

Perspective

Indo-China Relation-3

# THE DRAGON TALE

*Dubious Design, Dangerous Liaison*



India Policy Foundation

भारत नीति प्रतिष्ठान

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Compiled and Edited by

IPF Research Team



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The Dragon Tale

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## Preface

China's aggressiveness heightens as it tries to establish its hegemony over Asia, if not over the world. In 1962, China attacked India and today it is trying to encircle India by its well-pronged strategy. It claims territories of Arunachal Pradesh as its own, People's Liberation Army move freely after entering into Indian territories. Can we forget that approximately 38,000 sq kilometres of Indian territory is in the possession of China and Chinese leadership is not ready to come to table to discuss the issue. China further claims 96,000 sq kilometres of Indian territory as its own. And to make it a point, it issues staple visa for the people of Jammu and Kashmir and it does not at all want to issue visa to the people of Arunachal Pradesh. It controls some of the big Himalayan rivers and intends to change the course of Brahmaputra river. China is always looking for a discount from the international community on the carbon emission norms as developing country but it does not want to cooperate with international community on the issue. Interestingly, China takes the help of India where it is required but alienates India when the latter needs its help. Even in trade relation between the two countries China emerges as the bigger beneficiary. Raw materials are outsourced from India, and finished products are imported back to India. It does not stop here, arrogance and cheating are some other issues that Indian businessmen have to face while dealing with their Chinese counterparts. It is high time we realise that China is making India a dumping ground for its toxic materials and e-waste. Besides, with all its grubby tricks, China has constituted a proper cyber army to attack Indian installations of utmost importance like Indian Space Research Organization. China is making its bases in Pakistan, Sri Lanka and Maldives but it has objection over oil exploration by India in South China Sea. India needs to see the urgency of the situation and the Government must keep its act together on Chinese front to foil its dubious designs.

Date: 16.12.2011

-Dr. Bajranglal Gupta



## Chapter-I

# CHINA CHALLENGES INDIA'S TERRITORIAL INTEGRITY: INDIA SUFFERS FROM RESPONSE DEFICIT

India and China have widely been hailed as the two super powers of the world in the 21st century. This should, under normal circumstances, have been something to cheer about. Both the Asian countries have a flourishing trade relationship. The Prime Ministers and high level delegations from both countries have been visiting each other regularly.

After the last visit of Chinese Prime Minister Wen Jiabao to India in December 2010, a treaty on trade relations between the two countries was also signed, signaling a forward movement between Asia's two biggest emerging giants.

But is there something to worry about in this cozy friendship? Can some defence and political analysts be blamed for being over-suspicious if they see the tail of the dragon trying to tighten its hold in this friendly embrace to crush India to pulp? Will history repeat itself? Chinese PM's visit to India in the 1950s gave birth to the slogan of Hindi-Chini bhai-bhai to catch India unawares to be attacked.

The defence analysts, the China watchers and the academics raised such suspicions about the intrusions of China only to be ignored at its own peril. That China is a greater threat to India than Pakistan was the view of none other than then Defence Minister George Fernandes, under NDA regime. This required a new policy perspective and design after reviewing China's India initiatives. Did it happen? If yes, what and if not why?



China is following a policy of attacking India economically and culturally apart from the plan of physical combat or war. Would it be a Kargil like operation to further occupy India's territory? Is it increasing trade ties with India to ensure increasing economic dependence of India on China? Is China trying to create some socio-cultural bonhomie with the people of Arunachal Pradesh? Will China parch India by changing Brahmaputra policy despite assurances? Is India suffering from China policy paralysis? These are some of the issues waiting a deeper understanding of the present Indo-China scene.

Actually, the suspicion and the threat emanate from the PM's recent visit itself. Analysts who have been closely monitoring the relations between the two countries say that the meeting was noteworthy, not for what it said but for what it left unsaid.

For instance, the talks between the two countries were strangely and conspicuously did not refer at all to the long-pending and continuously increasing border violations by China. The issue got further complicated with the mention in the 'People's Daily' that the common border between the two countries was only 2,000 kilometres instead of 3,500 kilometres.<sup>1</sup>

Coming at a time when their Prime Minister was on a visit to this country this development was disturbing. But judging by the behaviour of China over the years, ever since its formation, particularly after the Sino-Indian war of 1962, this development falls in a pattern and that is the reason why India cannot trust its biggest neighbour.

In September 2010, no less a person than Indian Prime Minister Manmohan Singh had expressed his fears that China was deliberately intruding into those parts of the Indian territory that were strategically very sensitive.

China attacked India in 1962 and grabbed Aksai Chin, Bomdila and NEFA which they have not returned so far. That was 50 years ago. But today the situation is worse than 1962. It has, by design, created disputes on the eastern and western borders of the country and challenged the sovereignty and integrity of India. Kashmir's geographical entity is today divided into three parts of which 45 per cent is with

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<sup>1</sup> K. Subramanian, Beware of China, September 23, 2010, Times of India

India, 35 per cent with China and 20 per cent has been grabbed by Pakistan, which has become the biggest pawn in the hands of China to check-mate India.



India has been trying to raise the issue of border talks with China but the Chinese government has been avoiding it as it never intends to give up its hold on the territories it has taken over. China looks at India not as a competitor but as a rival. Chinese newspaper 'People' Daily' has clearly warned that "India can never compete with China".<sup>2</sup> A Chinese analyst writes in another paper, "India and China may not be engaged in war but the cold war is hotting up and this could lead to actual war." It is evident that China is deliberately and consciously following the policy of containment of India as a big economic and political player in international politics, specially in South Asian region.

Prof. Amitabh Mattoo,<sup>3</sup> Professor in Disarmament Studies, JNU, says that China is trying to tell the entire world that there is only one super power in Asia and that is China. China's policy towards India has turned bitter particularly after 2005. Mohan Malik, security analyst, says that China would never like India to emerge as a strong nation. China had never said before 2005 that Arunachal Pradesh was a southern part of Tibet or a part of "the job half done in 1962". He believes that China was doing all this deliberately. It is important to remember that today the People's Liberation Army (PLA) has become an important power centre. The former Research and Analysis Wing (RAW) chief, B Raman warns that the PLA's training was totally anti-India.

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<sup>1</sup> Brahma Chellaney, Threat from Pakistan, Hindustan Times, 15 October, 2010

<sup>2</sup> Jane's Defence Weekly report, China's Military Prowess , May, 2010

Talks to discuss the border dispute between the two countries will never get fruitful results until and unless both sides participate with a sense of trust. Since 1981, there have been 14 rounds of talks between the two countries but there has been no result because China creates new border disputes before the earlier ones are resolved.

The annexation of Indian territory in 1962 is not the focus of talks now because McMahon Line is no longer sanctimonious. Now China regards the whole of Arunachal Pradesh as disputed territory. For the last few years, it has been systematically laying its claim on Arunachal Pradesh as part of Tibet. Chinese are now putting pressure on the Indian government to substantiate its claim over Arunachal Pradesh so much so that it had objected even to the visit of Indian Prime Minister to Arunachal Pradesh in 2009. In 2007, it had refused to issue visas to a team of IAS officers because one of them belonged to Arunachal Pradesh. Taking the logic further, it also refused visa to the Arunachal Pradesh Chief Minister Gegong Apang to visit China arguing that a citizen of China does not need a visa to visit his own country. Similarly, it created a huge hue and cry when the Dalai Lama decided to visit Arunachal Pradesh.

There have been endless intrusions by the Chinese Army into the Indian territory but whenever India objects China plays it down saying that this should not be taken as intrusion as the border between the two countries are not clearly demarcated.

As part of its expansionist strategy, China continues to issue new maps showing some or the other part of Indian territory as its own. China has been creating such confusion about Jammu and Kashmir as well. In one of its maps it showed Kashmir as disputed and to substantiate this it started issuing paper visas to people of Kashmir. By playing such diversionary and dirty tricks China today controls a large area of Kashmir. It is also gradually increasing its military presence in the Pak-occupied Kashmir (PoK).

India and China are the two countries which do not have a clear demarcation of 4,057 kilometres of their boundaries. The main reason for this is that historically China and India had never shared boundaries. They became neighbours only after the Chinese annexation of Tibet.

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<sup>1</sup> India plays into Chinese hands by staying engaged in fruitless border talks – 'Clueless on China'

Whenever bilateral border talks are held, China refuses to hand over its maps because handing over the maps would make the boundaries formal. Reports state that the PLA has intruded 11 kilometres beyond the territory it had held in 1962. Another proof of a control over territory is the evidence of collection of land revenue. There are reports by the Military Intelligence (MI) that China has been forcibly collecting such documents from some remote areas since 1980. There are also disturbing reports that some Indians have crossed over and settled in Chinese territory and they have carried their property papers along with them.

Brahma Chellaney,<sup>4</sup> renowned defence analyst, calls the talks between the two countries since 1981 as the longest sterile talks in history. This is because of China's shifting stand during such talks. In the beginning, China adopted a policy of give and take to give legal status to its annexation of Aksai Chin. Then it started saying that border disputes could wait and both countries should concentrate on improving friendship and trade ties. However, in recent years it has started making tall claims on Indian territory such as Arunachal Pradesh along with increasing its military presence. While China knows exactly what it wants, the Indian planners are as confused as ever and they think that solving the border dispute would resolve all their problems with this dangerous neighbour.

Chellaney believes that India is now trapped. It has to deal with China's claims today as in 1962, deal with Tibet and talk about Arunachal, which it calls "south Tibet". Earlier, India had handed over Tibet on a platter to China and now it wants India to adopt the same peaceful policy and hand over at least the Tawang valley to it. India is thus unwittingly playing into the hands of China as it cannot take a bold stand and give it a befitting reply.

## CHINA'S ENCIRCLEMENT POLICY: A NEW AND STRONG THREAT TO INDIA'S TERRITORIAL INTEGRITY?

China's invasion of India in 1962 is still deep in the psyche of people of the country which may not be easy to forget. And even if India tries to forget it, China will not allow it to do so. Although there has been no actual war between the two countries since then, China has been continuously trying to keep India on the tenterhooks by coming out with new maps or creating border controversies.

In the last few years, in particular, China seems to have launched a concerted attack against India. It appears to be taking every step to encircle India from all sides to increase the psychological pressure on it. It is playing a strategic game of chess and threatening to check-mate India whenever and wherever it wants.

Dr. Ved Pratap Vedic, an expert in international affairs, says, "Our government appears totally helpless against the stratagem of China. Our foreign affairs ministry calls her diplomat and expresses its disappointment against their behaviour and then goes silent till the next dispute."

### Building Strategic Corridors

India's timid behaviour encourages China to continue with its expansionist policies by surrounding India from all sides. To give concrete shape to its plans, China has started building strategic corridors on India's North South axis. One is the trans-Karakoram corridor from West China to the Gwadar sea port which enters the

Hormuz ocean. Almost 40 per cent of the world's oil passes through the Hormuz ocean. The other is the Irrawaddy corridor, which goes from the Yuan district to the ocean via the rail and river passage. The third corridor is on the east-west. The train from Gormu to Lhasa will be a huge threat to India's security.

China is creating the fourth corridor in the Indian Ocean which has been given a beautiful name, 'String of Pearls'. It is reported that China is setting up its base in Seychelles in Indian Ocean. Though it is said to be for the resupply and recuperate other ships during escorts mission but media reports from Beijing suggested that China is establishing its first overseas military base there<sup>1</sup>.

## India's neighbourhood and China policy

China is not only focusing on building up strategic corridors, it is trying to strengthen India's other neighbours to either enhance their all types of proxy wars to weaken India or to prepare them to do so in future. It is also taking planned steps to reduce India's influence in that region. This all is a part of the encirclement of India policy being vigorously followed by China.

## Pakistan

Pakistan has always been the focal point in China's strategy to encircle India. China does not issue visas to travelers from Kashmir visiting China. It gives them stapled visas issued on paper because it does not regard Jammu and Kashmir as a part of India.

This is a part of its long-term strategy whereby China is propping up



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<sup>1</sup> Saibal Das Gupta and agencies, Times of India, page 18, Dec. 13 2011

Pakistan so that it remains a constant headache for India and it can strengthen its hold in South, Central and West Asia. China has helped Pakistan in every anti-India activity, provided it with nuclear bomb and technology and financial and diplomatic aid.

## Bangladesh

China is also helping Bangladesh by providing it financial and military aid, helping in improving its basic infrastructure and getting strategic facilities in return. It is also trying to get a rail and road passage through Bangladesh to Myanmar. China has also signed a defence treaty with Bangladesh, even though the exact details of this treaty have not been disclosed.

## Sri Lanka

Sri Lanka has allotted a block in Mannar basin to China to explore oil. This gives China the advantage of having a strategic presence just a few miles away from India's southern boundaries. In return, China helped Sri Lanka by providing arms to crush LTTE and rendering support at international forums. This way, China has taken over a shipping lane in the Indian Ocean which brings oil from Central Asia.

## Myanmar

China has created two security corridors for itself - one in Pakistan and the other in Myanmar. It considers Myanmar as a very important ally and both countries signed a treaty in last March for laying lines for supply of oil and gas. The Myanmar Government needs arms from China to crush its political opponents.

## Nepal and Bhutan

So far, Nepal and Bhutan have been friendly to India but lately China has been desperately making overtures to them to win them over. The Maoist take-over in Nepal has made China's job easier because it can give voice to their imaginary fears against an Indian hegemony. Some time back a conspiracy to buy some Nepali members of Parliament by China had also been exposed. By 2012, the Shanghai-Tibet railway will reach Lhasa.

In addition, China has also now set its eyes on Seychelles and Mauritius. In the last few years China has also increased its activities in Bhutan which is in the



neighbourhood of what is known as 'Chicken's Neck'. It is that narrow part of Siliguri which joins main India with the north-east.

## Maldives

China is now trying to establish its naval bases in the Maldives. The agreement for this was signed between the two countries after two years of negotiations when the Chinese Prime Minister visited Maldives in 2001.

China has been telling everyone that it is establishing its bases in these countries so that it can get its supply of fuel for its economy but strategic analysts say that it wants to surround India so that it can counter the influence of the Indian navy in this area.

## Other dangerous and threatening Chinese initiatives

How dangerous is China's strategy in the north can be judged from the fact that it has a 2,00,000-strong army in Tibet. It has spent billions of dollars in setting up a missile launching pad, airports and highways so that it can supply additional force on the borders of India.

Besides, it has violated the ban on nuclear explosions to create a tunnel in the Himalayas so that it can divert the water from the upper regions of the Brahmaputra towards Yangtze River. This will have a very serious impact in the north-east as it will become totally dependent on China. China can manipulate the flow of the Brahmaputra at its upper regions to create floods or famine in these areas at its will.

Unfortunately, there are some parties like the Communist Party of India (Marxist) in India which are accusing India of encircling China. Nilotpal Basu of the CPI(M) has alleged that 90 per cent of the supply of hydro-carbon to China passes through Malacca Ocean. Prakash Karat, General Secretary of the CPI(M), has said that India must not sign any treaty with the USA that could result in encircling China or curtailing its powers. The Marxists have a long history of serving their real masters, China, by betraying India.

If India has to face the challenge of the Chinese navy it will have to increase its naval presence on its strategic locations. If India does not enter into strategic agreements with important countries to protect the entry points of the Indian Ocean it may have to confront the Chinese navy in the Bay of Bengal and the Arabian Sea.

## THREAT OF CYBER ATTACKS FROM CHINA

On July 9, 2010 half of the transponders of Insat-4B built only three years ago developed a snag due to the failure of its solar panel. Different kinds of theories were being floated about transponders' failure. The most alarming was the fear that it was caused by a virus called Stuxnet which could have possibly come only from technically advanced countries like the USA, Israel or China. But Jeffrey Carr, the famous American writer of 'Inside Cyber Warfare' and an international expert on cyber crime, categorically stated that this virus had been sent by China to destroy the transponders of the Indian Space Research Organisation.<sup>1</sup>

It is mostly countries like Iran and Indonesia that have been victims of cyber warfare but this time China wants to destroy the space research programme of ISRO through such cyber attacks. In a recent article in DNA, Rajiv Srinivas, a well-known cyber expert, comments that this is likely to create suspicion about the failure of other sensitive projects like the GSLV and Prithvi missiles too.<sup>2</sup>

We have not taken any lessons from the 1962 attack by China and it seems we will never ever take them seriously, even in the future. Now, China has launched a cyber war against India and we are unable to cope with it. Our military and strategic analysts took ten years to realize that India had become a victim of cyber attacks

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<sup>1</sup> Stuxnet pinned for killing Indian satellite-Lium Tung, [www.securecomputing.net.au/news/233892](http://www.securecomputing.net.au/news/233892)

<sup>2</sup> If we are not ready for cyber war, we will lose the next war, DNA, October 5, 2010

from China. The most shameful aspect of this is that India, which prides itself as being a leader in information technology had to depend on Canada and US researchers to get this information.

Speaking during his visit to China, India's Foreign Minister SM Krishna was saying that India and China should not consider themselves as competitors. It was exactly at that time that cyber researchers from Canada came out with a report that China had hacked the military, security and diplomatic systems and of other government institutions and procured secret and crucial information concerning India.

According to this agency, China had hacked the computer networks of India's diplomatic missions in the US, Afghanistan and Russia, the secretariat of the National Security Council, military intelligence services, military educational institutions, defence think-tank and other important publications. They managed to penetrate the system of the Air Force Station on Race Course Road, barely a few hundred metres away from the Prime Minister's Office. Brahma Chellaney says, "India is in deep slumber and China keeps giving it a slap every day. China is continuously opening new frontiers against India."

An able cyber warrior can obtain crucial security information from the enemy sites by hacking the power grids of the enemy. These cyber attacks can paralyse the websites with the help of the virus and cause immense damage to the technical equipments and networks. To prevent such attacks many countries, including China, have created hundreds of cyber police.

China has launched a concerted attack on India's important government and private networks in the last few years. In 2007, Chinese hackers had attacked 143 Indian websites. In April 2008 the Intelligence agencies revealed that they managed to penetrate the websites of the Ministry of External Affairs. This has made Indian security agencies sit up and take protective measures.<sup>3</sup> Even though these agencies have been unable to identify the cyber attackers, the IP addresses left behind make it amply clear that these are Chinese hackers. Recently one of the most important websites, considered the most important government website, [www.cabsec.gov.in](http://www.cabsec.gov.in) was also attacked and remained defaced for several hours.

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<sup>1</sup> [www.thedarkvisitor.com/2008/08/chinese-hackers-and-indian-cyber-war-capacity](http://www.thedarkvisitor.com/2008/08/chinese-hackers-and-indian-cyber-war-capacity)

In the last two decades China's cyber experts have become so powerful that they have been able to launch cyber attacks on the networks in the USA and Europe. Some time back there was a report in the 'Financial Times' which mentioned that China had managed to hack the network of the American defence headquarters, the Pentagon, through a successful cyber attack on its network. In 2008, the US-China economic and security review commission submitted a report to the American Congress which stated that China was stealing important information from American networks. It is currently in a position of advantage against America and in any fight the power of USA's traditional forces would be over-powered by China<sup>4</sup>.

It would not be an exaggeration to say that today China is the leader of the underworld of hackers and it has taken the role of the villain. In Russia and Europe, hacking has become a profitable national game. They hold hackers' meet, and they have hackers' academies and magazines like 'Hackers' Defence' and 'Hackers' X File' which give detailed information on how to penetrate computer networks and techniques like 'Trojan Horse' and 'Trapdoor'. Books like 'Hackers' Penetration Manual' are also available.

Brahma Chellaney<sup>5</sup> says that hackers are the unauthorised army of the PLA. Just as Pakistan says that it has nothing to do with the Lashkar-e-Taiba, China claims that the secret agents based in Chengdu are not associated with them. In both the cases the enemy is hiding behind a façade.

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<sup>1</sup> English.aljazeera. net/news/amerces/2008

<sup>2</sup> Cyber warrior China opens new front against India-Sunday Guardian, April 2010

## Chapter-IV

# CHINA PLAYS WATER POLITICS: BLOCKING BRAHMAPUTRA

It has been predicted that the Third World War could be over water. This may or may not be true but the fact remains that water is going to be a major cause of dispute between India and China, after the border dispute.

In May 2007, Emeritus Martin Walker, the Editor of news agency UPI, had said in his report that the most dangerous spot in the world at this moment is not in Iraq or the Gaza strip, nor is it in Iran or in the laboratories of South Korea. This is situated in the east of Tibet, the origin of the Chinese river Sangpo, at a height of 14,000 feet above sea level. In India and Bangladesh this is known as Brahmaputra and Bangladesh is totally dependent on it for its water supply. For Assam the Brahmaputra is like a life-line.

After flowing in Tibet for 2,057 km, Sangpo enters India, where it is known as Brahmaputra. One of the main features of this river is that when it reaches Nacho Barwa Mountains (7,758 metres) it takes a very sharp U-turn.

China wants to build the world's highest dam here and by creating a large number of water bodies, tunnels and water channels, turn the course of the river towards North China's drought prone areas. But China's hydro-power projects would adversely affect India and Bangladesh and that could become the cause of major disputes in the future.

China has an upper hand in this fight because after taking over Tibet, China controls the biggest source of water in the world: With big glaciers, underground water resources and at a great height from the sea level, Tibet is the biggest source of fresh drinking water after the Polar axis.



The origin of the world's three biggest rivers — Brahmaputra, known as Sangpo in China, Yangtze and Mekong — is in Tibet. The other main rivers of China are Hwang Ho, Salween, Arun, Karnali, Sutlej and Sindhu. Almost 90 per cent of the water from these rivers flow into China, India, Bangladesh, Nepal, Pakistan, Thailand, Myanmar, Laos, Cambodia and Vietnam.

According to a rough estimate, 10 to 20 per cent of this water is in the form of icebergs and around 30 to 40 per cent as seasonal snow. About 1,00,000 sq km of the Himalayas are covered with icebergs and they are the source of 12,000 cusecs of fresh water. This is a unique storage tank for fresh water.

The Brahmaputra River is very silent in Tibet and even boats can row in it. It enters India from Arunachal Pradesh and reaches Assam where it joins two other rivers, Dehang and Lohit.

In October 2000, the China correspondent of London Telegraph had reported that the Chinese government would use a nuclear blast to create a tunnel in the Himalayas to construct the biggest hydro-power project in the world. But this would be a violation of the Comprehensive Nuclear Test Ban Treaty (CTBT).

The report has also warned that the neighbours of China who fear that this project would endanger the lives and livelihoods of thousands of its inhabitants, would have to learn to live with this threat. The critics say that they will be totally at

<sup>1</sup> <http://www.indiatibet.org/?p=260>

the mercy of the officers manning the dam who can release water and create floods in their area or stop the supply of the water at their will.

Commenting on this dispute, Brahma Chellaney<sup>1</sup> says, “Both India and China are facing acute water scarcity. Due to major irrigation and industrial requirements the demand for water in these countries is on the rise. A rising middle class has also contributed to the demand for water. If this trend continues, industry and agriculture are going to be severely affected. Most of these rivers originate in Tibet and the scary scenario is that China is planning to link its other rivers with Tibet.”

He warns that big dams, barrages, water channels and irrigation plans can turn into political weapons which could create havoc during war and act as a means for creating goodwill in normal times. The countries which are at a disadvantage in this equation should raise their armed strength so that they can strike a balance between their control over water and their military prowess.

The main cause of the floods in Arunachal Pradesh and Himachal Pradesh in the recent year was the release of water from its projects by China without informing India. The reality is that China is actively constructing dams on most of the rivers originating from Tibet. The rivers which have not been touched so far are the Sindhu and Salween. While Sindhu enters India, the river Salween passes through Myanmar and Thailand. India is constantly maintaining its pressure on China to adopt more transparency about its hydro-power projects, exchange documents about water, not to change the natural course of rivers and not to reduce the flow of water into India from across the border.

Well-known journalist Kuldip Chandra Agnihotri<sup>2</sup> says, “The Indian media has been constantly warning the Government that China would intercept the flow of the Brahmaputra by making huge dams over it. It can even change the environmental conditions in the north-east by blocking the flow and direction of the Brahmaputra. The way China has been using Pakistan as a pawn in its proxy war against India one can easily predict that China would not hesitate to use water as a weapon against India.”

The pity is that India is not taking the issue of water as seriously as it should. Its approach appears to be as casual as it has been about the boundary dispute.

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<sup>1</sup> <http://pravakta.com/topic/China-is-using-water-as-a-weapon-against-India>



## CHINA IS CAPTURING INDIAN MARKETS

China is not only challenging India's security through its frequent forays into Indian territory, it is also systematically undermining the Indian economy by capturing the Indian markets.

According to Brahma Chellaney,<sup>1</sup> the relations between the two countries have improved only in one field – trade. But this has not helped in improving political relations in any way. China needs the Indian market to dump its products more than India needs China.

Trade between the two countries falls in two categories - legal and illegal. In both cases the loss is that of India. The illegal trade is mostly through the routes of Nepal, Bangladesh and Sri Lanka and China has flooded the Indian markets with its cheap products through these routes. It had initially started with electronic products but now Chinese mobiles, CFL bulbs, TV Kits, memory chips, electric wires and water pumps. You name it, they have it.

Made in China Dalda, soaps, towels, shampoo, cream, perfume, undergarments and cosmetic items are all available in India. The markets are full of Chinese toys and digital cameras. Chinese apparel has already become a huge threat to the Indian

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<sup>1</sup> Trade agreement with China is useless: [www.bhadas4media.com](http://www.bhadas4media.com)

hosiery industry and Chinese polythene has become the first choice of Indian shopkeepers.

In a new thrust to capture the Indian market and penetrate every household, the Chinese have now started selling their products during Indian festivals. It began with providing the bulbs for decoration on Diwali but now they have also started producing idols of Ganesh and Laxmi for Diwali, which are becoming big hits. On Holi, the other major festival of India, they have started providing Chinese pichkaris, which have captured the imagination of children.

Satish Singh, an economics expert, says that Indians are not aware of the actual price of the Chinese products because it is never mentioned and that gives the shopkeepers an ample profit margin to sell them at whatever price they choose. The consumer is also happily buying these products even though it does not come with any guarantee. The Chinese strategy has trapped both the shop-keeper and the consumer - the former is happy that he can earn a handsome margin of profit and the consumer is happy because of the variety and the foreign tag that comes with it.

In Indian rural areas, the Chinese are providing not only electronic items but also the sheets and towels used in saloons. The most interesting part of this trade is that 80 to 90 per cent of these products are coming through the illegal routes from Bangladesh and Nepal. In other words, the Indian markets have been indirectly captured by China (Bhadas.com).

The negative point of the Chinese products is that even though they are cheap and fancy there is no quality control. There have been complaints about Chinese toys being toxic and finally the Indian



government had to ban them. The Chinese Government raised this issue in the WTO. Finally it was decided that India would allow their toys only if they would guarantee their quality through testing in internationally accepted laboratories. The government should also ban the milk coming from China because it is highly adulterated. Recently, there were many cases of deaths in China from consumption of adulterated milk but this was brought under control when they punished the adulterators with death penalty. The Chinese mobiles coming to India are also security hazards because they do not have the mandatory IMI codes on them.

China has turned India into a dumping ground for its poor quality products. It has taken full advantage of the fact that labour laws are not very harsh here and it can sell cheaper and unreliable products without fear. Interestingly, India's complaints against China in the WTO are the maximum against any country by any country.

The official trade between the two countries is also flourishing in a big way and China has become the biggest trading partner of India. Trade between the two countries, which was 13.5 trillion dollars in 2004 will reach 60 trillion dollars by the end of 2011. The target for this trade has been fixed at 100 trillion dollars for 2015. But India has been a loser in this as well. In 2002, India's trade deficit with China was two billion dollars which has now reached 20 billion dollars.

Besides, China does not buy the finished products from India but treats this country like African countries which can only supply raw products. Iron constitutes 50 per cent of the raw material that India has been supplying to China.

Many companies in China are exploiting the increasing interest being shown by Indian investors in China and have cheated them of their money. So much so that the Indian embassy had to write letters to the Indian investors to learn the tricks of dealing with Chinese companies. Recently, Abhishek Shukla, secretary in the Indian embassy in China, wrote letters to several Indian trade bodies about the precautions they needed to take while dealing with Chinese companies.

The letter also lists five main tricks that the Chinese companies are using to dupe the Indian investors. There were reports of Indians being cheated of 78,43,000 dollars by Chinese companies in 2009-10 while the figure for the first half of 2011-12 has already reached 54,34,162 dollars.

## Chapter-VI

# IS THE SHINE FADING?

Is China really the super economic power it has been pretending to be? The question is being asked all over the world by China watchers who suspect that China may be following in the foot-steps of the Soviet Union in the years to come.

The most important reason for this perception is that the picture of economic progress China has been painting appears to be more a jugglery of figures than a reality. The bubble of its super power status could burst any time.

America's prestigious research institute Stratford came out with a revelation on January 22, 2010 that China's economic system would collapse in the next decade. This comes as a surprise, because only two decades ago China had emerged as an economic super power in the world. Last year it replaced Japan as the second most advanced nation and everyone had started singing paeans of China. The market had been flooded with books describing the strides China had taken in its journey towards becoming a super power. Some of the famous books about its new status are *Rise of China* by William H Overholt and *The New Chinese Empire* by Ross Terrill.

But some thinkers were skeptical. They were surprised that China had attained the status of an economic power in such a short time and started having a second look at the progress made by the Dragon. A new series of books have now come out,

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<sup>1</sup> <http://www.gordonchang.com/quanda.htm>

including *The Coming Collapse of China* by Gordon G Chang and *The China Dream* by Joe Studwell.

Talking about his book, Gordon Chang,<sup>1</sup> had said in an interview that China's political and economic system would not be able to survive in the modern times for very long. Mao Zedong, the founder of China, had created an abnormal kind of society for China which had kept it aloof from the rest of the world. His successors, however, have opened up China to cope with global trends and the emerging economic system and now China will also be governed by forces of globalization. It will also have to face the same kind of problems that the other countries are plagued with.

China is currently facing many challenges, some financial and some social. The rising financial debt, social instability that comes with economic progress, increasing non-performing loans due to lack of reforms in banking, its decaying pension scheme which is unable to cater to the needs of the burgeoning number of elderly citizens in the country, unbridled corruption and the collapsing education and health services are the main indicators of the future collapse. If one talks about one challenge at a time China appears capable of overcoming its problems but unfortunately Communist China has to cope with all these challenges simultaneously.

Analysing the challenges faced by China, Gordon Chang says that China is facing the same problems that reformist nations all over the world face where economic progress is destabilizing the political system. There are many situations that lead to a revolution but the most important cause of a revolution is the inability of the political system to cope with the new forces emerging with economic progress.

It is ironical that with the improving economic status of its citizens, there is a growing revolt against the political leadership and the threat of destabilization looms large. After 2002 there has been a marked rise in protests and demonstrations in the country and those who are participating in these are not only farmers and workers but an increasing middle class which has benefited the most in the last 25 years.

Many observers feel that the so-called progress of China is only fictitious and a jugglery of figures. Gordon Chang has written in the October edition of *Forbes* magazine that there are discrepancies in the figures totted out by China. For instance, it

has mentioned that the sale of cars in the country has gone up but this is a myth because this does not match with the sale of gasoline, which remains stable. He believes that the Government-owned companies in China are buying cars in a big way and they are paying huge parking lots to show that the sale of cars has gone up.



This has been the case with every sector of the economy. The biggest problem with China is that it is unable to find a market for the products that it is making. China could be heading towards the same kind of crisis that had wrecked the world economy with the collapse of the sub-prime and housing boom in the USA, it is predicted.

In 2005, China opened the biggest shopping mall in the world in Dongguan, but apart from some Western fast-food stalls, 99 per cent of the Mall remains unoccupied. China has managed to maintain a growth rate of 8 per cent in the last 30 years, which is a miracle. The China Olympics in 2008 show-cased the power and economic marvel that China had become to prove to the world that it had become a super power. But since then its economy has started taking a downward plunge. Some experts go to the extent of saying that China's downfall will be as sharp as has been its rise.

Prem Shankar Jha, one of the most respected journalists of India, points out in one of his books, 'Managed Chaos: The Fragility of the Chinese Miracle', that China had managed to raise the standards of 40 crores of its people by maintaining a growth rate of 11 per cent. But this had not been able to contain the growing revolt against

the ruling system by a new class which is presenting itself as an alternative to the ruling hierarchy.

The growing unemployment and static wages have led to a revolt against the super rich class and the political leadership of China. Following in USA's foot-steps, China also announced an economic package of 600 trillion dollars in 2009 but this did not work. The Government in China is not elected by the people and its policies are managed by industrialists and bureaucrats. Many of the rich people of the country are trying to clandestinely take their investments out of the country. The super-rich in China are spending their cash to buy huge properties. China has suddenly been caught in a vicious circle. Violent incidents of protests are on the rise. There has been a steady increase in 'sudden incidents'. In China 'sudden incidents' are the name for demonstrations. According to official Chinese figures there were 80,000 such incidents in the country in 2006 which went up to one lakh in the next year. History is repeating itself in China.

Crushing this growing voice of discontent by the army may not be a good strategy because the army is also composed of relatives of the workers and farmers whose jobs have been taken away. And if the government tries to change the policies to work in favour of the people the ruling elite of industrialists and bureaucrats will overthrow it. The Tiananmen Square revolt is only an indication that the revolt of the people cannot be controlled by force. China is trying to contain this revolt by every method that it knows and the latest ban on the Internet is proof of this. It also foiled a Jasmine revolution plan with an iron hand. But will it always succeed?



## Chapter-VII

# A CRISIS-RIDDEN CHINA MAY ATTACK INDIA

By next year, it will be 50 years since China attacked India. The moot question today is, “Will there be another Chinese attack before 2012?”

Bharat Verma, editor of the prestigious defence journal, ‘Indian Defence Review’, had warned of such a possibility in an article in 2009. This article says that there are several reasons why China would like to attack India to establish its numero uno position in Asia.

Analysing the situation in China, he argued that the socio-political and economic conditions in that country are dismal. Recession has created large-scale unemployment and unrest among its population. According to unofficial estimates, the figure has reached almost 14 per cent. The foreign exchange reserves are dwindling and foreign investors have started leaving the country.

He believes that the Chinese Government is finding it difficult to contain this growing unrest among its people who have started demanding political freedom and to curb such tendencies the government had to put special filters on the internet. It has thus started feeling insecure of its own existence and therefore it wants to divert the attention of its people from the main issues at stake for which it might feel the need for a military adventure with its neighbour, India.

Earlier, China was challenging the rising status of India by backing Pakistan but since Pakistan is engaged in its own civil war China has lost a very important pawn. China has been testing India's patience by its increasingly aggressive postures on Arunachal Pradesh. It is also wary of India because of its growing alliance with the USA which can be strategically detrimental for its own security.

Unfortunately, India does not appear prepared to take on China in such an eventuality. It is important for India to come out of its peaceful posturing and become aggressive, in keeping with its status in Asia.

When Bharat Verma wrote this article, it evoked very critical reaction and most people felt that he had vastly exaggerated the threat from China. They pointed out that China has not attacked India since 1962 and this is enough proof that it wants to maintain friendly ties with this country. Trade relations between the two countries are constantly improving and it has become its biggest trading partner. For all these reasons, it would be foolish on China's part to attack India.

But Rajeshwari Pillai Rajgopalan, senior defence analyst, says, "China's economic progress, along with its military modernization, is proof that it wants to venture out of its boundaries for aggressive missions. As its hegemony in Asia is on the increase it is becoming increasingly harsh with neighbours." She does not deny the possibility of limited border skirmishes turning into a full-fledged war because it has posted Inter-Range Ballistic Missiles (IRBM) that can hit middle distance targets and also the Inter-Continental Ballistic Missiles (ICBM) near the borders. Moreover, it has also got weapons like DF-2 and DF-31 in Delingha near Tibet. China's increasing arms expenditure and modernization are warning signals and India must prepare itself while there is time.

A writer of many books, Brahma Chellaney warns that India is constantly getting trapped in the same kind of situation that existed in 1962. In a write-up, Chellaney warns that the vital difference between the situation in 1962 and today is that now China and India are mentioned together in the world. This is resented by China. According to Harvard professor Roderick MacFarquahar, the objective of the Sino-Indian conflict of 1962, as stated by Chinese Prime Minister Chou-en Lai at that time, was to teach India a lesson.

After that conflict, China became such a powerful force in the world that Mao did not face any opposition from the world even after the biggest human massacre in modern history, known as Cultural Revolution. The similarity between 1962 and today is that at that time too China was encouraging the ultra groups of the north-east and it is doing the same today. It had stopped such activities for some time but lately it has started fuelling the unrest in the north-east once again.

One glaring similarity between 1962 and today is that at that time India was as unprepared militarily to cope with a border dispute with China as it is today. Even though India claims to be equipped with the most sophisticated weaponry today, the fact remains that even after officially becoming an atomic power over a decade back, India does not have sufficient defence mechanism in its armoury. India can only counter China's military prowess by deploying long distance missiles but India has not developed any long distance missile so far which can directly hit Beijing.

Another similarity in the times of the sixties and today is that India was in a defensive posture at that time and it maintains such a posture in all its border talks with China even today. China has always followed a policy whereby it maintains its control over the territory it has already annexed and it starts a new border dispute to threaten India into submission.

Former Army Chief VP Malik has also warned of such a possibility. Speaking at a seminar he said that it was true that China and India are becoming mutually dependent on each other for their trade and security but that does not mean we could give up our vigil. "I am in favour of friendly relations between India and China. Politicians and academicians want to take the relations between the two nations towards a satisfactory and friendly fruition. They can be dreamers but foreign services and military personnel cannot afford to take risks. Specially, the Army cannot take a risk. You either win a war or lose it. There is no place for a second position in war. Hence we have to be realistic."

The problem with India's policy-makers is that they are still living in an unrealistic world as far as their perception of China is concerned. One myth, for instance, is that China has emerged as a super power through peaceful means. But Brahma Chellaney rips this claim apart by asserting that China made its appearance on the international stage through war. China was weak and poor in the fourth and

fifth decades but in 1949 it captured Sinkiyang, gobbled up Tibet and attacked India in 1962. It fought a border battle with the Soviet Union in 1969 and in 1979 it attacked Vietnam.

Is India prepared to face any such eventuality inflicted on us by China? The answer lies in coming out of the China Policy Paralysis Mode and doing some reality check. India not only needs to modernize her army, she would have to meet the technological challenges as well besides building up other infrastructure. India shall have also to match the economic policy and diplomatic challenges and work to reduce China's presence in our neighbourhood.

## LANDMARKS IN SINO-INDIAN RELATIONS

1. March 1948 - Chiang Kai-shek vehemently opposes the participation of the Tibet delegation at the Asian Relation Conference held in India
2. March 1948 - India rejects the policy of siding with China to counter the American pressures
3. December 30, 1949 - India is the second important non-Communist country after Burma (now Myanmar) to recognize Communist China
4. November 1950 - India opposes the US policy of blaming China for the Korean dispute
5. November 1950 - Nehru advocates inclusion of China in the United Nations
6. March 1955 - India opposes showing NEFA in the map of China
7. January 23, 1959 - For the first time Chinese Premier lays claim to 40,000 sq km of Indian territory in Ladakh and Tibet
8. April 3, 1959 - The Dalai Lama flees Tibet to take asylum in India
9. April 7, 1959 - Nehru releases 'white paper' in Parliament concerning the dangers from China
10. April 25, 1960 - China refuses to accept the boundary report prepared by India

11. 1962 – Indo-China war, in which China annexes India's Aksai Chin
12. September 2, 1962 - Chinese army invades two km inside Yagla in India
13. November 18, 1962 - Chinese army takes over Bomdila and NEFA
14. March 23, 1963 - China posts an additional battalion of its army in Pathari in Tibet endangering India's security
15. September 1965 - Indo-Pak war when China comes out openly in support of Pakistan
16. 1967 – Indo-Chinese skirmishes for Nathula and Chala
17. May 1974 - China condemns the peaceful atomic explosion carried out by India
18. 1986/97 - China and India skirmish over Arunachal Pradesh for Tawang
19. 1988- Prime Minister Rajiv Gandhi visits China and resolves the border disputes in a peaceful manner
20. 1993 - Agreement on border disputes between Prime Minister Narsimha Rao and Li Peng
21. 1998 - India explodes a nuclear bomb
22. May 1998 - Defence Minister George Fernandes describes China as enemy number one
23. June 1998 - China appeals to India not to make nuclear bombs
24. August 1999 - China rejects Indian protest against the construction of roads in Ladakh and intrusion into Indian territory
25. January 2000 - Chinese Army enters Indian territory and constructs bunkers in Ladakh and Aksai Chin
26. June 2003 - Prime Minister Atal Behari Vajpayee visits China to improve bilateral ties. Agreement between the two countries on entering Sikkim and Tibet to improve trade relations
27. 2004 - Both countries agree to open up the Nathula and Jelapla in mutual interest
28. April 2005 - Chinese Premier Wen Jiabao visits India. Both sides discuss bilateral co-operation and security ties

29. November 2006 - Hu Jintao, Chinese President, visits India. Both countries agree on 10 issues of mutual cooperation
30. January 2007- China intrudes 537 km into space to attack satellites meant to give meteorological information. Pentagon terms this a dangerous development
31. January 13, 2008 - Indian Prime Minister Manmohan Singh visits China. Agreement between two countries on many important issues
32. June 2008 - Chinese Army invades Indian territory in Sikkim, known as Finger Area and China claims 2.1 km of northern territory as its own territory
33. March 2009 - China attempts to stop the Asian Development Bank from giving loans to India meant for the development of Arunachal Pradesh
34. August 2009 - Two Chinese planes violate Indian air space and drop food items in the Chunar area of Leh
35. August 2009 - Clash between Indian and Chinese armies in Sikkim
36. September 2009 - Chinese Army enters 1.5 km into Indian territory
37. September 2009 - China opposes the spiritual trip of Dalai Lama to Arunachal
38. October 2009 - Loose paper visas issued to people of Jammu and Kashmir wanting to visit China.
39. October 2009 - China opposes Prime Minister Manmohan Singh's trip to Arunachal Pradesh
40. November 2009 - China confirms making a dam on the Brahmaputra
41. April 2010 - Indian Home Minister visits Tawang
42. September 2010 - Prime Minister Mammohan Singh condemns the Chinese attempt to encircle India from South Asian side. Calls it a dangerous move
43. October 2010 - Indian Army Chief dubs China's moves as dangerous for India
44. October 2010 - Former Defence Minister and President of the Samajwadi Party, Mulayam Singh Yadav describes China's moves as dangerous and warns that it planned to attack India

## POSTSCRIPT

# HOW LONG WILL WE TOLERATE CHINA'S ADVENTURISM?

Prof. Rakesh Sinha

Prime Minister Manmohan Singh assured the Lok Sabha: “The government does not share the view that China is out to attack India.”<sup>1</sup> The nation is bound to have faith in PM’s words. Unfortunately, of late, PM’s words were unable to generate confidence among the masses and there are reasons for it. For example, the people of the country are unable to come to terms with the unprovoked Chinese attack in 1962, which had caused loss of hundreds of our brave but unprepared soldiers and also valuable 48,000 km of our territory. China has been challenging India’s sovereignty by claiming Arunachal Pradesh and also issuing stapled visa to inhabitants of Jammu and Kashmir as China considers it disputed. Now, the government needs to answer first: Has China stopped claiming its right over Arunachal Pradesh? Will it issue visa to the people of Arunachal Pradesh and its officials? Will it issue a normal visa to a Kashmiri? As far as our knowledge goes, China has not moved even an inch forward that can assure people of the country that China genuinely believes in peace and friendship with India.

There are several reasons to suspect Chinese intentions. They have increased their presence in the Indian Ocean and the People’s Liberation Army (PLA) has made its base in the POK. Are these moves to strengthen peace and harmony in the region? The 1962 war is a lesson for India, so it is wise for India to revisit the history.

Interestingly, there is a strong sentiment for China in a section of Indian media, academia, intelligentsia and social and political groups. Internal disruption and strong



lobbying has been an old Chinese strategy. In 1962, it gave an open call to split the Communist Party of India when the latter adopted a resolution declaring China an aggressor. The CPI (M) and later the CPI (ML) were formed under Chinese influence and pressure. Unlike the past, Chinese lobbying is not imprisoned by the ideology. In the post-cold war era, there is a radical shift in the Chinese policy. It does not make any difference between the Right, Left, religious, cultural or political groups and parties. Its real concern is to make its presence everywhere and neutralize even those who have been suspicious to its foreign and defence policies and differ with its totalitarian ideology. China has become the favourite subject for a large section of media and the country has also become the favourite destination for academics, political activists, social and cultural delegations. Chinese lobbying is taking a dangerous shape by playing a good host. Traditionally pro-US sentiment prevailed among a section of intelligentsia and policy-makers. Now, there is a need to be cautious from the highest opportunism of the imperialist forces which are trying to exploit our sentiments and innocence.

The high priests in the South Bloc have no consistency in their policy-making. They are guided by ad hocism. They have to understand the Chinese character. They believe, 'it does not matter cat is black or white so long as it catches the mice'. They theorize peace and specialise in the art of war. We are the victims of policy anarchism due to over-dependence on bureaucracy for foreign policy. Institutions meant for defence studies are facing internal crisis due to the same bureaucratic interference. The Institute of Defence Studies and Analyses (IDSA) is one which can be cited as an example.

The concerns of the patriotic masses cannot be addressed by a mere statement by the Prime Minister in Parliament. It is true that no government will say that any country is planning to wage a war on it. But the public's mind must be cleared of the confusion created by the pro-Chinese propaganda and anti-India activities on the border and lobbying inside the country.

1 China attack unlikely, PM, The Indian Express, December 16, 2011, Rejecting the contention that China was planning to attack India, Prime Minister Manmohan Singh said in the Lok Sabha on 15 December, 2011 the policy of both countries was to engage in a dialogue on border issues though there has not been much progress after 2005.

