*
- *The notion of a Chinese "String of Pearls" in the Indian Ocean littoral is not supported by contemporary facts.*
- *The divergence between Chinese and Indian interests in Burma and the Northeast Subcontinent will become more apparent as Burma evolves.*
- *China's strategic impact across South Asia is uneven, with opportunities for deeper engagement but obstacles to progress.*
- *China and the United States bring different tools and comparative advantages to engagements in South Asia.*
- *America's role in South Asia has been mercurial, but the region's importance will militate against a complete American withdrawal.*

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Symposium Overview: On March 13-14, 2014, the Center for Strategic Research (CSR) and the Center for the Study of Chinese Military Affairs (CSCMA), both part of National Defense University's Institute for National Strategic Studies (INSS), hosted a two-day symposium on "China's Strategic Engagement in South Asia" in partnership with the Defense Intelligence Agency (DIA). The symposium featured eight plenary sessions, with six roundtable panels and two featured speakers.

Day one began with U.S. policy perspectives on China's strategic engagement in South Asia from a recently departed senior American defense official. Three panels featured presentations by Chinese, Indian, Pakistani and Afghan experts on China's role in South Asia, the dynamics of China-India bilateral relations, and China's role in Afghanistan and Pakistan.

Day two featured roundtables on China and the Indian Ocean littoral, China in the Northeast Subcontinent and Burma, and obstacles and opportunities for Chinese strategic engagement in South Asia. The symposium concluded with a former U.S. official offering thoughts on the implications of China's strategic engagement in South Asia for U.S. regional goals.

Some one hundred and fifty invited guests attended the seminar. Many were analysts from U.S. government agencies and local civilian think tanks focused upon China policy or policymaking dynamics in South Asia. Audience participation was encouraged, with question-and-answer sessions following each speech and panel.

The interplay of functional and regional experts from China, South Asia, and the United States facilitated a wide-ranging exploration of the dynamics of China's strategic engagement in South Asia. A core insight is that China, the nations of South Asia, and the United States view China's role in the region in dissimilar ways.

For China, South Asia is less important than other regions on its periphery, valued more for what transits the region than for what originates there.

China sees its regional role as stabilizing border arrangements and securing reliable ocean and land routes for trade and commerce.

For the nations of South Asia, China's engagement is viewed from a wide array of perspectives. Pakistan sees China as an all-weather friend, strategically reliable in its troubled relationship with India and generally helpful in global diplomatic and economic matters. States like Bangladesh and Sri Lanka welcome Chinese investment and resource exploration as a hedge against excessive reliance upon India – the standing regional hegemon. Indian politicians continue to pursue cordial relations with China to expand the Indian economy, subordinating Indian military anxiety over China's growing presence in the Indian Ocean littoral and concerns about the longstanding and seemingly intractable Sino-Indian border dispute. India understands the importance of China's ascent and hopes to benefit from it, but also worries that Chinese power may undercut India's regional dominance.

For the United States, South Asia remains a conceptual challenge. As in the early 1990s, Washington wants to reduce its regional security presence and associated commitments without generating instability, but finds the way forward fraught with risk. The United States seeks the rise of China and India as responsible stakeholders in the international system and also looks to them as potential sources of regional security. Despite a shared interest in South Asian stability, Washington and Beijing disagree on how to achieve it. China appears content with a small presence and little investment in stabilizing activities across the region, free-riding on Western investment in curbing terrorist training. India is the dominant regional power, but its dispute with Pakistan complicates its ability to project security and stability to the west. As Western security forces disengage from Afghanistan and the wider region, the questions of who will stabilize Afghanistan and how China might respond to a spike in tensions between Pakistan and India loom large.

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Beneath these overarching conclusions from the symposium, the following ten insights stood out as worthy of policy-maker attention.

MAIN SYMPOSIUM INSIGHTS:

South Asia is a region of secondary importance for China. In this context, geography matters. Mountainous terrain and the difficult road infrastructure connecting China with Afghanistan, Pakistan, and India limit the flow of people and goods. China has more accessible economic partners in East and Southeast Asia and acquires more natural resources from sources in Africa, Latin American, and elsewhere. South Asia is valued more for what transits the region by sea than for what originates there.

One American panelist observed that Chinese economic involvement in South Asia is over-hyped within the region and over-rated outside the region. Although Sino-Indian trade has grown, it remains dwarfed by China's trade with the Philippines and even with Thailand. Chinese trade with Pakistan and other South Asian countries is even paltrier. Chinese investments in South Asia are overstated by notoriously dubious data and hyper-inflated media claims.

A Chinese expert corroborated this economic assessment, observing that Beijing views South Asia as a secondary priority at best, ranking behind Taiwan, Northeast Asia, the South China Sea and Central Asia and perhaps others. He noted that China values Pakistan's longstanding friendship because Islamabad is viewed in many quarters of Beijing as its only friend. The Sino-Pakistan economic corridor is a friendship aspiration for China, not a trade route that can compete with the vital maritime economic corridor found in the Indian Ocean.

The consequence is that China focuses more on what transits the region rather than what comes from it. Burma is the exception that proves the rule.

The disputed Sino-Indian border is a source of security competition, but post-Cold War leaders have usually been able to shelve the dispute and

pursue economic cooperation elsewhere. Just as the difficult terrain of the Himalayas limits land-based transaction and interaction between China and the region, the geography has encouraged sea-based trade and transit cooperation. The bilateral focus on trade and transit over the past twenty years has benefitted both countries, with increasing diplomacy and dialogue to resolve (or in some cases table) historic geopolitical disputes.

One Chinese panelist noted that China aims to be a stabilizer in the region and believes its behavior has been stabilizing. A former American security and intelligence official observed that in many ways China has helped ratchet down security challenges between India and Pakistan since 1962 and in a more consistent manner than American regional interventions over the same fifty year period.

Yet many Indians perceive China as a destabilizing presence. An American panelist observed that bad blood remains an undercurrent between India and China, citing episodic flares of martial tension along the disputed Himalayan land borders as evidence. Most Indians remain convinced that China's military and diplomatic support encourages Pakistan's hostility toward India. An American speaker detailed polling data over the past several years which indicates that Indian attitudes toward China are trending negative, increasingly viewing Chinese military power as bad.

An Indian panelist articulated the viewpoint of some Indian nationalists. For them, India cannot rely upon the United States (or anyone else) for security against Pakistan or China. While Pakistan is a fading threat, China is a rising threat and one with a desire to subordinate India to a permanent second-rate status. In this view, the ongoing comity between India and China is untenable. Economic cooperation is almost played-out, with India suffering an ever-greater trade imbalance as Beijing imports raw materials and undermines the Indian economy with cheap manufactured goods. India must – and is belatedly beginning to – build up its Army and Air Forces along its northern border to challenge China directly.

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China and India have shown remarkable restraint in recent bilateral relations, but their deep conflicts of interest could turn violent. An exceptional degree of self-restraint has characterized relations between Beijing and New Delhi for the better part of two decades, but that restraint may be challenged moving forward.

A former American official observed that two Asias have been at play since at least 1990: “economic Asia” and “security Asia.” For most of that period, economic Asia has been ascendant. But in the past five years security Asia has been on the rise, marked by increasingly testy relations between China and her neighbors.

Beijing and New Delhi assert their commitment to the cooperative dynamics of economic Asia, but the competitive dynamics of security Asia are evident in issues such as China’s martial maritime activities in the Indian Ocean littoral; China’s military and diplomatic posturing over disputed border territory along the Himalayas; and China’s dismissal of India’s bid for a permanent seat on the United Nations Security Council (UNSC).

What might happen if India becomes more engaged in the global arms market or expands its nuclear arsenal and ballistic missile defenses? What if China becomes more assertive in its border claims against India? What if Pakistan actions against India provoke a more hostile posture between India and China?

An American panelist reminded symposium attendees that India has been greatly preoccupied with domestic politics and rather disengaged from international initiatives over the past two years. Once national elections conclude in mid-2014, the new government may feature leadership from a political party that has been out of office for a decade, the Brahmin Janata Party (BJP). Perceived as more nationalist than its rival, the Congress Party, the BJP might choose a course that doubles-down on economic collaboration and cooperation with China or may adopt a harder, more nationalist edge in its regional and international policies.

China’s relationship with Pakistan, long viewed by Beijing as an unambiguous asset, is becoming more complex as concerns about terrorism and stability in Pakistan increase. A Chinese expert and a former Pakistani government official both emphasized the remarkable durability underpinning the Sino-Pakistani security relationship. Each acknowledged that some of the rhetoric has not been matched by reality. However, since 1963, Sino-Pakistan collaboration in security alignment against India, Chinese support for Pakistan’s right to nuclear power and military hardware, and significant if often overstated Chinese economic assistance for Pakistan have remained stolid.

However, two Western security analysts and a Chinese security analyst asserted that the Sino-Pakistan relationship is at an inflection point due to growing Chinese concerns about Pakistan’s internal stability and the ability of the Pakistan government to manage its “militant problem.”

An American public opinion expert emphasized the high degree of positive feeling in Pakistan for China – almost the opposite of views in India. Pakistanis report a more favorable impression of China than any other country polled, and are one of the few groups of people to see China displacing America as the world’s superpower in the future. In contrast to almost all of China’s neighbors, Pakistanis view Chinese military power as a good thing.

A Chinese expert stated that Chinese leaders worry about instability in Pakistan. They consider Pakistan to be China’s “only friend” and remain committed to sustained friendship and economic assistance, they fear a Pakistan losing its grip on Muslim radicals who may mount attacks in western China or whose leaders may provoke a war between India and Pakistan that China does not want. A Western analyst largely agreed with this assessment, but was less certain that Beijing was experiencing a true crisis of confidence in the relationship.

Symposium panelists generally believed that the Sino-Pakistan relationship would continue on friendly terms – and terms inimical to Indian security interests – for the foreseeable future.

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China's historic role in Afghanistan has been limited and Pakistan-centric; increasing Chinese concerns about the impact of an unstable Afghanistan are coupled with wariness about deeper involvement. A longtime analyst of Afghan foreign relations highlighted the fact that China has historically not been very active in Afghanistan, save for some commercial investment in copper mining and the oil industry. Many Afghans believe that China views Afghanistan from a Pakistani perspective without real concern for Afghan needs. Although China never liked the Taliban, it established a relationship with them in the late 1990s and is presumed to remain in some contact since 2001. Afghans expect little real help from the Chinese moving forward and after US/NATO military forces complete their ongoing drawdown.

An American analyst of Chinese relations in South Asia stated that China has increased economic and some diplomatic activity in Afghanistan since late 2011, when talk of a US/NATO drawdown began in earnest. China has benefitted by free riding NATO's provision of security in Afghanistan, a benefit that accrued so long as there was no decisive NATO victory or no extremist victory. China now worries about stability beyond 2014, and the potential for greater instability in Afghanistan to incubate Muslim terrorists targeting western China and drug traffic that might spill into China. Despite these worries, it remains unclear how China will respond.

Worried about potential instability, Beijing remains wary of participating in security or stability operations outside its borders, especially when such activity might expose China to terrorist attack or insurgent activity. China's leadership most likely will try to maintain good relations with the Afghan government, the Taliban, Pakistan and others to mitigate risks of terrorism and drugs trade fueled by instability.

The notion of a Chinese "String of Pearls" arising in the Indian Ocean littoral is not supported by contemporary facts. Two American naval analysts told the symposium that fears of a Chinese "String

of Pearls" developing in the Indian Ocean with the aim of encircling India are very much overblown.

One noted that China's navy is far from a regional threat, much less an international concern. China's military does not have a history of major alliances. Its requirements in the Indian Ocean are limited to assuring that Chinese sea lines of communication to resource locations and markets remain open. The Chinese navy's current major concern is curbing piracy in the Indian Ocean and it has configured its small flotillas and on-shore logistics support to sustain those limited missions.

The other American analyst described likely Chinese naval missions in the Indian Ocean in some detail. These missions, when balanced with China's longstanding aversion to military alliances and overseas bases, suggest that the Chinese navy is most likely to adopt a dual-use logistics model to support future military needs. Such a logistics model would supplement reliance on commercial facilities with access to a military port in a friendly country and would be capable of supporting a modest anti-piracy naval flotilla. Beijing's activities in financing port construction in the Indian Ocean are compatible with such a model. These activities are not consistent with efforts to encircle India or constrain New Delhi's naval activities. The analyst also highlighted the vulnerability of all supposed "String of Pearls" sites to attack by Indian air and missile forces.

A Chinese security expert affirmed the American analyses, stating that China was inherently risk averse when it came to overseas naval ventures. The Chinese anti-piracy naval activity was very self-constrained and viewed in Beijing as strictly limited in nature. Within China, the notion of a "String of Pearls" in the Indian Ocean is viewed as irrational and implausible.

The divergence between Chinese and Indian interests in Burma and the Northeast Subcontinent will become more apparent as Burma evolves. The sudden change in political leadership in Burma – with the military stepping back from outright political dominance in 2011 –

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has altered the frame of reference for that nation and for the dynamics between India, China and Burma in the Northeast Subcontinent.

An American-based analyst of Sino-Burmese relations noted that after a long period of dominance in an isolated Burma, China felt the sting of political change acutely in 2011. After several decades of deeper and deeper integration into the Chinese economic structure in Southeast Asia and to South Asia, simmering Burmese grievances with China boiled over and Beijing lost a lot of influence when the Burmese military ceded political power. China remains an important player in Burma – arguably the most important – but it must now compete with increasing Japanese economic investments and the allure of American political and diplomatic attentions. China does not yet view India as a major competitor in Burma. The Chinese government and businesses are adapting to the new environment in Burma.

An American analyst of Burma recounted the history of minority interplay and on-again, off-again Burmese suspicions of negative outside influence from any of its large neighbors: China, India, or Siam (now Thailand). Fragmented and fractious minority groups in Burma have bothered both India and China over time and remain problematic within Burma. Burma likely will be disappointed with the results from its ongoing flirtation with America and the west, and China will be there when that disappointment grows.

An Indian panelist told the symposium how Burma's transition had encouraged New Delhi to "think big" in an effort to link its underdeveloped Northeastern provinces through Burma and to Southeast Asia as a path to economic growth and development. He acknowledged that insurgent minorities straddling the Indo-Burmese border remained an issue of concern, but one that New Delhi hoped might be addressed in a more positive and decisive manner with Burma and its new government.

As Burma's economic and social dynamics adapt, the interplay of Chinese and Indian objectives will evolve in that country and across Northeastern India. While the Burmese aspire to wider integration into Southeast Asia and Asia as a whole, China hopes that Burma will remain a critical corridor to economic activity in Southeast and South Asia. At the same time, India will want to more fully enmesh Burma in economic activities and enterprises that encourage growth and development in its underdeveloped Northeastern provinces.

China's strategic impact across South Asia is uneven, with opportunities for deeper engagement but obstacles to progress. China's economic rise has been as transformative in South Asia as it has across the international system. Many countries in South Asia have a large stake in the rise of China, and most have reached out to China for development and infrastructure assistance.

South Asian nations have generally embraced – and benefitted from – China's economic rise. At the same time, many South Asian nations have reservations about China. South Asian states committed to political participation and respect for cultural autonomy are concerned that China's economic advances are not matched in these areas. Others mistrust China's lack of transparency in its interactions, including its perceived control over mass media and its preference for unequal and imbalanced trading practices. China will need to address these concerns if it is to become more widely viewed across South Asia as a mature and responsible member of the international community.

An American political analyst summarized the polarized public opinions about China found in polling within Pakistan and India. While Pakistanis overwhelmingly see China as a partner and a force for good, Indians are split on whether China is a worthy partner and a majority view Chinese military power as a bad thing.

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China and the United States bring different tools and comparative advantages to engagements in South Asia. A former American diplomat summed up America's enduring role in South Asia: Washington remains an essential actor and the critical public goods provider there.

American economic activities in South Asia are substantial, but not the most critical aspect of U.S. engagement. America's military role in securing reliable routes for commerce and exchange – especially on the sea and in the air – and its diplomatic role in providing stability for troubled regional relationships has underpinned the dramatic economic advances witnessed in many countries of the region. The United States has underwritten an economically re-integrated Asia – which now fully incorporates South Asia – but must now come to grips with how this new Asia will appear in ten years' time. Washington must squarely assess which new security and diplomatic tools will be required.

The former diplomat told the symposium that China had been a chief beneficiary of American public goods, owing much of its overall economic growth and its activity in South Asia to the role played by Washington. China's chief advantages in South Asia are those of economic investment and commercial infrastructure development.

Echoing another symposium panelist, the former diplomat noted that China's investment in regional infrastructure and economic growth made Beijing a useful partner for many states in the region – providing alternatives to existing international financial institutions and financing domestic infrastructure developments that were previously impossible.

While America must become more attuned to the contours of an economically integrated South Asia, China must be more sensitive to the fears of its South Asian neighbors.

America's role in South Asia has been mercurial, but the region's importance will militate against a complete American withdrawal. A former American security and intelligence official spoke about the U.S. role in South Asia, observing that it has been characterized by periods of intense security engagement followed by attempts at comprehensive disengagement – which invariably went unrealized. Although few in Washington are willing to admit it, the American pattern of engagement and disengagement has been more of a destabilizing force than a stabilizing one for the region.

Like several of its predecessors, the Obama Administration now seems intent upon extricating the United States from South Asia. The former official argued that such disengagement is both unwise and unlikely to succeed. Events in South Asia will affect the United States and its allies for many years to come.

The China-India relationship is the most dynamic dyad in South Asia. It involves almost two and a half billion people and engages three nuclear weapons states. Three 2014 events in South Asia could greatly strain regional relations: national elections in India; Presidential elections in Afghanistan; and the nature and degree to which U.S. military and diplomatic power remains engaged in Afghanistan – and therefore in the South Asia region itself – beyond December 31, 2014.

The inherent challenges of the Sino-Indian dyad and the longstanding stressors in the Indo-Pakistan conflict indicate that there is no substitute for American diplomatic power in the region. The former official concluded that despite all its warts as an actor in South Asia, a comprehensive American withdrawal would be the most dangerous and consequential course for future U.S. interests there and across the Asia-Pacific region.

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