
CENTRE FOR ADVANCED STRATEGIC STUDIES



**PROCEEDINGS OF SEMINAR
ON
INDIA AND CHINA BY 2020 : POLITICAL, ECONOMIC,
SOCIOLOGICAL AND MILITARY PERSPECTIVES
14th-15th March, 2001**

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SEMINAR

INDIA AND CHINA BY 2020 : POLITICAL, ECONOMIC, SOCIOLOGICAL AND MILITARY PERSPECTIVES

14th-15th March, 2001

(Venue : Pudumjee Assembly Hall, MCCIA, Tilak Road,
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BACKGROUND PAPER

"When I look back at free India's journey through the past five decades, I am filled with pride and disappointment in equal measure. Pride, because we have been successful in preserving two ideals that are most precious to all of us : one of unity of India and two, our democratic system few multi-religious, multi-lingual and multi-ethnic societies in the world have presented such an exemplary demonstration of unity in diversity as India has done.

On the development front, too, we have many proud achievements to our creditNevertheless I am distressed as all my countrymen are at the wide gulf between India's indisputable potential and her actual performance. Nothing agonises me more as the Prime Minister than the realization that millions of my countrymen, even after five decades of independence, still do not have enough to eat and proper roofs to sleep under....."

[Prime Minister Atal Bihari Vajpayee "Musings :
Call of the New Year : Clear Vision, Concerted Action.
"Kumarakom, Kerala, January 01, 2001]

"In the great cause of seeking world peace and promoting common development of mankind, China and India shoulder heavy responsibilities and have made their due contribution to the world."

[Chairman Li Peng of the Standing Committee of National People's Congress at India International Centre. Jan.13,2001]

Introduction

All the great religions or ethical systems of the world – Buddhism, Christianity, Confucianism, Daoism, Hinduism, Islam, Jainism, Judaism, Shintoism, Sikhism originated in Asia as did many sciences and technologies. The concept and practice of Vasudhaiva Kutumbakam fostered strong and wide kinship networks especially among merchants and many Asian civilisations. There were many communities, languages, multiple centers of culture, wealth, power and influence with mutually beneficial exchanges. Colonialism abruptly halted this enduring healthy intercourse. It brought misery and regression.

India and China, two ancient proud large agrarian, heavily populated civilisational states are making self conscious transition from their dismal colonial past to claim their rightful place in the world of today, in the present international system. Their problems are of building new nation states out of earlier loose political and social structures, transforming their traditional economies and societies without losing cultural identity and now of reducing role of the state in their economies, witnessing a revival of traditional cultures, gaining stable borders and the goodwill of their neighbours that might suspect them of Han or Hindu chauvinism, and winning acceptability from existing great powers. They also hope to modify the existing international system. Their relationship with the United States is of crucial importance, especially in the context of regionalism and globalisation. Both prefer bilateral dealings with their neighbours to multi-lateral settings for regional co-operation. Both are conscious of the continent's cultural underpinnings and are trying to reestablish a sense of community, through dialogues in the ASEAN and SAARC.

Nearly two centuries ago, Napoleon Bonaparte had said, "China, there's a sleeping giant. Awaken him and he will shake the world". No people in this century have been seasoned and hardened as the Chinese. Rising from the humiliation of the sacking of Beijing during the Boxer rebellion through the Japanese aggression, the Civil War and Korean War China has emerged as a super power in her own rights and appears to be destined to be one of the most dominant

powers in the next century. Despite reverses suffered at various times the Chinese leaders have displayed a remarkable foresight in safeguarding their strategic perceptions and promoting national security interests. Their handling of relations with the super powers and their neighbours can only evoke admiration of the highest order. The deftness and cynicism which they have displayed at times was evidence of having mastered the art of "real politics". The outstanding and consistent element in their policy has been never to bargain from a position of weakness and never to resolve an issue to their disadvantage.

Social And Political

China, a veto wielding permanent member of the UN Security Council with tremendous clout, three times the size of India, with a population of 1.4 billion has land borders with Mongolia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, India, Nepal, Bhutan, Myanmar, Laos, Vietnam, North Korea and maritime borders with Japan, South Korea, Philippines, Brunei and Malaysia and Taiwan (claimed as a province). India with a population of 1.2 billion has borders with Bangladesh, Myanmar, Nepal, Bhutan, Tibet and Xinjiang regions of China, Tajikistan, Afghanistan, Pakistan and maritime borders with Thailand, Malaysia, Indonesia, Sri Lanka and Maldives. Chinese Diaspora estimated at 30-50 million and Indian Diaspora estimated at 15-20 million is found in every continent. India and China comprise 40 pc of the world population and with their resources compel serious consideration and involvement in their regional and even global restructuring.

The regime in China appears to have firm and deep roots. This enables it to tinker with its economic system and successfully experiment in combining economic deregulation and political regimentation. Rumbblings are put down with a very heavy hand by the communist regime. India more than China has variegated, multi-lingual, multi-ethnic society – a pluralistic society by tradition working in a democracy. It has also been described as a "functioning anarchy", without strategic planning and thinking as a nation state, reacting to situations and problems on an adhoc basis. Governments with

alliances with a number of political parties, often with their own agenda appear to have come to stay.

Economic

Today China's progress measured by any economic indicator overshadows India's progress by three to four times. China actively promotes the growth of National Economic Territories (NETs) in the neighbouring countries establishing structural and investment linkages on coprosperity principle. The World Bank in its recent report has projected China as the second largest economy by the year 2020 and it slates India as the fourth largest economy in the world by 2020. China accounts for approximately two percent of the world trade and India 0.6 percent. It recorded the GDP annual growth rate between 7.6 percent to 13.4 percent during the years 1992 to 1999 and in the decade prior to this period average 10 pc.

India recorded a 5.4 percent annual GDP growth rate during the period 1980-81 to 1991-92 and thereafter 6.4 percent. The percentage of population below the poverty line came down from 36 percent in 1993-94 to 26.1 percent in 1999-2000. This may not be strictly comparable because of some changes in the methodology of data collection. The rural percentage works out to 27.1 percent and urban 24 percent. Due to populism on the economic front India has failed to arrest its ballooning fiscal deficit which has sky rocketed to Rs.116314 crores out of which Rs.78821 crores on revenue account in its 2001-2002 budget. The fiscal deficit of the Centre and the States now works out to 10 pc of the GDP. This is alarming. It indicates India getting into a debt trap. Interest payments amount to Rs.112,300 crores in the 2001-2002 budget, that is, over 69 percent of the Centre's tax revenues. The Fiscal Responsibility and Budget Management Bill, 2000 introduced in the Lok Sabha in December, 2000 provides for a legal and institutional framework to eliminate revenue deficit, bring down the fiscal deficit and stabilize debt as a proportion of GDP within a time frame. It stipulates reduction of revenue deficit to nil within a period of five years, i.e. by 2006.

The challenge of liberalization and global economy and market access needs to be met by production quality consciousness, drastic

amendment to existing labour laws to enable getting rid of surplus, unwanted work force, heavy investment in education and health care and for building up infrastructure and rigorous implementation of policy for sustainable environment conscious development, taking into account the large rural population where presently agriculture is the main source of sustenance.

China went for liberalization in the seventies and geared itself well to meet the challenges. India being a democracy, is yet to gear itself fully to meet the challenge of liberalization. The problem becomes acute in respect of agricultural products due to heavy hidden subsidies given by the developed countries to their exports. India's rich and valuable bio-diversity is threatened. Smuggling and dumping are posing serious threats to indigenous industries, most of whom paid scant attention to quality of the products and to upgradation of technology. Globalisation now is becoming a fact of life and has to be faced squarely on all fronts. Uneconomic loss making enterprises have to make way for efficiently and economically managed ones. China appears to be well prepared to meet this challenge. India has to do much political soul searching to loosen and remove the political and bureaucratic stranglehold, so that the economy, moored in sustainable development becomes buoyant. The 2001-2002 budget of the Centre indicates awareness of the problem and efforts to successfully tackle it.

The Chinese goods, especially consumer goods are flooding the Indian towns and also rural areas and are posing a very serious threat to Indian industry. The Chandni Chowk of Delhi is now being known as "China Chowk". Prompt and firm efforts on the part of the Government to check smuggling and dumping, and on the part of local industrialists to upgrade the quality and to lower the price of their products have become essential.

Military

China now a Super Power is preparing to become powerful enough to confront the United States with a credible deterrent. Starving of defence funds since 1991 has affected the combat capability and defence preparedness of the Indian armed forces. There

is little left for renewal, modernisation and upgradation of the major weapon systems. A very long period, nearly a decade of frequent induction for internal security purposes, seriously hampers combat training and affects their combat efficiency. Kargil brought the problem in the lime-light. The defence expenditure as a percentage of GDP had dropped down from 4.0 percent to 2.3 percent. Some relief has been given in the 2001-2002 budget allotting Rs.62000 crores to defence i.e. 2.7 percent of the GDP. This has to be increased to at least 3 percent of the GDP within a short period to make them effective as well as lean and mean.

The Pokhran II attracted strictures and criticism from most of the countries including China and sanctions by the developed countries. But focusing on India's security concerns in the Jaswant Singh-Talbott talk series and diplomatic initiatives cooled the charged environment and soon resulted in visits by President Bill Clinton, Mr. Putin and Mr. Li Peng and other dignitaries. The return visit to the US by Prime Minister Atal Bihari Vajpayee brought out a big change in Indo-US relations.

India needs to take a very serious note of the modernization of the Chinese armed forces, particularly the Air Force and Navy. During the last decade China has emerged as an important maritime power with its "Ocean Agenda 21" maritime programme formulated in 1996. Indian Ocean is home to important Sea Lanes of Communications (SLOCs) and maritime choke points. Chinese Navy's role envisages "off shore active defensive". It has developed roots in the Haggi naval base of Myanmar. It will soon start making its presence felt in the Indian Ocean. Indian Navy needs to keep this development in view.

Both Russia and China have vigorously opposed a likely U.S. National Missile Defence (NMD) deployment as it violates the ABM Treaty signed by the US and the then USSR in 1972. They have expressed that the NMD will remove the "nuclear balancing" core and set in motion fierce nuclear arms race. Rhetorics aside, the NMD's hidden agenda appears to be to neutralize Russian and especially Chinese nuclear and missile capabilities. The White Paper on China's National Defence 2000 published in October 2000 views the US as enemical to its national interests.

Conclusion

The present international security environment alerts India as well as China to the patent and latent threats to their national interests, to their security, to their aspirations for a legitimate and rightful place in the comity of nations and in the world forum. They are becoming wise to the abuse of WTO as well as human rights clauses for subserving the interests of the developed countries to the detriment of the legitimate economic interests of the developing countries. Islamic fundamentalism and cross border terrorism, especially in the last decade has posed serious security problems in both China and particularly India. They both have joined hands to fight this phenomenon, and are supportive of the US as well as the Russian stance on this subject. Both are beset with massive corruption, as well as environmental pollution, and both would like to fight these issues on their own without interference by the US and the developed countries and will not permit any encroachment on their national sovereignty. Taiwan could be a flash point for China. Indo-pak relations threaten to flare up from time to time on the Kashmir issue.

In such an atmosphere both India and China would find many areas of congruence to come together in a common endeavour to play a benign role in human affairs – as they have done in the past, and keep the border issue as back-burner to be amicably resolved at a suitable time.

PROCEEDINGS OF THE SEMINAR

Air Marshal (Red) S. Kulkarni, Director, Centre for Advanced Strategic Studies opened the Seminar and welcomed the distinguished guests and all participants of the Seminar. He specially welcomed all the main speakers, most of whom had come from long distances.

The seminar was chaired by Shri R.D. Sathe, former Foreign Secretary on the first day, i.e. 14th March, 2001 for the first three sessions, and by Air Marshal (Retd) S. Kulkarni on the following day.

Professor (Dr) Surjit Mansingh, former member of the External Affairs Council, and Professor of Politics at the School of International Studies, Jawaharlal Nehru University, the main speaker in the first session made her presentation on "India and China, A Comparative Perspective". Professor Manoranjan Mohanty, Professor of Political Science, Delhi University, a visiting Professor in Oxford University spoke on "Emerging Socio-Political Issues in China". The third session had Dr. G.P. Deshpande, Director of the Institute of Chinese Studies, and Professor of International Studies, Jawaharlal Nehru University as the main speaker. He spoke on "India and China by 2020 : An Economic Perspective." On the following day, i.e. 15th March, 2001. Dr. Shrikant Kondapalli, Research Fellow at the Institute of Defence Studies and Analyses, New Delhi, as the main speaker made his presentation on "India and China by 2020 : Military and Strategic Perspective."

After the presentation by the main speakers, each session was thrown open for discussion eliciting views, comments, observations and questions by the participants. At the end, the entire subject of the Seminar was thrown open for general discussion. This enabled close interaction between the seminar participants and all the main speakers. The discussions in this well attended seminar were animated, educative, thought provoking and lively.

WELCOME BY DIRECTOR

AIR MARSHAL S. KULKARNI

Good Morning Ladies and Gentlemen,

On behalf of the President of the Governing Council of Centre for Advanced Strategic Studies (CASS), I welcome you to this seminar on "India and China by 2020 : Political, Economic, Sociological and Military Perspectives". We are fortunate that we have with us some of the acknowledged experts on China. I not only refer to Dr. Surjit Mansingh but also to other speakers like Prof. Manoranjan Mohanty, Prof. G.P. Deshpande and Dr. Kondapalli who is a Research Fellow of the Institute of Defence Studies and Analyses. For the last 13 years. I have heard them speak on China. They are experts in this subject. We will be discussing China and India in a comparative perspective.

The Centre had its first seminar sponsored by the Ministry of External Affairs in 1994. Since then we have looked at the security environment to the north east of us, at the Indian Ocean, the North West, on to the South East as also a look at Indo-Pak relations. We have also had Dr. Surjit Mansingh interacting with the members on the perspectives of Indian foreign policy for the next decade. And therefore we thought this would be an appropriate topic. I am happy that the guest speakers have accepted our invitation. I request Shri R.D. Sathe, our erstwhile President, to chair the seminar and to start the seminar with his opening remarks.

OPENING REMARKS BY THE CHAIRMAN

R.D. SATHE

Ladies and Gentleman, I am happy to give you a warm welcome to the Seminar. It is the second seminar on China. We are looking at the environment between India and China in different ways. First of all, we have the Indo-China Bhai-Bhai syndrome, which lasted few years. We look at China as a towering neighbour who could be a threat too, but could also be a good friend. I do hope the seminar focuses on a comparative study between India and China. Today, we have three eminent speakers. Dr. Surjit Mansingh was a member of the External Affairs Council. She was also professor of Politics at the School of International Studies of JNU. She has a B.A. (Honors) from Indian University and Ph.D. from American University. Dr. Surjit Mansingh has written several books, including a 'Historical Dictionary of India', 'India and China Foreign Policy' 'India and United states Relations'. In her we have an authority to talk on this subject.

I like to read out to you some quotations made by the Chinese Foreign Minister on his visit to India. He said that the Chinese side has always maintained that China and India both, as important powers of Asia and developing countries sharing same historical boundaries and traditions, have their commonalities which far outweigh their differences. There is no reason why the two countries cannot live in amity, trust each other for development, treat each other well. We believe the Sino-Indian relations will further be consolidated for development of peace, so long as both sides strictly adhere to peaceful co-existence and view the bilateral relations in accordance with the long term interests, and strategic perspectives.

I am extremely happy to have Dr. Manoranjan Mohanty to talk on the subject – "Emerging Socio-Political Issues in China" in the second session. He did his MA from Delhi University and Ph.D. from California University. He has been Professor of Political Science in the Delhi University since 1969. He has specialized in Chinese politics, and is chairperson of Indian congress of Asian-Pacific countries. He is a visiting professor in Oxford University and has written a number of books on this subject. In him, we have a person who will talk to us

on emerging socio-political issues in China, a subject of importance. It is changing because of events like Tiananmen square of 1989, consumerism, emerging and questioning youth and Information Technology. Now all these have an impact on the socio-political issues. I am very happy that Professor Mohanty would be talking on these.

The other speaker, we have with us is Dr. G. P. Deshpande, an internationally acclaimed expert on China, and currently Director of the Institute of Chinese Studies, and professor of International Studies at Jawaharlal Nehru University. He has written many books on Chinese cultural Revolution, the Kuomintang, United Against Imperialism, A study of Chinese Foreign Policy in Africa, Fifty Years of India and China. He is the member of the editorial board of China Report. He would be throwing light on the Chinese Economic Perspective.

SESSION I

**INDIA AND CHINA IN A
COMPARATIVE PERSPECTIVE****Chairman : R.D. Sathe****Main Speaker : Surjit Mansingh****PAPER PRESENTED BY PROFESSOR
(DR.) SURJIT MANSINGH**

Mr. Sathe Sir, Ladies and Gentlemen, It is a great honour to be here. Thank you very much for inviting me. I feel thoroughly intimidated in the presence of Mr. Sathe and Mrs. Sathe who really awakened my interest in China. What I am going to do is to stick to my speech, India and China much more which is a speculative task, therefore you might say within the competence of general interest. I have various sections. What I would like to do, having said so is to emphasise on the relative positions of India and China in the world, for 20 years from now will largely depend on what happens in the next 20 years but also on what kind of world we might have in 20 years. It is in the latter respect I would say the influence of either India or China in shaping the world of the next 20 years at the moment is not as great as it should be. Indeed the dominant variable in shaping the international systems today is USA. So we have to see what will happen in the world as a whole before we estimate as to how these two countries will fare both in comparative and relative terms.

Three alternative scenarios are there about what will happen in the world. The first is the very optimistic post-cold-war scenario. We are moving into an era where the world is itself becoming more open, more peaceful and more democratic based on humanitarian norms rather war making and functioning as multilateral institutions like the UNO with genuine interdependence, not dependence. That is the very ideal kind of world. Frankly I don't see very much prospects of us having it 20years from now. The second one is a continuation of what we have at present times which belied many of the hopes of the immediate post-war era, and that is, unipolar world of widening economic and other disparities, a world predominated by USA, but

not by USA of post-Second World War era, when it was willing to share its market, its technology for public good, but much more selfish, much introverted US, maintaining an international order based on American policy. And the third scenario, which I feel might spark series of discussions, a generally pessimistic view of what is happening in the world, as a whole where we see an increased balance, increased chaos, a decrease of law, where all states are losing relatively to international network of crime and terrorism where the disparities both within and among countries are growing and there is only a fragile and destructed international financial trading systems, because with the creation of World Trading Organisation, there are groups in every country, developed and developing, that have developed a strong resistance to the idea of free trade, and of course the international monetary system weakening to nation's systems. If the third scenario is coming to happen then it is not unlikely the world will fade into a kind of catastrophe which on the one hand increase the relative influence and power of such countries as India and China but also might make the first scenario more likely as an aftermath of the catastrophe. But all this is highly speculative.

Let me come to the first point, that is putting India and China on a comparative perspective. Why do we do it ? I think it is very legitimate to say, in fact my colleague Prof. Deshpande has said to me, that the two countries are not really comparable. They are different and it is very severe for me to go on any comparative analysis from how they behave and are working. One is to escape the ego centricism that are held in the study of one country. Another is trying to find imperative evidence to support or to clarify such political generalization one wants to make about the nature of national problems, about the nature of the international relationships, about the impact of various variables such as size, location, national leadership, strategy external environment. How one is to assess that impact unless we try to make comparisons. According to valid reasons, the importance of external variables is waived, looking at the impact of the political cultural impact on international relations and national reforms, history. Much more tangible and easy to measure is decision making processes and proceedings. I will go to that a little later. So also with the economic structure. All these things are variables which are difficult to measure and assess if one uses only one country and

fourth reason is to assess the relations externally. The general external environment, the particular accessories the country might have, the particular analysis it should have, its territorial disputes and complete scenario, and something which is very intangible that in my work I find, is very important and that is the role of perceptions about one country. I give equal importance to how the members of the elites of a particular society perceive themselves.

What tools do we use? Which country can be compared? In fact is it legitimate to compare India and China? I feel happy at the statement read out by Dr. Sathe by the Chinese Minister with which I am in complete agreement. It needs to be said by the Indian leaders, ministers, and to be said more often and more vigorously in seminars and forums like this of thinkers and policy makers. The manner of comparisons can be of countries and units that have lots of similarities to be comparable. The Foreign Ministers have already listed them. It gives a good rationale why comparisons could be made. It has lots of differences to make comparisons more interesting. I will come back to my own personal experiences in which I have written a fair amount on Indian Foreign Policy and why we have not fared as better as we have said. What are the other alternatives and options? Have they managed their external affairs any better? I have given this outline which if the organizers think fit they can duplicate. Is the law made in two categories in which India and China share on the one hand, strong commonality? Simultaneously are there any significant differences? I will try to highlight on these. I will make conclusions from these enumerations and go on to much more speculative and interesting idea of what is going to happen now, in the near future and the type of criteria that will be relevant for this commonality in the areas of population. Differences are that China has three times the area of the available land. Besides population is almost equal to that of India. The second commonality is in terms of ancient civilization and in terms of forming a modern nation state. The difference is that China's history as a unified and centralized state appears to be longer and better established than in India. And since my particular interest is in foreign relations, I hope that the Chinese ruling elite including diplomats, law makers seem to have a body craft on which they rely, that is more carefully documented and heavily done, that also in the recesses of their education and

own mind, as compared to Indian decision makers where you might say the single most characteristic for the last 15 years has been adhocism and the absence of grand strategy or, knowledge as to that. The third commonality is the experience of imperialism or colonialism. There again, there is an equally profound difference and in the sense whereas India was ruled directly and indirectly by Britain for more than 100 years, China was affected or ruled indirectly by global capitalism and then of course by Japanese directly in their occupation in the 20th century. So the fourth one is strong nationalist movement of the 20th century. Here I would like to speed up the summary I have done, because in my opinion it is very important. The aspirations to be counted in world councils is other commonality. The Indian national movement consolidated under Gandhiji, had its commitment to non-violence, democracy, secularism, social reforms and human values. The Chinese nationalism bifurcated between the Kuomintang and the Communist Party, the latter trapped and had commitment to revolution to building a new Chinese land. A tangible part going out of the barrel of a gun, demonstrated a new will strong enough to create a new China powerful and equal as its adversary, the United States. This was caused by the external accident of World War II which made China a permanent member of the UN Security Council recognizing it as a great power as compared to India. I will express my personal view here about the status that is this than the achievement.

The fifth category is one which will be dealt with more thoroughly this afternoon and that is under economic development or country's economy developing effort in both China and India, recently trying to modernize, liberalize and industrialize. I would make three quick points here. The first one is China's economic base. Its industrial base was significantly larger than India's right from the time of the late 19th century i.e. the late Chin dynasty. India started off in 1947 from an extremely narrow and exploited base. Second point is, Marxism's economic policy is disastrous. They also created an egalitarian society and a very strong and social endorsements in the social industrial infrastructure which is what we lack in India through egalitarianism infrastructure. The third point is, China's reforms started in 1978 and had been pursued in an apparently successful and continuous pattern through the mechanism of

consensus and decision making, whereas in India we started only in 1991 and resistance happens to be stronger in India than in China. The World Bank prediction favour economic development of both the countries and they would say the gap between the two is likely to remain 20 years from now where they predicted at one stage that China would be the largest economy in the world, but not in capital terms and that India would be about the fourth largest, but not in terms of capital.

The sixth commonality and difference I would like to make is the territorial problems including partition of the countries inherited after World War II at the time of independence and differences lie in how the two countries dealt with it. India accepted partition and the sovereign independent status of Pakistan. Therefore the dispute on Jammu and Kashmir remains unsolved. On the other hand India has successfully integrated princely states as also their force and it is only the borders and the Line of Actual Control with China that remains unsettled. China from the beginning refused to accept the legitimacy of Taiwan as a separate state and in the lapse of 50 years, has gradually won international acclaim to its views. Twenty two very small countries recognized Taiwan as China. China has forcibly absorbed defects although significant insurgencies remain there. It has in the last 10 years signed border agreements with all its neighbours virtually including the former members of Soviet Union and Vietnam and has territorial disputes only with India, Japan and in South China Sea. According to some Chinese experts, the People's Republic of China has been much more focused and consistent in dealing with its own territory.

The seventh point has been valid as regards both countries in the next 20 years i.e. the attitude of neighbouring countries. Both India and China have so many small neighbours who feel insecure and fearful because of these two Asian giants. SAARC is yet to be consolidated and the insecurity (internal) of India's neighbours including Pakistan are on the increase rather than on the decrease. Nowhere India's predominance and important role in Southern Asia and Indian Ocean as a whole is accepted as universally legitimate. China, ever since the United States accepted it as a strategic partner way back in the 1970's, seems to be willingly accepted and engaged

by its neighboring countries. It is a much more active member of the ASEAN region than India is. It is also a member of the APEC and is actively involved in problems in Korea and so on and so forth.

The eighth one is the unfavourable external environment caused by the Cold War and by explicit United States Russian Policy. This has been uncertain in the past and in the future too. Here I do not want to dwell on the past 50 years where one would say China's development had been greater, but like to raise the question as to whether China's great form and greater military exposition, does not expose it to greater dangers in the next 20 years than India's rather minimal but rising power in the sense that it may pause to deal with India in a cooperative fashion than perhaps China as a potential threat in certain conflicts.

The ninth one is the fact that both China and India have the largest dark forests in the World, but differences are many, but significant. The Chinese dark forests are more hindrances.

The tenth one is centralized decision making charismatic leaders and the changes in leadership in decision making patterns seen in the last ten years. The Marxism has also gone sharpening when new emperor has chosen wisdom in ways it was known to Nehru or Indira Gandhi, never were, much less than their successors. In China it is interesting to notice the leadership of the third generation and the self conscious and careful training of the fourth generation that is now taking place. Look at the proceedings of the National People's Congress and next year by Party Congress that could be more evident and it contrasts with the more messy and chaotic democratic coalition politics in India.

The Chinese Communist Party seems to be over anxious to retain absolute control at all costs and simply does not tolerate any challenge to exercise a sole legitimate authority so that even a social movement is treated as a major rebellion. Simultaneously however the devolution of economic autonomy to the provinces in China seems to be much more substantial than the deliberations of the administration of finance which is taking place in India. Against that of course one would spend one whole day on it and we have some comment on it

from Prof. Mohanty. As India has made major advances in the democratic working in various confines to illustrate any kind of democracy developed any where else. The fourth point on decision making is that in the matter of foreign policy much to my surprise, the extent we doing any research.

I find the Chinese democratic processes seem to be more broad based, to draw more substantially from the larger academic and civil society and community in China and systematized than India where until recently our foreign policy decision and our diplomacy were too narrowly based. The seminar of course poses illustrative attempt to derive a word of praise to ad hoc and therefore less successful than it should be as it does not use a command or access of the Indian population as a whole.

The eleventh commonality is corruption, and therefore the legitimacy of the challenge and the system and the emergence of various economic problems. One can go on to any such lengths that I am going to lead it to other people. The whole system the whole regime face challenges of legitimacy and authority and how they will deal with it. In my view India with its democratic system and not being over anxious to retain power, is in a better position to deal with this problem than China where again the Chinese Communist Party wants to be supreme all the time. The last point is the perception of the outside world and the willingness and the unwillingness to admit China and India to the high table. China poses already at the high table maintaining a low profile. India is not there. In Sydney a significant thing India has had to cope with enemy which is now evident in every element of society.

Let me draw my conclusions and point then to the future. The conclusions that I would draw is that in 2000-2001, on the basis, of the last 50 years, China has gone further ahead of India in consolidating and using the traditional attributes of national power as also human development and the human development index. This is a very remarkable achievement of China which is listed in the human development index as having shown the falsest improvement among countries of comparable development over the last ten years. It is ranked as 99 in the world as India's rank is 128. These tangible

achievements and attributes are noticeable not only in military capabilities, but also in education, economic infrastructure, grand strategy in persuading and co-opting opposition's economic reforms and attracting thereby a much more capital investment. China has been receiving 45 billion dollars every year whereas India for the last ten years received only 24 billion dollars. The question arises as to why India lags behind. Another one is are we getting too much preoccupied with the idea of lagging behind China that we forget the very considerable achievement which we have to our credit for the last 50 years. I expect you to raise the contrasts between India of 1947 and India of 2001. The differences are so enormous and significant that we don't need to feel ashamed. Looking at the next 20 years. I have to make two assumptions, one is the constraints as the main factor on the international stage, and the second one is the most important variables are three fold, the relationships between the state and society, the nature of the external interaction in terms of accessories perceptions, and alliances. Looking ahead, one of the things we have to do is to see that the national resources or the attributes that are no longer sufficient for the kind of knowledge based world is likely to have within 10-20 years.

So what are the national resources that are likely to count most. In terms of national resources what is going to count is technology, knowledge based industry, research and development, information technology, bio-technology, aeronautical technology, computer technology, energy and environment. In both these areas India and China are more or less equivalent with India slightly at a lead. Hence a sort of optimism that we can lead an industrial world to a post industrial knowledge based world. Are we becoming the endangered labour in the coming centuries, just as Indian and Chinese sugarcane plantations workers were, eventually to be replaced like the African slaves? Are the intellectual workers of Indian and Chinese origin, now receiving lower salaries for more opportunities in countries where skilled labour shortage, short of population, high on capital and ambition? Another resource which is becoming important is the increasing enterprise, the level of invention, innovation, its diffusion within the society, the level of inventiveness, entrepreneurial talent. This of course means education, patience, rewarding excellence I will not give my opinion, you give me yours whether this is seen in

India and China. National resources, of course are primary, and do you think in this world of high technology and high crowded living, is it necessary for the people to become community modernized. This question was raised by a psychiatrist. Human beings by nature are strongly individualistic, and there is no danger of their being lacking in resistance to all efforts in modernity and uniformity.

When looking at human resources we have to look at four things – one is level of individual freedom. We don't know how much freedom we have in India. It is significant to see any contemporary child. They are intellectual. To say, the level of intellectual freedom and expression is high than it has been more than a 100 years, that is very important. However you all will come back to these ideas of leaders of the Chinese Communist Party will not tolerate. The second one is sheer amount of investment in human factor. Not only about India's record but of all democracies, it is absolutely miserable. Thirty three percent of GNP goes into investment in human resources. The third one is quality of higher education. The primary and the secondary levels of education have been neglected in India and I repeat as my first point, the most important thing while looking at human resources is that whether or not excellence is rewarded, whether or not the atmosphere is conducive to producing excellence.

The fourth area is national resources or inevitably capital resources, economic resources and we have a whole session on that. Present figures do not favour India as a nation of capital resources which is low in India. While China's trade has 300 billion dollars a year whereas Indian trade 60 billion dollars a year, about one fifth of that of China. China's savings are well over 30% whereas India's savings are 20%. The Chinese position in the global economy is larger than that of India. Similarly in terms of physical resources, about energy. Where is India and where is China? Similar situations in terms of energy? I make a point here, industrial age or what you call western model of free enterprise and high consumption levels have been based mainly on energy, and a total disregard for physical environment. It is their opinion. Whether India and China with their population rising will be able to attain much less or meet similar standards of living, the planet itself will not be able to sustain. Leave alone that, China is also importer of energy. India is able to meet

70% of its energy needs. For the near future to me the greater challenge is whether either countries or the neighbour countries together would evolve a legitimate means to development which are more sustainable and less destructive. I won't go on national performance because I have said enough on my views on it but I will speak about three challenges we face and to deal with in a substantial manner. One is military capability which is always the ultimate test of nation's prestige and that is, will the armed forces of the two countries be able to prosecute the necessary activities to meet the challenges.

Now, China's external environment, I refer to the question made by President Bush in USA, was the most favourable security environment enjoyed for the last 100 years. Now it faces new challenges and how it is going to face it. It is downsized in its capability. India's challenge is not comparable to that of other countries of the world because we have faced and continue to face long run low intensity war complex under a nuclear shadow. How India manages to do it is the challenge. We do it successfully and obviously.

The second challenge is the activation of the world trade organization, need to maintain an open economy, the need to create in the case of China or to sustain in the case of India a legal system which is credible to the economy and to create internal equity and external confidence. To remark here, the resistance to the globalisation of capital is as strong now in the capitalist countries as in the developing ones, hence the apprehension as to whether a genuine economic system will come into being. The third challenge is of diplomacy, how to deal with neighbours, the United Nations, with other great powers and how India and China have met this challenge. Thank you.

After the presentation by the Main Speaker, the seminar participants offered comments and raised many questions. As a rejoinder Dr. Surjit Mansingh had the following to say :-

The world today is shaped by USA and I feel it is an unpredictable power. I started this morning on somewhat pessimistic note because I also don't see the present international affairs prosperously since there are many disturbing currents in many countries not only China. The Chinese leadership deliberately brought down the rate of growth from 13 percent to 9 or 7 percent. That is inflationary bubble phenomena. The point on which all of us agree is that the Chinese leadership does appear to anticipate problem rather than react to them. It seems to me that they make efforts to guard against it. It is not a predestined sort of decision making. The Chinese rather do better than anybody in an age of uncertainty and at least low level conflict that may be looming ahead.

For liberalizing politically, I would say the dimensions of political authority in China, the elections that are more than cosmic collection of people at the village and township level, the leadership training programme undertaken for representatives to the National People's Congress. In Delhi I keep on asking why our members of Parliament are so uneducated and why no effort to educate them? The answer given is they don't want to be educated. They have enough power, money, status, clout. These are the things that matter in Indian society and not knowledge. Don't underestimate the amount of political changes that have happened in China, despite the continuous monopoly of the Communist Party. Perhaps they will give us the details about the methods of recruitment to the Party, who is committed to join and who is not.

The contention between political and economic growth has been termed as functional contradiction, in other words every thing can explore the turbulence. They have turned it into a functional, new party monopoly, to maintain stability, and tackle economic crisis, protect and help Hongkong to revive, Thailand to revive. This is a Chinese way of intervening to maintain market economy. But at the same time they know very well your political freedoms are demanding. So they have allowed the non-communist party to be more active than before, contrasted to the situation when from 66-69, these parties were banned, because they have direct access with the overseas Chinese and many other extreme elements. Similarly they allow lot of freedom for intellectual debates. Twelve schools of thought on

Taoism and Confucianism. These kinds of debates were unthinkable twenty years ago. Civil societies, they say, the Chinese framed them in their own way. The NGO's during the last five years, their work was incredible. They also know the kind of apprehensions you and I have. This complex can be explored. They are also successful in using this complex in a functional way, using authoritarianism to promote economic growth, reducing population, to end poverty, to expand welfare. In counties using autonomy they decided to cut down excise, the central government excise. You have to give pension to the retired people. Compensation for unemployment has not become a policy. When a contradiction is used to mete out a system, in that some of the immediate objectives are pursued. That adds to the strength.

Are the European systems of political order also US political order? I am not certain. But most of Asia and Africa have a different kind of story. East Europe is still Europe. Outside Europe, Greeko-Roman culture, I think we should take the traditions of those people also within which they must work out some kind of egalitarian society. We are more Euro-centred than Europeans are. The American perspectives are far more private and not fixed in any kind of sentiment. That they will make through their military presence, something which nobody can avoid. The Chinese are also containing the American influence. The latest statement is once China has not been People's Republic of China, it could be a third reality. The Chinese are deeply aware that they will not pursue a policy which will land them in the same situation as Stalin's Russia after the war.

Rural China, in the north-east, north-west, have severe problems which they are tackling successfully. I have seen with my own eyes, some of the slums and rural areas. The city people will treat the newly arrived rural people with contempt. The only difference is Chinese government cares. In India we leave people and non-governmental organizations care, district collectors and commissioners who care. We have traditional remedies and have put them into effect, but we have a Sarkar in India who does not care at the crucial times. The Chinese Communist Party knows well the only source of legitimacy is how it lives up to the people. If it no longer delivers prosperity, it ceases to exist as an ideology, it does not carry much meaning or any appeal. So it seems to me that they really do make an effort to deliver

goods which I don't think our Government does. To go one step further I don't see any possibility of India delivering goods until people themselves demand greater performance. As long as they continue to sit back and bicker, it will go on.

You know, the slums and the floating population I have talked about, they are in real miserable condition. Whereas in India we allow temporary hutments, in China it is not allowed. In fact I believe otherwise. It is inevitable that the people go back to the villages. We must look at the slum conditions. We have to go to the root of the problem. Incidentally China also has drinking water problem in many areas, but two hundred years ago somebody started in China the method of heating the drinking water. That practice has set up a trend in China, of drinking only hot water. It was Han's China and discovery of tea. It is described as a great revolution in China since population doubled very rapidly.

China did not have floating rural population because they were bound by food, housing to their rural places. Many of them could not survive if they went anywhere else. As Prof. Mohanty pointed out by loosening the system they have got this large floating population which could go wherever they could work so that they could have jobs anywhere. Daily labour exchange.

You look at the Japanese aggression on China killing of people in Nanking and destroying villages, then the guerilla war which is revolutionary people's war against the Japanese and then against the kuomintang. Hence one has to have a clear view and it is an ideological question of today whether armed struggles have a place or not. We should try to create institutions so that there should be lawful distribution of land rights to the people, but that does not happen, then people resort to armed rebellion. Everybody will try to prevent a totalitarian state.

In many areas, atrocities by security personnel, landlords, committed are high in Hinduism and communism. I fully grant it. I can see religion having reformers who are quite democratic elements. Religion in their view is positive, democratic, revolutionary, but it is also used by Hindu fanatics. So religion has both sides.

A question has been asked whether China is a threat to India. Perceptions of threat are in subjective terms and military threats, they are used as domestic, political organizational threats. In 1986-87, China had projected India as a threat or next super power for it had also an aircraft carrier. Even Australia and Singapore termed India as the next super power. Quoting from the Ministry of Defence Reports, where China was deemed as a super power. This projection was originating in Australia as India as a threat. It eventually turned out that the Australian navy did not pass the Defence budget. The whole thing is subjective. We had tried to revert the attention to change at the India International Centre. We should keep in mind the subjective nature of threat perceptions and see it is often used not in a strategic language projecting China as a threat, what we need to do and what I feel that the threat does not materialize. Secondly my subjective point of view. I think assets are very different and it does not mean anything the Chinese do, the Indians can do better. If there is any threat, then talking about it is the best way. People have done lot of studies on the 60-62 threats. Now that is a whole set of policy planning, understanding Chinese. It showed how the Government of India simply did not understand the way Chinese minds or the way the Government of China or the way decisions are taken in China, or the messages sent. Indian political leaders were not looking at China they were looking at the Indian political audience and triggered off an attack which was unexpected and quite unprepared for. My personal opinion is that the best way to deal with the situation is talking openly about it.

SESSION II

EMERGING SOCIO-POLITICAL ISSUES
IN CHINA

Chairman : R.D. Sathe

Main Speaker : Manoranjan Mohanty

PAPER PRESENTED BY PROFESSOR
MANORANJAN MOHANTY

Ambassador Sathe, distinguished participants in this seminar, It is a pleasure to participate in the Seminar, the country's only civil society initiative on Defence and Strategic Studies. I do hope we bring new perspectives in discussion. Ambassador Sathe's brief introduction tends to make me do a rethinking of my lecture. I think we have to see the two sides of Chinese experience. Revolution anyhow has violent side and a humane side. So the Chinese land reforms for example, after the revolution have culminated in the victory of Chinese Communist Party and between 1949-1950-51 land reforms, a million landlords were killed. That is one side. The other side is that the land reforms brought about an egalitarian – agrarian base. So revolutions present very difficult choices, I personally deplore violence, terrorism, but one has to have totality of understanding the country's history. I will just begin with that.

Now friends, the year 2020 why, except for a convenient linguistic thing many people are talking about the year 2020. For the Indians in 2021 it will be, the century of non-cooperation movement, In 2020, the foundation of the Chinese Communist Party will be 100 years old, 2047, the century of India's independence, 2049 would be the century of the People's Republic of China and therefore a historical perspective. We talk about 20th century for convenience but I would say the time perspective should be in same context and as far as the Chinese are concerned, one different kind of formulation between the India and Chinese leadership projects in future, 1982 : the GNP level of China would be doubled up by 1990 and 1990 level doubled by 2000. In 1995 when they formulated the 9th Five Years Plan and the long time plan for 20 more years, they made another target of

doubling the 2000 target. Currently they are about to finalise the 10th Five Year Plan 2001-2005, and by 2010 they have plans to double up the GNP and national per capita income. Therefore this is the kind of perspective. The Indian target has not been like that. This year the Prime Minister has announced a similar doubling up of 2000 level GDP, even then it is a new development. Now that was a preliminary point about 2020. But I would make another point i.e. about context of these comparativeness between India and China. Sometimes it is done in a cynical fashion. I am glad that Dr. Surjit Mansingh's presentation has taken this thought away from that. I think the context has to be in a much larger perspective, context of comparisons. These two civilisations which experienced severe colonial pressure, both started at the same time, in the middle of the 19th century to build a new society, had now confronted a wall. Both are on one side of the underprivileged even though China is part of the Big Five, even then in terms of GDP, per capita income, human development index is pretty low, and other specified fields, we are again on the same side where the other side is more powerful, the West again more powerful, led by USA. This is the historical context in which today we should ask whether our revolutions are essentially old and our Republics are old and will it be defeated. My opinion is that India and China will emerge important actors in world politics and are going to participate in the affairs of a world which is multi-polar.

Therefore I would like to put the comparisons in a wider perspective. Out of the opportunistic references which our ruling classes have made of China for eg. in a budget speech, the Finance Minister refers to China, that China has done this privatization business, why can't we do, when the Indian entrepreneurs have been referring to Chinese reforms to get a consensus or to pressurize Indian government to get a similar consensus, and refer the Chinese examples. From these opportunistic references on China, we have to go to a historical level comparative analysis, both on Gandhi's India and Mao's China. These are mystified truths. I think Indian revolution has been as violent like other revolutions in the world, may not be as violent like China. Human sides of the Chinese revolution also has been documented "What a great human, effort of sacrificing peasants and soldiers in 1934 who were building a support for a programme

for democratic revolution and united resistance to Japan, are on the way winning the minorities and pledging to make a multi national society”.

The second point is the need to put the comparative study on a larger historical perspective. Now main proposition is that the two countries India and China, which started with great humanistic, democratic regions, Mao's New Democracy, the Gandhi's view of Swaraj, have significantly departed from the original models, and both have been so challenged by the emerging western capitalism that they are desperate to find other ways to cope up with these challenges. China, very clearly, in 1975, 25 years ago, had decided to modernize into Western kind under Chinese Communist Party leadership and India, a decade ago decided the same kind of capitalistic development. But we have a different kind of party system, a political system. Therefore this departure from the original one, may succeed, may fail, and in the next 25 years they are bound to compromise with the present choices they have made because of serious conflicts which are emerging in both. The countries might settle not for the restoration of the Mao-tse-Tung or Gandhism or Nehruism, but some where in a new region where they have to cope with newly formulated democratic challenges in both the countries, new contradictions in both the countries which are worldwide challenges. I spoke about democratic set up in India. Indian democratic struggle is not the fulfilling of democratic institutions. The experience of the struggle has raised so many new questions and the social movement has contributed to this questioning. A similar questioning is emerging in China also without being highlighted by the media. Only when it is done, then we will know what is happening. These are new socio economic contradictions in our society and at the turn of the 20th century these have been globally quoted and no known systems can ignore them. That is why the tidal wave of liberalization and globalisation which we now experience in India or the kind of reform waves which went on in China for the last 25 years. Both need to be readjusted, redressed. Therefore we should see some surprise dimensions in the future and those will have to be conceding more democratic rights in both the systems. I don't see a scenario of pessimism in any of these two countries. These are continuing revolutions and we may have to go through many bloody targets but we all are going to face the new challenges.

Ethnic and cultural movements are other social movements. That is why we will see a relatively greater democratized and economically prosperous, with lot of political and economic confidence, in China. In India too this kind of system cannot just continue. Every day killings in J&K and severe caste disparities, the regional disparities that are brewing in India or the kind of retrenchment of workers, the magnitude of unemployment which is growing, all these will compete with the system to evolve and transform ; that is the kind of evolutionary transformative scenario and this applies for both China and India.

I will take three specific issues, the political system, the social structure, finally religion and culture and discuss the specific contradictions that have emerged and what are the resources they have in those and what they don't have and need to create. Now the party state which has continued to be in power in China has no doubt the Communist Party monopoly, it is changing in terms of the way it deals with the Non-Communist parties. They all want freedom and it was represented in the Democratic League which wanted to become a full fledged political party. They wanted to register so that they could contest in larger number of places and so on. But they were not allowed. They can only get delegates to Chinese People's Political Consulting Congress. But compared to the situation in 1978, now the CPC and the Non-Communist Party are more cordial . The views of the Non-Communist leaders and activists were respected and they were given many roles as Governors and Vice Ministers which were not there before. But in seriousness, the social base in China, the entrepreneurial and the middle class control the state affairs. The Chinese bourgeoisie now are in command and they find the CPC a very friendly party. They consider the CPC as their protector and so the bourgeoisie have its members and families particularly the youth entering the CPC as members. The new middle class which is now almost nearing the magnitude of the Indian middle class, until about ten years ago, I used to say the Indian middle class has an edge over the Chinese counterparts.

The technical education, foreign training and the opportunities in the new economy that has expanded in China in the last 15 years, have fast expanded the Chinese middle class. The more prosperous

among them want joint sector companies or foreign companies in China and they are very active with the overseas investors and particularly in Singapore, Taiwan, South East Asia. In other words you have a great departure from the old one. Party cadres now themselves entrepreneurs, managers, technicians and all. It has become, what I call, Indian State during Rajiv Gandhi's time, the technomanagerial state which is emerging, the Silicon State. I must say now China has become one like that. But the most significant development in the Chinese political system and Prof.. Surjit Mansingh also referred to that is the recent liaison with the prosperous provinces, like Canton, Shanghai, Liaotung, North East provinces. These provinces themselves decide the economic and provincial policy. There is greater autonomy than Indian States but the relatively less successful provinces are not on top. They depend upon the Centre's grant. So in this situation when economy is in command, the prosperous provinces and within the provinces the prosperous counties and towns are the powerful. Decentralization has gone back far, even a county has a Foreign Trade Department. A district in China can negotiate directly on foreign investment, that is required within a provincial level ; let alone central level set up. Decentralisation in China is politically permissible and has been accomplished in most prosperous areas and economically co-operative manner. If you visit a Chiang township in a provincial area, a Chiang leader is visiting Canada, Australia as part of a delegation to negotiate a deal. Block leaders are going abroad to negotiate, ready to receive foreign delegation. But the most important political development is the trend of slow democratization. In three years or so the National People's Congress has agreed to conduct the village level election in competitive party system, has changed the Communist Party competitive election system, allowing any number of candidates to contest. Block is like Panchayat, the commune and the brigade. The brigade level also has elections. At the provincial level and national level, you will see news on this, on certain occasions they take the party and public decision. So we know one third of the people had opposed the Prime Minister's nomination as premier when he was renominated, two thirds were unanimous. But the administrative reforms also continued also making the bureaucracy more efficient, more businesslike.

In the political party scenario, the Communist Party monopoly is not going to change. They say they want to maintain the dictatorship of the party to avert Soviet like collapse and to ensure reasonable stability to carry out reforms. They have allowed free political and cultural discussions, policies, in party newspapers. Maximum number of newspapers, periodicals are published in China and those of us who have seen the higher period, 75 onwards, one has seen the changes in the degree of free discussions China has encouraged. Very clear criticisms of the Communist Party is in the open, seeking changes. Communist Party leaders' mistakes are freely published and discussed, certainly no street demonstrations. The nervousness is so much that they can't stand any public demonstration. Here is the secret of their success. When economy is developing, cultural development is enormous, but you want to restrict. Political freedom has generated great contradiction in the near future. Quest for political freedom and competitive political organization is going to be a serious problem.

The second one is the emergence of the bourgeoisie and the emergence of middle class, but when you look at the minority areas, we see a serious contradiction, within the system and minority aspirations and no wonder you have problems in Sinkiang. The post Soviet crash situation and the rise of Islamic fundamentalism and international terrorism have worsened the situation. It has gone very far now. The Sinkiang freedom movement has been supported by western agencies and the Taliban movement. Years back the Chinese scholars were reluctant to discuss any matters on Chinese society, but now they are ready to talk on any subject. The changes are taking place in economic and cultural fields for the last 20 years. These areas are becoming open. Foreign capital is going, also national aid in Zingchiang, Mangolia and other minority areas. Cultural freedom, support to religion, religious activities are on the rise like scholarships to students to study Buddhist literature, Buddhist temples are being rebuilt. But in politics none of the minority areas, eg. the Party Secretary is always a Han. That is a clear indication on the kind of apprehension they have. This is going to be a serious contradiction. But if they grant genuine autonomy, now for eg. one third of the cadres have been made local, they aim at making it two third in time to prove that upto a certain level cadres are to be from

local but not going fast enough to share power with the local nationalities. Hence a problem.

In the third realm of religion and culture naturally repression has raised many issues about which Prof. Surjit Mansingh has already referred. Looking at a recent speech made by the Director of Religious Affairs Bureau of China in Hong Kong Conference 100 million dilibars who have registered themselves as dilibars. They had a census last November, I presume, 18 million Muslims, 10 million Christians (Protestants) and the rest are Buddhists. A hundred million i.e. 8% of the minority Chinese population live in 16% of the region and that too in the border areas. This demographic dimension gives lot of importance to religion. On the fronts, religion and frontiers, the Communist Party has changed its policy for better – one respecting freedom of religion, which is genuinely considered. Now Buddhist shrines are thronged by thousands and Christians also claim to have got freedom, the only constraint is they don't allow Pope to control capitalists in China. There is subtle change in China. Secondly they have allowed ideologically and theoretically accepted religion as a cultural force with a social basis which is highly contradicting. In other words religion as the opium of the people is a view with which I can't agree. In Mao's words "The truth is that political power grows out of the barrel of a gun, but our principle is the parties are in command of government." The opium of the people is another misconception. Thoretically there has been an obsession that religion is also historically socially evolved force having some base in objective reality and superstructure. Politics still does not recognize this new understanding . Kuomintang has been transformed into a political cult because the way Chinese State has come heavily on it. Even here, there are two major things to be noted which are different from the 89 uprisings. The scale of thought and force is limited, massive intellectual discussion, popular discussion, respect for authentic scholars on Buddlism, Taoism, literature on which it is based, all have come to participate in discussions. So what were the widespread cultural practices, were declaimed as political enemy of the state and Communist Party and have become a major political force supported by Western capitalistic interests. Here India would have handled it very differently. Indian democratic and secular response to Hindu fundamentalisim have created Western new methods of coping with such challenges also.

Let me now sum up. The three questions often asked are will China break up ? These minority areas are becoming independent like Soviet Union, India and Mangolia joining to form outer Mangolia, the Southern States becoming independent, identifying together more with Hong Kong than with South East Asia. I think China will not wither. It will not break up for two reasons. One is civilization was changed into a political entity so that the state as well as struggles in course of colonialism, now the American challenge, has created a new unity. China wants to prove it can also meet the American challenge. That is why when we look at the Chinese history we find China has emerged, showed India we should be talking equal. The American challenge is unifying China. The second question is the actual delivery of welfare, economic recovery, wellbeing by the reforms, in fifty years, the economic reforms and consequences have benefited the Chinese, but there are severe regional disparities. Will China become capitalistic society? It has already become one, although ruled by the Communist Party. The economic system. It is capitalist system it is capitalism but is different from the Western capitalism, it is a new kind of political economy which is coming in China, capitalism growing with new characteristics. China has significantly departed from the kind of socialism, from basics. There are many new issues they have to cope with especially American challenges. It is a newly developing political economy where capitalism and socialism with its several set up, a State Sector, State Enterprise and State Leadership and even after State Enterprises are reformed, still the State and the Communist Party will continue to play the guiding role. Therefore the answer to the question "Will China become capitalistic ?" It has to be a big "no" ?

Will the CPC lose power in China ? Again I am afraid no, even in the next 20 years. Because CPC is changing it may not be the Communist Party of Mao Time but there is a functionality of this organization. All the three questions still do not add up to coping with the social, economy inequalities which are growing, the regional aspirations with which people live, the moral degeneration, the magnitude of corruption, until day before yesterday, it was smaller in India. There it is day to day in China. When the CPC Vice Chairman was dismissed, he was shot dead. It is 500 million US dollar or more, it is first time. In India of this mangnitude, the corruption and

degeneration is a serious problem. The moral decay, criminalization is also serious. Social and regional disparities, ethnic upsurges, political freedom, these will be serious problems still to cope with it. I don't see a more egalitarian China or a more nationalistic China which is aggressive and nationalist in a way it can handle internal and external problems more efficiently, it is 'no'. The lesson from the last fifty years says if it is more assertive in India, Vietnam, then it has more serious results both internally and externally and the whole world gangs up against China and internal contradictions are accentuated. It is mad to become economically rich. It wants to compromise with everybody, friendly peaceful relations with everybody to improve its economy with its nuances like technology. Therefore because of these situations India and China today share the common characteristics to cope up with new world. Both have enormous population, below the expected line, poverty line may be an inappropriate term. In China 200 millions poor have come down to 36 million this year, they have announced they will abolish this poverty line's condition, still they have not succeeded. There are still 30 million, the most poor counties have been raised above poverty line. Still in the counties there are 30 millions, but in India it is 300 millions. That is the nature of the contrast. Those who are above the poverty line they are not very rich, the conditions of the lower strata, about 50% of the Chinese population are pretty bad. They have to reach a level on Chinese standard and Indian standards and that is the task of both the countries. So a reasonable level for people and reasonable status in the world so that they live in a democratized world. This is the common task today, hence lots of commonalities that they have to be aware of and on which we scholars will have to formulate our policies. Thank you.

After the presentation by the Main Speaker, the seminar participants offered comments and raised many questions. As a rejoinder Prof. Manoranjan Mohanty had the following to say :-

The shattering of the commune in 1978-80 created a situation that released nearly 250 million surplus rural labour. Through new incentives to rural industries, which was a policy already there, but

raised to a new strategy, 100 million surplus labour was absorbed in rural industries in the early eighties and 1987 nearly 150 million. The rural industries have been a shock absorber. Even then 50 to 100 million surplus population from the country side is in the cities and they have created lots of problems. They have allowed self employment. Migration level in China is a big problem since they do not allow any facilities like health care in the cities. Some thing like 100 million floating population is added to the already unemployment population in China which is about four percent of the workforce. This has led to many social problems, criminals and others. But they are creating more and more rural industries and in the cities too, constructive programmes are undertaken.

If the question, is it a new animal, yes, the name we give socialism. It is neither socialism nor capitalism. So it is a new phenomenon and many such new things are there and those new things do not make an exotic picture. Because it is full of contradictions and problems and they will be seen more intensively, but not the kind of scenario which are miles apart. That becomes a pluralistic democratic society, and we have to explain why it is not on that road, at all yet plural. But certain things are universal, and you have to handle it in different ways, sometimes the European way, Asian or African. There are universal principles of democracy in the 20th century. Therefore what we see in China can be seen in many other parts including the West. European capitalism today has many new characteristics which was not there in the fifties and seventies and even in the 20th century. Why are we applying that China is either socialist country of the Soviet type or the capitalist country like European (West) kind. These are the new experiments. In India under Nehru, till now, we also have new, different experiments. It was a capitalism of Indian type. All you have to do is to coin a new term, but it does not back us up in finding what is European capitalism, is it becoming more powerful.

In the Taiwanese document it says 30 million landlords were killed. The question is, there is a revolution going on. The PLA became victorious and then they decided or announced through a decree that in every village, the poor and the landless will form tribunals and try the landlords, particularly those who worked for the Japanese and it is free to decide the punishments. Many landlords were released

and some landlords had even opposed the Japanese. So only those landlords who have been instrumental in killing peasants, supporting Japanese or Koumintang were indicted. This was part of the agrarian revolution going on for 40 years and we cannot have a political government on that. We have a Naxalite movement in certain regions, because the land question has not been essentially solved in India, we are having such problems. Land reforms have to be seen in its totality.

Rural industries were part of the commune strategy during the great-leap-forward in 1953. The backward blast furnace, people bringing their various items from one place, to another, was a big failure due to technical flaws and lack of organization. But immediately after distributing land to the families proportionate to the working members technically it belongs to the villages, but effectively with succession rights, it has been distributed to number of members in the family. They wanted to expand the Rural Industries Sector by allowing the expansion of items of production. It started with processing agricultural goods, then producing some local iron agricultural tools. I remember the first time. I visited commune areas of my study near Shanghai, they had just started producing tooth paste. In 1980 this was made the general policy asking them to make and check up whatever they want. So during 1982-85 they were producing many electronics goods. In 85 in my study villages, they were producing, components of elevators. Then in 85, you can borrow loans from banks and because of joint ventures with foreign companies rural industry, block or Mandals level were allowed to have foreign investment and in 85 they decided to start privatization. By 92, they decided to turn them into share holding companies which now would get capital from anyone and foreign ventures. This mode of production from collective ownership to various other ownerships, then products range changed and the principle was responsibility system if the profit is more the incentives also increased. The rural industry generated an income which was more than urban workers upto 1985. Then the taxes on rural industry at one time was much less and then they began to control the function of rural industries in the mid 90's because they found the quality control was a big problem, poor quality goods. Dumping them in India has become the cheap production system back there. So they import quality controlled products which is not fully implemented. Secondly, energy wasted by poor technology

and fast expansion of industries. They wanted to control energy consumption and then started introducing science and technology in rural industries. Last two or three years, due to science and technology, liberalization lots of rural industries are being closed because they are not fulfilling these conditions. On the whole, rural industries increased the income of the rural families so much that the purchasing power of rural people increased and they became the reason for the market call for foreign investments coming to China with their goods so the rural industries were a great success.

Rural industries, in India, not more than 10% of the outcome is from rural industries whereas in China 67% as of 1988-89, and now it has gone up further. Rural industries are the major employment in China and in India definitely rural unemployment and under employment are huge. That is the main cause of rural poverty in India. Our failure in the agricultural front and rural industries are the major cause of rural poverty despite successes in Punjab and Haryana.

SESSION III

INDIA AND CHINA BY 2020 : AN ECONOMIC PERSPECTIVE"

Chairman : R.D. Sathe

Main Speaker : G.P. Deshpande

PAPER PRESENTED BY PROFESSOR G.P. DESHPANDE

Mr. Chairman and friends, Let me begin this presentation with a confession, that is, I am not an economist, but let it be clear, I will be talking about the politics of economics and is likely to emerge between India and China. Lenin once said, "Politics takes precedence over economics and whosoever does not understand it, will not understand ABC of Marxism" which is quite contrary to the general view on Marxism. Theory is not economics, it is basically politics. This might be a good starting point. When I look at developments

both in India and China it seems that the Chinese CPC and the Chinese people living in India seem to have understood the principle whether politics takes precedence over economics. When it happens, you are talking about controls manipulation, in terms of organization. These are specific non-economic categories and this is precisely the reason why China succeeds. It is no accident about what the Chinese Communist must do in China. There is a joke on when the Chinese began their modernization ; that if you want capitalism to work, then the communists should not be in power. They know how to implement programmes from level A to level Z. All those techniques are there. It does not help running them. Those who have these techniques seem to have performed better. So the Communist Party in China is now basically an organization of weapons. It is a locomotive of whatever progress the Chinese have made.

We don't have to go into these national debates, largely, quite futile, whether economic liberalization must go on with political liberalization, and political liberalization is a prerunner to healthy economic growth, not only for China, but for the whole Asiatic region, is clearly known. If you take the capitalistic development in the Asiatic State, at least what we could call the private accumulation that happens for the propagation of capitalism, all these countries seem to have made success stories, South Korea, Taiwan, Singapore, Hong Kong. These were basically authoritarian structures, and even Japan is in socio-political terms an authoritarian society. They conduct elections every five years does not make it less authoritative like China. The political elections every five years is no guarantee for democracy. If you see the capital accumulation in the primitive stages of capitalism, does seem to be successfully happening in Asia under conditions of authoritarianism. Mr. Man Mohan Singh and Narasimha Rao began the experiments in 1991. We do not know its future yet. If it works, then we can say there is one Asian State where conditions having created under liberal democracy. But otherwise in Asian countries where else it will work. After it has worked, then the movement towards some kind of a liberal regime has taken place. In other words, formulation should be whether political, liberalization or economic liberalization, rather it should be political liberalization, should follow economic liberalization if at all, if some living standards are reached.

There is a problem. I am not here to defend authoritarianism. Again defending is again conceptual, it is an abstraction which is not used. What does it matter if I do not or do support authoritarianism in China. The Chinese are unauthoritarian. Whether they like it or not is very much beside the point. So you have a situation there. Let us be clear, we are not only comparing an authoritarian structure with a liberalized democratic structure, but rather we are comparing one structure with authoritarianism and one condition of growth and rather I am not certain whether such a commitment to liberal democracy has crossed the limits of this country. We must keep in mind that it does not help in taking a very romantic view of Indian democracy.

The second point I wish to make, is that what is happening in China can be described as reforms. Although the Chinese use that word what is happening in China is revolution. By revolution we mean a certain kind of production package is replaced by another production pattern. The question whether China is going capitalist, itself is implicative of the type of revolution going on. That is quite clear. It is an assessment of the time bound socialism is dead. Socialism with communist characteristics that is what is in China. There is a unanimity in China that too, across in the so called socialist world. Stalin's socialism is dead. This movement from Stalin's socialism to Chinese capitalism is what we are cutting when we talk about China. This will help us understand revolution. They were moving from a mode of production to another mode of production. Then this is also a revolution which the socialists will call counter revolution. But nobody uses these concepts. It has lost its meaning. The Chinese themselves are deeply aware of this. When they insist where is Marxism, Leninism, they will say there is Maoism. There is a theoretical perspective to it. That is in India we insist – it is a continuity from Nehru period to Man Mohansingh to Yashwant Sinha period. We don't say it is a break. It is a rupture of a kind. This rupture, to the Chinese is explained in terms the Tanshoi. This change from one mode of production to another mode of production is happening. In India we are simply consolidating a mode of production which is already there. India always was a capitalistic society. It has been given a certain kind of a human face. There was a degree of social welfare, consideration that went into the development pattern. There

was some insistence on planning even in China. What I am trying to argue is that the word reform is a more accurate one in India and revolution is a more accurate word for what is happening in China, because there is a shift in the mode of production. Once we get that right, if this is to be possible we are really to understand the difference in this between the two countries. Take the rate of savings in China is well above 30 percent, in India it is between 20-25 percent. The rate of savings in a non-authoritarian society is always lower than that of an authoritarian one. So one has to make a choice. If we do not want an authoritarian society, then you will have to settle for a lower rate of savings, also settle for low rates of capital formation, and which is what is happening in India. I suspect the rate of capital formation in China is much higher. That is again the Asiatic experience. This is what is happening. The rates of capital formation having higher, rates of savings higher, some how, for a democratic capital structure of the west, the authoritarian structure is the best, coming of liberal democracy is very strong among social scientists, but rather weak among those who miss capital.

There was an interesting piece of writing in an American Journal. The argument was, the American position has always been for liberty and not for freedom. The argument is, there should be liberty to invest, American capital or German capital moves from this country to China, or to India or Singapore etc., that liberty should be there. Beyond that, freedom in a society is not our business. This kind of a distinction between liberty and freedom, however unreal it might sound is relevant for the purposes of comparative view between China and India. You can say that in economic policies the Indian type of freedom, is in China liberty. If you take this distinction, then try this. Not only Chinese structure is authoritarian, makes it more attractive for cross cultural transaction of capital than is the case with India. That could be one of the major reasons why in India low level.

In India we have more advanced, legal system than the Chinese. Law relating to freedom of economy, industries, our laws are far more modern, closer to western model. The other advantage is they don't know English. We know English, that is to say we speak the same language like the west. We speak as well as the Americans do.

Normally, we should have been more attractive for Foreign Direct Investments, it has not been, and it is quite possible that the authoritarianism of China makes it more attractive to foreign capital investment. It is sure that the rate of Foreign Direct Investments in China are much higher than the capital invested in India. If that happens, the growth of capital, production would have been phenomenal and different in nature. In China, the ring cities, everywhere you see with markets, if you move into Shanghai, but with Chinese characters. You definitely find cities better than European cities. No doubt about it. If it is so, then one has to remember, say, Indian performance as FDI is concerned and Chinese performance as FDI is concerned. It does seem to be enlightening that we have to catch up with them by 2020 or 2050, when China completes 100 years and 102 years of our independence. One thing we have to remember, the entire foreign investments, no other state gets this much per capita foreign investments as China.

The other part of the story is, 2020 or otherwise, you will have a very divided South Asia, i.e. to say, in another 15 years, we will have an India – Pakistan still fighting each other. Nepal is distrustful of India, Bhutan is also distrustful of India. That is the situation we are going to face in South East Asia. We are not talking of China but greater China i.e. to say 2010, you have nearly integrated economy of Taiwan, China, Hongkong. We are at a point where we have to see whether Taiwan and China will become one state or two states, but the integration of economy of China would have been complete. It would also have been the case, you have practically all over South East Asia, an integrated case in economy. That is not the case with the rest of South East Asia. Indonesia is a disintegrating power. Other states are too small – Laos, or Vietnam or Cambodia. There is no way Vietnam will become economically high, it will take 20 years more. The only other thing which could have registered, would have been South East Asian Complex State. And these are going to be, since we would be moving to a situation, in effect, people will have to deal with South East Asian economy. But the greater China economy, people essentially would say yes, essentially a Chinese world. It is unlikely to petrify. In these two situations the first impact on India's regional economy, the Chinese economy will dominate the whole Asia, the trade pattern and industries. It is estimated that there will

be 60 percent of investible capital, happens to be in these South East Asian banks e.g. Thai Banks, Japanese Banks, Singapore banks etc. If this is true, then you will have a situation where 60 percent of the actual investible capital will be in essentially Chinese world. We know Asia is nowhere near that fine situation.

In that case where are we ? We are talking about an economic giant and a successful middle order economic power. It is relationship, I am talking about. There is slowing down of Chinese growth, because between 1999-2001, there was a downward growth in China by 1.5 percent, down from 90 percent to 75 percent. The most optimistic growth of India is 6.5. This will pick up as long as really there is competitive Chinese rate of growth as well as the Indian rate of growth. There are advantages to the Chinese political system. You have a situation, where the production and distribution of goods as per the population of India and China are concerned, the Chinese will have certainly a good advantage over the Indians. You have a situation which is not a pessimistic picture, a very realistic picture. One can very legitimately argue why 6.5 percent in a fairly regular electoral process, liberal democratic process, political atmosphere within which this happens, I will rather settle for more growth. It is a very legitimate argument. I am not denying it. This is what happens when we make comparisons.

The other thing is, of the two economies, essentially, the one which will be affecting will be political factor and that is, one is talking impressionistically. There is lot more elite consensus on growth in China than there is in India. Right from the year 1991, it is already ten years now, this pattern is going on, there are only two major ruling parties, you can see for yourself. Who except the Finance Ministers or Prime Minister had talked about growth, but in China, even the Sports Minister talks on development and growth. Meet a County Party chairman or secretary, he talks about the new industries. In other words, growth of whatever nature is of political nature, widely shared political discourse, which is not there in India. Not only there is lot of opposition to economic growth patterns, there is no discourse on political development altogether. It is worse. What happens in China is not opposition, but a difference of opinion. A big dam on Yangtse River, road is changed that also Chinese don't

like it. It is different from coming on to the streets in opposition. The political system prevents them from doing so, I don't say when we talk about the economic growth, they are prevented by the political system alone is wrong to say. No political system encourages this. The point is, the consensus that is existing in China is extraordinary. Who had presumed that there would be currency crisis in South East Asia, the four Dragons would be on the need, so one does not know whether they will work. Once this consensus is reached, then the mobilization of resources and manpower which are essential for growth and development purposes, can happen. No matter how much we talk about Information Technology and the new areas, the old fashioned things are still in vogue. We still require railway lines, every thing of this character. It is possible that commercialization of economic development can be achieved faster if markets work better, but still we require old fashioned things. How do we consolidate these interests ?

The state some how seems to be far more intentionalistic in China than in India. The state intervention is necessary. China can't do away with free kind of economy. A state intervention is a major factor and it is being contemptuously dismissed here. You get different ways of nationalising your activity, licencing system, production system etc. The state has to be interventionist, it should be mediated through the state. It is a big question mark as far as these matters are concerned. As far as insurgencies are concerned, or opposition movements are concerned, there is a big question mark in the role of state in India. Such a thing, in my opinion, does not exist in China. One has to accept these arguments about decentralization in China. That is where the party comes in. Because the County Party Secretary and the State Secretary or the Provincial Secretary all belong to one party and this party state becomes a vital element in China. It is centralization organized by this vital agency and it is this agency which is nationalising its operations. India is still not certain as to what type of role it prescribes for state, One German philosopher has said, "All this capitalistic, post war capitalistic growth is fine, but it is leading to decline of the Western European Democratic State". That is not the right thing to happen. This is a feeling shared by everyone. Argument at this juncture need not be between an authoritarian system and non-authoritarian system, but rather between a system

which insists upon the independence of a state and a role of state. It is my submission that those who reject the state role, stand to lose in the long run and those who insist on the role of the state stand to win in the long run. That is really the difference between India and China and China insists on the role of the state, that is the assertion of state power and the capacity of the state to intervene as a moderator to this role, to give direction to this role, to what are the areas where investment has taken place and how are you to protect it. I will give you a small illustration. There was a time when foreign companies in China were not allowed to buy raw materials outside China. Those who made investments in textiles were not allowed to buy from somewhere else ; bring it here and start production in China. In other words you can't make Chinese shirts out of Egyptian cotton which we are already doing. What happens in such situation is that at the face of it if you use the same terminology it is never going to happen. In the beginning of 90's the thinking really started by which time already Chinese had made lots of head-way in cotton produce improving the quality so that it became competitive of Egyptian cotton and then you could produce. You can't simply make an argument, alright, they want it to buy Egyptian cotton, there should be a joint co-operative, that is where the state intervention comes. What happens is opening of markets. The total share of Chinese market is very very small that you can practically take that for export in Shanghai. But over a period of time increasingly this share of the Chinese markets by foreign producers increased. So you are working it out, basically at the pace at which this opening will go on. That is the type of situation we have as far as economic development is concerned. That is where the state really plays the role and the state role has been the driving force in China. Indian government since 91 has given up the state role. we do not have a Narasimha Rao theory or Manmohan Singh theory. How we are going to work out these relationships with the yardsticks.

China is in a post-conflict situations. You take China and the neighbouring countries. There is no realistic possibility of any one of these countries going to be at war with China till 2020 certainly. That is out of question. The Chinese government has announced 18 percent as its defence expenditure. If you take a realistic view, then the defence expenditure is such that it will go down only and this is

largely because the country is in a post conflict situation and hence happy. Conflict with India or Vietnam or Korea, three legends or events in China's short life, are all history now, whereas India had three and a half conflicts with Pakistan ; that half I said, because of the little conflict in the Rann of Kutch, and three regular wars, one with China and the continuing conflicts in J&K and the North East, and all these are proxy wars. We are comparing two states where one is in a completely peaceful state and the other is in a continuously conflicting situation or locked in military conflicts. The advantages are there. The Chinese defence expenditure will go up over the years and the Chinese will have good relationship with President Bush than they had with Bill Clinton. They have the extraordinary knack of saying things, at the same time establishing good relationships too. They are brilliant at that. What is the problem ? The problem is to prepare for an enemy situation in the Taiwan situation. Over a period of time they will settle for whatever President Bush will say. It is also true that TMD will be effective for the next seven years. By that time a new President might take over in US. ABM or TMD are not realistic threats to China. It is only the way they say they are prepared, economically by which time, integration of Taiwan will become an irrelevant question. Already that is the case. Taiwan is the stock market question, if you look at the Taiwan stock market you will see that it is going through ups and downs which are really co-ordinated in China. You have a situation where TMD or ABM will become theoretical points. The Chinese have to accept the fact, the Americans are going for TMD. They can't match it by actual military power, that is why all the more reason why you are in serious state with a declining military expenditure and you have in India a state of rising military expenditure. That, over a period of time is going to have an impact, that you are giving the Chinese an advantage.

There is so much of wasteful expenditure in India. You must take the waste factor, it is very much an agrarian economy. The waste factor in grains for example in India. I don't know whether anybody has done the computing, waste factor in electricity. You have waste factor in India without control. You calculate that till 2020, then you will know by 2020 we will be losing as much per annum, as the Chinese will be producing . You can compare even electricity. In China, there is political waste, I mean political propaganda, it is a waste of one

kind. The other two factors are you have increasing gaps between provinces. You do not see it creating social tensions that are generated in most other Asian States like Indonesia, and India. You have a problem here in levels of for example Karnataka and Orissa and compare the economies of these two. One in Orissa is in fact very poor. Prof. Nangia has even a book. Not only it is poor but for the last 25 years, the political leadership has not done anything. You will see poverty factors in some states. But in China, there are three types. Whenever you go to China you get a distinct feeling, it looks different from what it was years ago. Recently I was in Hainan. It is a small town of about four lakhs people. It looks economically active, better served than any provincial capitals of India and it is not an optical illusion. In short, in 2020, there will be a distance from India, in reality an economically strong power, not only P5 or N5 also be E5.

After the presentation by the Main Speaker, the seminar participants offered comments and raised many questions. As a rejoinder Prof. G.P. Deshpande had the following to say :-

Indian capitalism is much older than the Chinese model of capitalism. In China, of that time of India around 150 years before, all capital investments, economic freedom were not there. However for the last two decades there is an emergence of a new class in China. In fact the Asia Forum took place in Thailand. It is led by those entrepreneurs who are Chinese and those whose bulk of investment is in China. Those are the ones who are financing the investments. We are looking at an emerging phenomena, it is difficult to exactly interpret it now, but by five years, the contours of the picture will be more clear.

I do not know why India is not able to see. So many changes are taking place in China. We have to take a realistic view of the things. Mr. Pranab Mukherjee calls it a cynicism of the middle classes, I will go one step ahead and will say it is the cynicism of the upper middle class which likes to believe. India and China are not nation states, they are civilization states. It is a great canvas, very difficult to equate it with Bismark's Germany or authoritarianism, even cruelties. When it comes to Asians being killed, what happens is that they pick up a

particular period of time and say so many Asians were killed then. If you take last 200 years of history, the number of Asians killed, our killing each other, various kinds of political systems in terms of religion, equality, then I would say that if this is the case then why single out Mao Tse Tung for what he did and did not. Take the number of people killed in Pakistan, India, Vietnam, it will be the largest for which nobody is responsible. I say, be indifferent to death.

CHAIRMAN REMARKS - AIR MARSHAL (RETD.) S. KULKARNI

We start the proceedings of the Seminar on the second day, "India and China by 2020 : Social, Political, Sociological, Military Perspectives". Having seen the political, social, economic perspectives the other day, in a brilliant presentation by Prof. Surjit Mansingh, and then study of Chinese political, cultural, social and religious issues by Prof. Mohanty and the Chinese economy by Prof. Deshpande, we have this morning a presentation by Dr. Kondapalli, Research Fellow, IDSA on "India and China by 2020 : Military and Strategic Perspectives." After this presentation Dr. Kondapalli, Dr. Deshpande and Dr. Surjit Mansingh will be interacting with you. As far today's presentation is concerned, I am happy to introduce Dr. Shrikant Kondapalli who is a Research Fellow at the Institute of Defence Studies and Analyses. He did his M.Phil and Ph.D. in the Chinese Studies in the Institute of International Studies, JNU and subsequently went to China to learn the Chinese language and also for his Post-Doctorate Research at the Peoples University 1996 to 1998. He is the author of two books, Chinese Military and Chinese Force Power and several articles in journals. Currently he is working on a book on Chinese Air Force. He has been in the faculty of many Defence Institutes and I personally heard him in the Asian security Conference when he talked about Chinese Air Force. We are happy to welcome Dr. Shrikant Kondapalli to the Centre's seminar and request him to make his presentation.

SESSION IV

INDIA AND CHINA BY 2020 : MILITARY AND STRATEGIC PERSPECTIVES**Chairman : S. Kulkarni****Main Speaker : Shrikant Kondapalli****PAPER PRESENTED BY DR. SHRIKANT KONDAPALLI**

When we are trying to measure the events leading to 2020 in the strategic and military spheres we have to take into consideration three or four measures including the threats faced by these two countries in the next two decades, the intentions of these two countries, military capabilities. Generally the policy decisions are taken, taking in view the next five years of events. But all the military establishments in the world have a 20-25 year assessment programme. So let us continue to see measures tackling security problems in these regions. The military threats, the security environment, what are the threats faced by these two countries, the intentions of the two, the capabilities, and to measure these we have to consider some long lasting long term programmes of these countries. Again for China, there is this concept of comprehensive national strength, the national power – my hypothesis is building of the national power, the other components of this are development of national power.

There are four concepts within these, comprehensive state or national power. One is hard power, including natural resources, economic resources science and technology and defence. Precisely, the four point programme started by the Chinese government touched on all these, agriculture, industries science and technology and defence. The second aspect is soft power, including politics, foreign affairs, cultural aspect and education. We have to build up these aspects to increase the soft power of the country. That is the Chinese view. The third aspect is co-ordinated power including leadership, organization, management, command, co-ordination of national development aspects. The fourth one is environmental power including international national and domestic aspects. This is a comprehensive projection for 2020. Actually if you look at the Chinese,

they are not looking at 2020, but 2025 and beyond. Very interesting, I have come across these observations in Indian literature, in the Indian Government's projections or Indian think-tank's projections by 2045 China will become a middle power of the level of France. When we are talking about global power, the CASS brochure says China will become a super power. But I feel they are aiming for a middle power, the need of the 21st century. When we are talking about power projections, we talk of super powers. The power projecting elements are the navy and air force, strategic missiles and defence programme. India lacks many of these at the moment. Chinese have all these, though the effectiveness of these is questionable. If we talk about the power projecting procedure till recently the Vice Chairman of the All Powerful Central Military Commission was asked, can you mention what the Chinese military, navy and airforce will do by 2025. They have got these projections for long years. I do not see comparable ones in Indian situation. Now these are based upon the four components of the national power but basic to it is the economic power, economic standing of the country in the international arena. Last month, a Chinese magazine had projections for the next 15 years based upon the IMF statistics on the economic growth rate of various countries and where do China and India stand in the next decade also. It says, based on these statistics and the reform programme of 1978 in China, in India by 1991, the Indian GDP will grow at the rate of 6 to 10 percent reaching by 2010 accumulating 1 trillion dollars GDP, Chinese by 3 to 4 trillion dollars whereas US GDP will increase by 13 trillion dollars. Now there are other countries. The Japanese are the second, but for the last decade, they are facing lot of 'problems in terms of economic growth. It may take some time to recover from that. Germany has invested about 500 billion dollars for revamping their economy

The European Union, roughly occupying the second stage the Euro and Japan after the US. China and India will be the global economic power according to Chinese prediction by 2010 year. The Russian GDP would be, we have seen in the last two years recovering, the Russian Federation, it will increase 300 billion dollars by 20 times. If that is the situation China has already taken charge of Hong Kong and Mekong. Hong Kong is the third largest free port, Mekong also considered to be economically strong, it is a special administrative

region. China has promised it will abide by the one country systems. By about 2045 China will become a leading global power. China would respect the Hong Kong commitment, but after that it does not say what it would do with it. Incidentally, in 1991 around 2000 Hong Kong business companies have moved into the mainland, due to high labour costs. With Taiwan there is a problem there. The previous Kuomintang government has banned big business enterprises investing in the mainland, to the tune of about 50 billion dollars. You have the medium and large scale investment so far in China and that amounted to 90 billion dollars, according to Taiwanese state bodies. These are small and medium scale projects making of leather goods, plastics, noodles and so on. Three four big business companies, the makers of plastics and others were banned from entering the mainland market, because the Chinese would have a rule in the real value process. By 2045 the Hongkong is not guaranteed, the Mekong, would be completely part of Chinese economy. Third intervening process will take place in the Chinese state. There will be considerable change in the China - Hong Kong - Mekong - Taiwan GDP. This is the scenario. In the Indian context there are not so many advantages. But in the Chinese context the cumulative GDP will be acting as the most powerful economic factor.

The other components of soft power are internal politics, cultural relations, foreign relations. China has seen in the last 50 years considerable growth in the social, economic indicators. Literacy, social welfare programmes helped. India is still bogged down even in these 50 years. When you look at the statistics related to China and India, there is massive difference in literacy especially. If you want to be a global power we can't build it on a society more than half living under the poverty line, with more than half the population illiterate. What is important here is the role of China in the international arena. As a member of the United Nations Security Council, as a nuclear power from 1964 it has lot of weightage in various international multilateral regimes. It is part of the apex of the ASEAN Forum, is now part of WTO, and other bodies. When Kosovo bombings took place, one of the first visitors to the New President of Yugoslavia was the Chinese President and the Chinese foreign Minister. When we condemned the Kosova bombing, the implications of the NATO Programme and its expansion, there is not much Indian diplomatic pressure in this

regard. The UN security council also condemned the allied forces actions on the US bombings on Iraq. We have Tariq Aziz visiting Beijing and Moscow, not coming to New Delhi. Yasser Arafat's visit to Beijing. In the hot spot areas, most of the third world countries are coming out of the US and Western pressures. This is one aspect of soft power.

The third important aspect, the coordinated power. The leadership, the organization, command management, national development so on. If we look at the economic development in China the organizational managerial techniques that the Chinese employed, for any observer, it will look much superior than in India. I am not too much enamoured by the Chinese economy reforms. I have differences of opinion with the previous speakers. They have painted a rosy picture of it. I have some doubts on it. A coordinated command structure is important. My differences are, although China has directed 325 billion dollars of FDIs, out of that 90 percent of that are overseas Chinese investments and we have seen how it has resulted in Asian financial crisis. I remember capital from South East Asian countries and being reinvested there, it is one of the factors for the crisis. South Korea's is a different case. Hongkong is also different, but as far as Indonesia, Malaysia, Taiwan and so forth are concerned, none of these, is important. One of the other aspects is of 63 percent of the FDI in China, is invested in real estate and the rest in consumer industries like kentucky Fried Chicken, making of noodles, plastics, consumer goods. There is some investment in infrastructure forming around 20 percent. I don't see any modern economy is with so much investment in real estate. It is a miserable diversion of your labour, iron and steel, your cement industries to build the 20-30 building. It really seduces you to go to China anyway, to see all these glittering buildings as Prof. Deshpande has mentioned. If you see them at night, these are hardly occupied. You have a housing problem, at the same time, so many buildings remain unoccupied. There is a basic flaw in this economic growth. We should not ignore this. But in the last two decade they could pump in their resources according to their plans.

Then the environmental power, the international national and domestic, how to make it more conducive to rise to the level of economic growth, like E 6 as a power. There are other aspects, politics and economics.

The second aspect is security strategy which is the basic situation, what would be the global economic situation by 2020. What would be the global security environment by 2020? You would have already noticed the fissures within the NATO, European political union. The European Union is about to form the lateral forces, their own deployment. There is considerable opposition within the European forces on the Kosova bombing. The Russian Government has proposed a theatre missile defence for the European Union to be away from the US led NMD. That is futuristic trend. In its 50th anniversary it declared that it will intervene in the internal affairs of any other country, based upon religious and ethnic considerations. The Kosovo bombings were precisely those. The areas where ethnic conflicts were going on are Kashmir, Chechenya, Xingjiang, Tibet. Looking at how the Chinese viewed NATO's policy, in Chechenya the Western propaganda and reports suggested so much of violation of human rights, but they did not intervene. Russia is still a part, they can't ignore it like the Kosovo bombings. To come to the Chinese picture, the implications of NATO's interventionism, Chinese have mentioned it, previously you have politics and intervention in international politics now when you look closely at the new interventionism by NATO. This contradiction could become acute in future. There is also a growing realization, based on the Chinese literature, Chinese view, their observations are that in 21st century military alliances, arms race, will become the main problems for Chinese security. What are the military alliances? One is that US does not have a NATO type alliance system in the Asian context. We have CENTO, SEATO, so and so, previously the US Treaty, the South Korea - military troops there, support for Taiwanese military developments or the recent negotiations with the Philippines, Subic Bay. The US have withdrawn from these US bases. Negotiations are going on once again to have US bases here to act in the case of a catalyst in , South China Sea with Philippines, with China, seven altogether countries which have a role in the South China Sea. Now those are broadly what the Chinese say the US are shifting from the European focus to that of Asia. 64 ships are stationed in the US base at west Pacific. 300 military exercises took place in the Asia-Pacific border in China, 50 of these by the US with so many countries. In 1999 they conducted the 31st Joint Exercises with the Japanese Defence Forces, with the Koreans they conducted 28 successive annual exercises.

They have now drawn the conclusion regarding the increasing American influence in these regions. You also have the National Missile System or the Theatre Defence System. There are problems with NMD. The theatre missile could be deployed by 2005. It is the time when North Korea will have the capability to launch its missiles on the western coast of US. This is taken as the main reason for the TMD, to contain China, exactly they don't use these words and have many policies, constraint policy, contentment and engagement policy. TMD system, the basic features of this system, has to have destroyers, the US has refused to deploy it, but most of these technologies could be transferred in the next two decades. But the Japanese have a version of it, which are of the same type. The TMD system, its strategic importance is to box China to East Asia. The Post 78 Reforms, if you look at it, China has not been constrained by any of these. This is the main argument in the American establishments that the rise of China coincided with China threat theory leading to a policy of containment. By 2005 the TMD would be placed and the Chinese response is, they have threatened to supply more missiles. First they sold an ICBM to Saudi Arabia, thousands of kilometers of range. Saudi Arabia is an ally of US. They sold missiles to Pakistan, and the Chinese N. Korean connection is well known and the North-Korean-Pakistan missile connection is also well known. First reaction was that they will deploy more missiles in that region threatening the US interests in the Middle East. They are planning to send missiles to Libya, Syria, Iraq, Iran.

The basic American interests in Middle East are to protect the oil companies in this region and if these countries regional hegemony are in wrecks state in American terminology, emergency in Middle East, that would be a threat to American security considerations there. This is the first official Chinese response is to quantify more missiles in the entire region. The second response is that the official objection is that Taiwan will be part of TMD and since Taiwan is part of China, you cannot have this. The Shanghai Communique said, President Clinton in 1998 said, Taiwan in effect is a part of China. How do the Americans include Taiwan in this? That is the official objection. Second is the arms race. These are highly advanced technologically, missile systems TMD and WMD, which the Chinese have to match. They have to enhance their arms capabilities. They are importing

ICBM technology from Russia. Soon after the disintegration of USSR, the official report that the Chinese have opened many recruitment centres in Russia, so they could channelise some Russian scientists into this programme. If you go to north east China, first you see the Japanese, then the south Koreans and then the Russians, lots of them. The salaries of the Russians are not so much, \$300 a month. Some of the Russian technicians go for this. To enhance the strategic weapons technology is one aspect, to conquer the TMD, NMD System. More than that they have to invest lot of money, it means an impact on the defence expenditure and the Chinese defence expenditure has seen real growth rate from late 80's. Even if you minus the inflation rate the real growth rate in defence expenditure is pretty high. Last month the Chinese Foreign Minister announced 80 % defence expenditure. They have to match the systems at the deployment in the Asia-Pacific region. This leads to global security environment for years to come. This is the main aspect.

The Defence doctrines of China also will change in 50 years. In the early 50's from about early 1930's, the defence doctrine of the Chinese Communist Party, people's Republic of China, was people's war. From 30's to 50's we have people's war concept. In the Korean war period 50-53, and during 1980's there is a different concept, People's War is under modern conditions. After the 1991 Gulf War, local war and high tech conditions. So China had in the last 50 years three different defence doctrines though officially it is People's War under modern conditions, not local war, but increasingly if we analyse the Chinese defence literature, we see local war and the high tech conditions. To come to the People's War, how it differs from the People's War in the modern conditions, the latter had three operation aspects, one is guerilla warfare, second is protracted warfare, third is mobile warfare. It has three phases defence doctrine. First is strategic defensive positions. In this you allow the enemy forces, to lure the enemy forces to come and hit you. You withdraw from the cities to go deep into the jungles or remote areas, then this interim period is called the stalemate. You have the third stage, the strategic offensive. So in that they pounce on the enemy, since they have already exhausted their energy in your territory and take articulate offensive operations. We have a strategic defensive system, strategic stalemate and strategic offensive establishment. To sum it up, we have a

strategic defensive position, but it is tactically offensive action. This is the difference between People's War and People's War in modern conditions.

People's War in modern conditions was practised in the Korean War in 69. The four wars China has entered into are Sino-India war, Sino-Korean War, Sino-Soviet war, Sino-Vietnamese war in 1971. The People's War in the Modern Conditions (PWMC) was effectively used. We have no protracted war, we have a positioned warfare. We do not engage your enemy in the inside of your territory. Chinese have beautiful phases for all these, reflecting their present, simple in nature, earthy in understanding. For the previous phase you have the enemy inside your gate. In the second engaging the enemy outside the gate. It coincides with local war and high-tech conditions. In these, we never allow the enemy to strike your economic assets. Post 78 reforms have lot of concentration of wealth and capital and technology. It does not allow the enemy to come in and destroy your cities' transportation, logistics. Engage the enemy outside the gates, but the differences are the offensive nature again. It is even before the enemy strikes you, you attack him, i.e. the preemptive, the first strike. We should understand what would be the Chinese operations by 2010 or 45. The difference is the first is defensive in nature and the second is offensive in nature.

What are the principles under which the Local War and High Tech Conditions are fought. Four main conditions were identified by the National Defence University, Beijing. Lots of these are not translated. But first where does the Local War under High Tech conditions fought? And with implications to India, against those areas the disputed territorial aspects are there. China had successfully conducted negotiations with Russia and Vietnam. In fact it has solved its land, territorial problems except with India. Their maritime disputes with Philippines Vietnam, Japan, Korea including North Korea, maritime borders are not settled, only the land borders are settled except with India. Where do they fight these local wars? The implication is, they did not say in black and white it is for you to deduce. The two major military powers cannot fight wars in the 21st century. Even if they fight they have to fight in a very localized, according to the Chinese, in a strict manner. You see the Gulf War

took 42 days, out of that 38 days were done by the Air Force. So no contact physically with the area of conflict. That is the emerging tactics which the Chinese have adopted. Soviet Training journals are full of these. The operational principles, every thing translated and adopted, under the People's War conditions, according to the Chinese War conditions. But until the local war and high tech conditions, increasing adoption of western concepts, NATO's concepts, I am not suggesting any duplicates in this, the reason the Rajasthan Military Exercises by military and air force is this concept. Most of these concepts are drawn from the western manuals and since the technological base is low, because of the People's War concepts since in this type you always fight a war with this low technology, you consider the enemy as superior, but under local war under high tech conditions you fight a war with equivalent, no, superior forces with superior forces. You drastically transform your defence industry and components in the war effort.

So this is one major implication which is, we have to revamp the defence industries, the structures, the training patterns, the equipment acquisition, but come back to the earlier perceptions. They were leaning to one side policy i.e. the Soviet Union in the 50's. In the early 60's they stayed apart, they fought again in political terms not military terms against Soviet Union as well as the US interventionism. The concept of a total nuclear war has emerged in the sixties. Which means you have to be self sufficient in all respects, western or Soviet technology. It means you have to have your own military, strategic weapons. The Soviets signed an agreement with the Chinese in the 1955 nuclear programme. With their own experience they built a nuclear bomb, within 8 months, which has not been done in any part of the world. They weaponised that bomb. They displayed hydrogen bomb, 33 megaton explosives, but in this 1964 declaration by Chou En Lai they adopted two or three constraints, one is NFU, during Stalin's period NFU. For that matter, none of the western countries adopted NFU. US refused to use NFU at any point of time, after the Nagasaki bombing, but the NFU comes from Soviet Union. The Chinese said they will not be the first ones to adopt it, nor to use nuclear weapons against non-nuclear states and they will not be the first ones to use against nuclear states. In real terms, the Chinese do not have the capability of nuclear tactics, but

in political terms, this is a nuclear disarmament aspect. The global nuclear situation, the western countries refused to formulate NFU, but here is a country which has NFU as the basic component. In India Pokhran 1998 tests and later on the Indian Nuclear Draft also talks about NFU with certain pits and falls. There is a gradual change from the NFU and the other two periods that are mentioned, the first being the minimum deterrence nuclear period. Now under Local War and High Tech conditions, you have a limited nuclear deterrence period. What is the difference? The difference is China had 60 nuclear weapons at the same time, now it has about 200-300, a consolidated estimate from various organizations depending on the plutonium resources. Now China has 30 tonnes of these resources which along with plutonium can manufacture about 1000 nuclear bombs. We ought to have the delivery system, the missiles. In the earlier period in the 60's they did not go for a massive ICBM project, it came later on. They did not have a second strike capability. It started with the Reform Programme. In fact there is a massive debate within the Chinese Communist party on whether to have a second strike capability, the ability to have what is the minimum force that you can have. It was only after the Reform process, which was announced and started that this capability came up. It started with H6 Bomber as nuclear carriers, it had all these, but keeping in view the NFU. Now you have the ICBM, 10,000 km range. The Chinese officials threatened, they will bomb Los Angeles and New York. In the earlier period they were developing nuclear blackmail. Now you have a nuclear blackmail conquered by a nuclear blackmail, the defence in these two situations.

Before I go into that, the events leading to the 21st century, in the mid 80's and 90's the Reform Programme, also in 1997, they said the world will be a better place for peace and development so we will not form a block and also will not join any military alliances so on. The concept of peace and independence - all your foreign policy perspectives are geared to this independence. We will not join any military alliance or be a party to these, so and so. But for the last two three years there emerged some literature in China where they said the peace dividend has not played enough role for the growth of Chinese state power. It means whether they are part of military alliances we have several of these, we have Sino-Korean Co-operation

Sino-Russian Co-operation, these quasi-military alliances they are not in fact military ones. Pakistan and China do not have a military alliance, they have all weather relationship. In June/July this year, the Chinese President would be visiting Moscow. The rumour is that he will conclude an agreement, almost an alliance. China has about 11 strategic partnerships with different countries including India. With India they have co-operative consultive strategic alliance, when Rajiv Gandhi visited China in 1988 and Mr. Narasimharao. They had this with Mexico, they have partnership with US they have strategic partnership, that too cooperative, with Russia they have strategic partnership. The implications of this are in various sectors transport technology, to join against the other. During Kosovo bombings, Russians and Indians and Chinese announced against it. The NMD policy was opposed by India. The Anti Ballistic Missile Treaty of 1971-72, these lead to weapons in space. Indian government condemned this NMD, China and Russia were poised to conquer this. For Indian security there is no implication. You have a cascading effect on missile proliferation. But the weaponisation in space, the Indian Government has objected to it. We have the opposing groups coming together, Indians, Chinese, Russians, so you have a strategic partnership. Chinese have declined, the Russians and Indians have shown no interest. Incidentally the CICAR world has different opinion than the official Chinese decisions.

The official Chinese position during Pokhran II, in the UN Security Council Resolution was that the Indian Government should roll back its programme. It was the Americans and the Chinese who took an active part, the French and the British did not evince much interest, Russians of course were siding with India. CICAR which comes under public security Bureau in China had objections, had different opinion than this rolling back of Indian nuclear programme. So there are officials within Chinese security establishment. What could be the scenario in the early 21st century. The strategic partnership will become military alliances or what? We should not forget that they are not against US Military Alliances, against arms race, against splitism which is generally used for Tibetans, Dalai Lama. But here they are using it for Taiwanese. Incidentally under High Tech conditions and Local War, I forgot to mention, the disputed border territories, the unsolved territories which means both are

applicable to Indian situation. Third is competition in oceanic interest meaning the clash in respect of claims on exclusive zones, the control and interdiction of sea lanes and so on. The fourth aspect is Taiwanese independence.

There are also non-military threats to China's security, which is energy outputs. From 1993 China started importing oil from Middle East. If you have more than 50 million tons of oil imported from abroad you are vulnerable to oil price, international strategic manoeuvres. India is already vulnerable, we have seen how it was affected in the seventies by oil prices. The other is environmental problem. Soon after the economic reforms started, lots of deforestation, pollution etc. Incidentally the deforestation programme in China has implications to Indian security. Last year the Ministry of External Affairs complained to the Ministry of Foreign Affairs in Beijing that the degradation in Tibet and the rural areas of Brahmaputra region have led to floods in Kangra valley in the Himachal Pradesh. In 1993-94 In the CBM, the environmental security is also to be considered.

The third presentation is that you have genuine security reasons for China. There is one distinguishing feature. The People's War was threatened by the Soviet Union, & US, but it did not affect the entire defence structure. But it does not have a direct security threat except for the Taiwanese in TMD. There are internal threats too. There is massive reorganization of the defence structure. The programme which started in 1996-97, the fundamental modernization 92-2001, basic transformation of the entire structure is going on, they have achieved some success from a low technology moving to a high technology, gradually from relatively low local warfare techniques to a joint combined exercises and warfare in the local war, coordinated exercises with army, navy and air force, strategic artillery. You have to basically change defence industry structure which means since you cannot entirely revamp the structure, you have to have selective pockets of excellence in elite forces, like theatre command force, seven military regions from the thirteen regions before. Transition from this, the old to the new, the air force headquarters are transformed into 3D structure. There is more professionalism, transformation in the defence industrial structure from labour intensive factors to that of more professional, high-tech corporations and enterprises. Like

the Boeing and the Lock Martin or the Aerospace, you see elite defence industrial enterprises and truly profit oriented, result oriented. They are not social welfare labour intensive, lots of engineers are chucked out of the defence industrial organizations, lots of Ordnance Factories have been closed, some to the Japanese some to the South Koreans, manufacturing Maruti like Suzuki the cars, automobiles so and so. So they are banned from entering into commercial activity from 1998 June. They have also decommissioned retired servicemen, demobilization, so also decommissioning of equipment, because most of these are based on the people's war conditions, the low tech norms, you have to move to high technology elements. The T-90 which we are going to buy from Soviet Union has already has several components that are Chinese. Reactive armour, Al Khalid, the Pakistanese, which is the licensed manufacturer has several of these features, reactive armour, improvements in power nitrogen computerized things, but more important is the revolution in military affairs, the information operations, the development of stand off weapons, A to Z cruiser ships, accurate weather system, long range, miniaturised weapons. They are concentrating more on IRBMs, with the Russians in 1996 they have low targeting agreements. In 1998 with Clinton they did not say no targeting but, non-targeting, it is an important difference but that could be a part of CBM's. Where do they deploy these ? From 92-93 they started reconfiguring these IRBMs from strategic roles to conventional roles. Of course they built one ICBM of 8000 kms range with Multiple Targeted Re-entry vehicles. Their emphasis is more on IRBMs. That means they are going to target the neighbours, the ranges of these are 2000 at the most. Incidentally in the Tibetan plateau, in 99 October, according to a Chinese magazine, I don't know whether it is a realistic picture or so, they developed an Anti Ballistce Missile with a range of 25 kms, a speed of 4 MAC and that magazine mentioned, this is against a neighbouring enemy with multiple warheads. Before even Agni II was deployed, that during Li Ping's visit somebody said it is going to be deployed, much as they did with Vajpayee's visit in 79, Sino Soviet clash, President Venkatraman's visit. Agni II is basically for the Chinese, but even before it was deployed you have an antidote wave. You also have improvement in command control and communication, improvement of automation training and automation.

Two more important space programmes while they are condemning the weaponisation of space, they started developing military photo reconnaissance satellites mini satellites, manned satellites which are going to be launched in 2-3 years time. Unmanned satellites have already been launched successfully. They also have anti satellite laser radar capability which could weaken the senses of the enemy's appliances. Last two years there was some news that some Chinese satellites were damaged by American efforts. This the Chinese have not openly said, the Taiwanese and Hongkong people have picked up. They also have F D 200 B anti radiation missiles, air defence components. Air defence still forms part of your strategy. I quickly jump to the joint exercise by army, air force and navy, second artillery and fire power targeting system, computerized fire control system, improving mobility having global positioning system. In the air force you have the retiring of the J3, J6 aircraft, MIG 17, MIG 19, the Chinese are into building four generation aircraft, one is the FC 1 which is displayed in Beijing in October 79, the other is FDC 1, the J-11 programme which is Sukoi-27 manufacturing. In 1998 they agreed for the Sukhoi-30 MKI. They have J-10 programme, Israeli programme based on aircraft. They also have fourth generation FK 1 which could join the Air Force inventory by 2020. So by then you will have 300-275 supersonic 27, 100-152 MKUs, you have 300 Larry based J-10s, about 30-40 FC 1s. That is the quantum jump in the air power of China. In the navy, you will have about, that is what the Chinese predictions say, by 2020, it will deploy the SSBMs, the strategic power missiles submarines in the high seas. They will have 94 SSBMs', about 8000 km range, solid fuel propellants missiles, and it will build according to the current projections 5-6 of these SSBMs'. It would have whatever capability aircraft carriers, cruisers and about 10 SSMs. They also started with Victor III designs programme. In October 99, incidentally they agreed on 20 million \$ defence deals with Russia which will go a long way in the programme of submarines.

I will come to the implications to Indian security. You have Rapid Action Forces based in Arunachal Pradesh, in Lancho Region which is facing the Aksai-chin area. You also have mountain forces facing North East India, with air refuelling and air base capability. You will not need Tibet to launch its, rather use its aircraft for hitting the deep parts into India. Third is, former Director General, Department

of Logistics, in 93 said, Indian Ocean is not India's ocean – subsequently you have port calls to Tanzania passing through the Indian Ocean. The concept of interdicting the Sea Lanes of communication have come back now. Of the 130 SLOCs in the world today, US said it will act laterally in 6 of these. We have a growing literature in China on the importance of these SLOCs. China now controls the Panama Canal. A Chinese PLA Form controls Port Said, the gateway to Suez Canal. A Chinese company with linkages to PLA has been in control in Singapore with the strait of Malacca, through this strait 75% of the Japanese imports and exports and oil are carried through. It is heard that they are going to ransack the strait of Malacca, that is a scaring thing, you never know, but the intentions are clear. The importance of SLOCs ! Where do India and China go by 2020 ? These are the Chinese capabilities. You are experts on Indian military capabilities. By 2020, India will be a global economic power. You already saw Clinton coming to Delhi, Hyderabad and Bangalore, Putin coming. You have the Indian Military going through a massive reorganization of forces, the striking aspect one comes across in the Indian context is given to the technology control regimes in the world. The Chinese are driven for more self sufficiency. Most of their equipments are manufactured within China. The MBT Arjun has not come out, LCA are flown from HAL, as part of it we have supersonic T-30. But you have the deal with the Russians on 300-390. The R&D is only 2 percent compared to the 24% R&D for the Chinese. You don't develop military force depending on the foreign technology and foreign expertise. Chinese experience says that for strategic autonomy you should have your own experience, your own technology.

Thank you.

CHAIRMAN'S INTERJECTION : R.D. SATHE

New approach to alliances in the international relations in the 21st Century should be all possibilities of relationship. Economic, cultural, business are multiple connections which will be the order of the day. This is happening in many forums in respect of many countries. The Indian case has two additional dimensions. One is constitutional with the Finance Commission fixing allocation every five years and second is political. The regional political movement has achieved greater decentralization of power – unlike China. In China the framework of modern economic reforms which began allow autonomy to the provinces. This functional autonomy is agreed by the Centre.

As regards the question, is China a threat to India politically, economically and militarily, the panelists had the following to say :-

When Mr. George Fernandes made a remark it is a long term threat and so, now India and China are identical countries. We have several problems, political, international, economic ; multinational regimes, United Nations. China objected to India becoming UN Security Council member. It has indirectly supported. China's main argument is India has not gathered enough support from other members states. We would like to see a restructure in the Security Council. Look at what has happened, a complete turn around in the last two decades. The Government of India Defence Ministry Annual Report says there is no threat from China officially. We have a long standing relationship, we also have to see the international situation how it is emerging. There are basic contradictions in this. We have NATO expansion, there are exclusive reports, NATO never had it before, they mentioned that they will not interfere in the internal affairs of any country. The political sovereign element is a challenge by the US led forces. You have the external element coming as the main contradiction here. Two concepts, anti-ballstic and non-ballistic, critical ones. What could happen in next twenty years ? The Chinese Navy does not have the capability at the moment to come to the Indian Ocean. The official Indian Naval History written by Admiral Rana stated that in the 62 war, one of the classic Chinese ships was here. This is a very outdated submarine having no offensive feature. Last

year, another submarine reached the shores of West Bengal. Every navy does it. China does not have a base in the Indian Ocean, US has. A ship from Europe towards Asia-Pacific, they have fired a threat on the US carrier. Why is it Indian Govt. took a turn around ? We have rumours that the Chinese are dumping the goods in Indian market. After Bangladesh was formed, they too are complaining of Indian goods entering and flooding their markets, leather goods. Chinese also have Philippines and Vietnam goods coming. Indonesians also had problems with Chinese. Hongkong is a small country. Until and unless we sort out the basic problems, normalise relations we have larger security problems, the TMD system. We have a problem in Kashmir, oil crisis. The Ministry of Defence Annual Report says the Indian Security Act tells about respect to the Simla Agreement, north east issues, larger problems like how do you tackle human rights. We should forget about the small threats and worry about the larger threats.

If there is any threat, then talking about it is the best way. People have done lot of studies on the 1960-62 threats. That is a whole set of policy planning, understanding Chinese. It showed how Government of India simply did not understand the way of Chinese minds, or the way of the Government of China, or the way decisions are taken in China, or the messages sent. Indian political leaders were not looking at China. They were looking at the Indian political audience. This triggered off an attack which was unexpected and quite unprepared for. The best way to deal with the situation is talking openly about it.

It does seem to me that every neighbour whether there is a threat or no threat, it depends on us how it can be handled ultimately, how one goes about it. Partly it is depending on capabilities. A certain capability in the security environment has an effect. The Chinese can make a threat in the light of this capability. They will have to identify Chinese factors. I do not visualise any Chinese aggression on India. A certain kind of diplomacy is known to Chinese. In no way they want to change the defacto borders of China. What do we need is an international conference and see later on what China will do. You must have a certain kind of diplomacy and assess the Chinese on their capabilities. Such a diplomacy is possible. It is three parts

wisdom and one part cowardice. You can't entirely have wild statements in life or entirely coward statements in life.

Do we need to get on well with them ? I think we do. We go for Pokhran and play cricket. That is the only way of handling. The assessment of a threat situation is the best way to deal with it ? Is China a threat ? Yes, it is. In what way can we protest against China ? With right hand you protest and with the left hand, shake hands. This is the type of game we must play. Otherwise we will make our position difficult.

State intervention in an autocracy is successful and state intervention in a democracy is unsuccessful, that is what is generally understood. In India we have equated state to politicians. The reason why it is a province of the politicians, because these politicians have no regard or worry about nation's security. Hence it is the intervention of such politicians that the security of India is a disputed matter, since such politicians have no interest or agenda. The greatest threat to India's national security lies within. That is how I see the problem. There is colossal amount of corruption in Chinese military. With business sense, large enterprenership has taken over in large measure. They have tried to undo it for the last ten years. Yet they have not been successful. What are the prospects? Now China is modernizing in great level. This phenomena of corruption, how does it affect the common man's capability of the Chinese ? The Chinese Logistics Dept. has found out massive corruption. The name Commanders has been commercialized. There is no actual responsibility who controls war. If you have, name them. That has led to problems. During audit, millions of dollars are missing. The principle of decentralization, the local commanders play a greater role, they have no idea what the commercial defence industries are producing, no proper accounting. The major conversion policy is the loss of PLF legitimately leadership is also equally divided.

The environmental position, China's position is large. One lady being the only lady present, was asked to interact when Bill Clinton visited China. She said "Your American culture is destructive to environment and human kind in long run and therefore we are trying to educate our youth on the disastrous nature of American culture on

environment and thereafter we want to bring them to our traditional culture around". Bill Clinton appreciated it and this lady was given Peace prize too not very long ago, very recently. The position, what are the grounds taken by China to fight pollution, taking place there ? Not very successfully.

Asiatic experience of successful building of capitalism indicate it has succeeded in states where it had autocratic rule. This does not necessarily mean that all autocratic states are successful. The situation whereby an experience of Asian type of capitalism is Indonesia, South Korea, Taiwan, China and Japan, in all these countries capitalism has worked in a successful pattern in a liberal democratic pattern. It does not mean that autocracy is a must for the flourishing of capitalism.

Another problem there is also semantic problem in China since it does not define exactly what is "Nation" and "Nation state" Translating from Chinese language, it is not apparent whether they need a Nation or Nation state. What we were talking about was an interventionist stage, a notion, when referring to a state in activity, insist on the principle of economic growth and development, deviated through those things. Any type of corruption, it is forgotten after some days of its reporting like Tehelka com or Bofors. Who remembers it now ? It would not be realistic to say Indian state has not been interventionist in the proper sense of the word. One can cite any number of instances for the last five decades when it has not been interventionist. These problems, which it insisted, should be mediated through the state. A relative weakening of the state as a result of this activity over a period of time. I would like to mention Western Europe which was the richest area in the world, was really worried when two liberal democratic states in Western Europe which has been denied this legitimate role in terms of mediating in this developmental and democratic process. I think one has to understand this state business in a very broad manner. It is a more complex term. It is not only related to party system and to various institutions of the state like the Parliament, the NGOs, the mass movement etc. If we take that into account, some of the problems could be solved. Solutions do not seem to be so distant. Things are not so bad here. Why are we so pessimistic about India. I am happy to conclude that we are not pessimistic about liberal democracy.

SUMMARY OF DISCUSSIONS

The subject of "India and China by 2020 : Political, Economic, Sociological and Military Perspectives" has been engaging the attention of thinkers and academicians. Prime Minister Atal Bihari Vajpayee's "Musings : Call of the New Year : Clear Vision, Concerted Action", from Kumarakom, Kerala on January, 01, 2001, and China's Chairman of the Standing Committee of National People's Congress, Mr. Li Peng's address at India International Centre, New Delhi on January 13, 2001 provided a fitting backdrop to the subject of the Seminar.

India and China, two ancient proud large agrarian, heavily populated civilisational states are making self-conscious transition from their dismal colonial past to claim their rightful place in the world of today, in the present international system. The Seminar examined the progress made by the two countries, their achievements, their problems, their shortcomings, their strategy and actual effort to achieve their goals. Intensive research into the subject of the Seminar over a number of years enabled all the main speakers to contribute richly through their presentations and in the general discussions. A large number of seminar participants could raise questions and offer comments based on their research and experience. The discussions at the end of each session and the general discussions in the concluding session proved lively and meaningful. At the end, a general consensus emerged on the following lines :-

- The influence of either India or China in shaping the world of the next 20 years is not as great as it should be. The dominant variable in shaping the international systems today is USA.
- China's history as a unified and centralized state appears to be longer and better established than in India.
- The single most characteristic of the Indian decision makers for the last fifteen years has been adhocism and the absence of grand strategy or knowledge as to that.

- Whereas India was ruled directly and indirectly by Britain for more than 100 years, China was ruled indirectly by global capitalism and then by Japanese directly in their occupation in the 20th Century.
- China's industrial base was significantly larger than India's right from late 19th Century. India started off in 1947 from an extremely narrow and exploited base.
- China's reforms started in 1978 and had been pursued in an apparently successful and continuous pattern through the mechanism of consensus and decision making, whereas in India we started only in 1991 and resistance seems to be stronger in India than in China.
- People's Republic of China has been much more focused and consistent in dealing with its own territory.
- Nowhere India's predominance and important role in Southern Asia and Indian Ocean as a whole is accepted as universally legitimate. China seems to be willingly accepted and engaged by its neighbouring countries. It is a much more active member of the ASEAN region than India is. It is also a member of APEC.
- The leadership of the third generation in China and careful training of the fourth generation contrasts with the much messy and chaotic democratic coalition politics in India.
- The Chinese Communist Party seems to be over anxious to retain absolute control at all costs and simply does not tolerate any challenge to exercise a sole legitimate authority so that even a social movement is treated as a major rebellion.
- The devolution of economic autonomy to the provinces in China seems to be much more substantial than the deliberations of administration of finance in India.
- The Chinese democratic processes seem to be more broad-based to draw more substantially from the larger academic and civil society and community in China and systematized than India.

- In 2000-2001, on the basis of last 50 years, China has gone further ahead of India in consolidating and using the traditional attributes of national power as also human development and the human development index. These tangible achievements and attributes are not only in military capabilities, but also in education, economic infrastructure, grand strategy in persuading and coopting opposition's economic reforms and attracting thereby much more capital investment.
- When one contrasts India of 1947 and that of 2001, one finds that the country's achievement is very considerable and significant.
- The amount of investment in human factor in India, like all democracies, is absolutely miserable.
- The primary and secondary levels of education have been neglected in India.
- While looking at human resources one has to see whether excellence is rewarded, whether atmosphere is conducive to producing excellence.
- China will not wither. The American Challenge is unifying China.
- The measures of welfare, economic recovery, well-being by the reforms in fifty years have benefited the Chinese, but there are severe regional disparities.
- China has already become a capitalist society although ruled by Communist Party. The economic system is a capitalist system, but is different from the Western capitalism. It is a new kind of political economy ; capitalism growing with new characteristics. China has significantly departed from the kind of socialism from basics. China will not become capitalistic.

- The word reform is more accurate in India and the word revolution is more accurate in China for what is happening in the two countries. While in India the old mode of production is being consolidated whereas in China there is a shift in the mode of production.
- The first impact by 2020, on India's regional economy will be that Chinese economy will dominate the whole of Asia, the trade pattern and industries.
- There is lot more elite consensus on growth in China than there is in India. The consensus that is existing in China is extraordinary.
- As far as insurgencies are concerned, or opposition movements are concerned, there is a big question mark in the role of state in India. Such a thing does not exist in China.
- Those who reject the state role stand to lose in the long run and those who insist on the role of the state stand to win in the long run. The state role has been the driving force in China.
- China is in a post-conflict situation – in a completely peaceful state whereas India is in a continuous conflict situation, locked in military conflicts.
- There is much wasteful expenditure in India, for example in grains, in electricity and it is without control.
- For the year 2020, the Chinese are gearing up for a quantum jump in modernization of defence forces substantially based upon their own technology with 24 percent expenditure on their R&D compared to 2 percent R&D expenditure in India.

**INDIA AND CHINA BY 2020 : POLITICAL, ECONOMIC,
SOCIOLOGICAL AND MILITARY PERSPECTIVES**

SEMINAR : 14th-15th March, 2001

(Venue : Pudumjee Assembly Hall, MCCIA, Tilak Road, Pune
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| 70. | Flt Lt Badish | - |