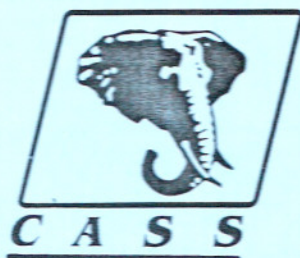

CENTRE FOR ADVANCED STRATEGIC STUDIES



PROCEEDINGS OF SEMINAR

ON

EMERGING WORLD ORDER AND SINO INDIAN RELATIONS

21st March, 2007

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**SEMINAR
EMERGING WORLD ORDER AND SINO INDIAN
RELATIONS**

21st March, 2007

(Venue : Yashwantrao Chavan Academy of Development
Administration (YASHADA)
New Auditorium, Baner Road, Pune)

BACKGROUND PAPER

S. G. Chitnis

Introduction :

The collapse/disintegration of the Soviet Union, brought an end to the cold war and the USA emerged as the Sole Super Power, and has remained as such. Use of force in international politics has been raised to the level of a cult by the US. It enhanced its power to interfere and intervene all over the globe by getting NATO to empower itself to intervene in regions outside Europe if circumstances so warrant. It named rogue states, branded them as axis of evil and took action against them by cooking up half-baked accusations and marginalizing the United Nations whenever it felt necessary to pursue its agenda for ruthlessly furthering its national interests. It summoned global coalitions only when its interests appeared endangered. Campbell has termed US foreign policy as "stealth imperialism". The renowned social thinker Noam Choksi calls the US as the most terrorist nation. The Russian President, Vladimir Putin addressing an audience of senior officials and politicians including many from the United States and NATO last month accused that the United States had "overstepped" its borders with disastrous results, that it operated by "separate norms" and that it had made the world a more dangerous place and had left successive conflicts unresolved. Robert Dreyfuss in his book "Devils Game" says that the forces fuelled, formed and stoked by the United States during the Cold War are feeding on them today.

The US and Waning Unipolarism :

The 9/11 attack brought home the security vulnerability of the Sole Super Power. The US follies in Iraq and Iran, the political quagmire in Palestine, the mess in Afghanistan, the way war on terror

has been fought, the rise of the European Union, the economic and military revival of Russia, the emergence of China as a big power, the economic strength and revival of emerging nations, namely India and Brazil, coupled with the backlash to President Bush in the US Congress indicate that the phase of the unipolar world dominated by the US is slowly coming to an end, and is slowly making room for a multipolar world. The larger international community began to see US dominated uni-polarism as resulting from the self serving interests of the USA. Energy security objectives and securing rich oil producing Mideast region led to US attack on Iraq bypassing the UNO, the UN Security Council. The US meddling in Iraq and the resultant ethnic crisis and violence has taken a very heavy toll in human lives in Iraq including nearly 3000 body bags with destination USA. It threatens to spill over affecting many countries. A peaceful resolution of the issue in the near future does not appear feasible. Pakistan is considered as the epicentre of global terrorism. Afghanistan is in crisis with resurgence of Taliban supported by Pakistan. There is civil war in Lebanon, perennial tensions between Israel and the Arab world and fighting between Hamas and Al Fatah in Palestine. Sudan is perceived as responsible for genocide in Darfour. And for all these, the USA is blamed.

American highhandedness, its hypocrisy, lip service to the concept of democracy, propping up military dictators, staying away from the Kyoto protocol on climate change, from the International court, from the CTBT, its stance on the WTO, compelling developing countries to fall in line, but on the domestic agricultural front giving WTO the short shrift all these have earned America the ire of the larger international community.

The United States expressed serious concern at the anti-satellite missile test successfully carried out by the Chinese on 11th January, 2007. India too opposed it on the ground that it would undermine the consensus against weaponisation of outer space. The Chinese have responded saying that the test was purely technological and of scientific significance and not directed against weaponisation of outer space.

United States Still the Sole Super Power

The United States with its economic, military and technology strength still remains the most powerful nation in the world dominating in the United Nations, the Group of Eight, and NATO. It controls the IMF and the World Bank deliberations and decisions. It can defy world opinion and set its own standards of compliance regardless of world opinion. In the area of soft power, eg. film, music, culture, fast food, television, news channels, newspapers, print media America is still supreme. It is now becoming aware of its limitations and shortcomings.

Rising Poles

A resurgent Russia with its huge oil and gas reserves and military strength, the European Union presently engaged in containing and resolving internal squabbles, China with the fastest growing economy in the world, large standing army, fast growing and rapidly modernizing air and naval power, India said to be the greatest emerging democratic power, Brazil with its fast growing economy all these are likely to play a significant role in the world affairs in the near future, depending upon the quality of political leadership and diplomatic skill. Non-state actors have started exercising significant influence in the new-world order.

India and China are said to be the two emerging powers. Their relationship would depend upon their inherent strength and weaknesses and their ability to handle the stresses and strains of global economic growth and global environment. These need to be carefully examined and assessed, and likely areas of harmony and disharmony ascertained.

India and China : Post Independence

In terms of size, population and natural resources, India and China are the only two countries in the world which can be compared with each other. Since independence both started almost at the same level, China a bit lower, both have made very significant progress measured by all important economic indicators despite tripling of population. However it is below the rising expectations of the people. Poverty, corruption and environmental pollution dog both the countries. China went headlong with economic reforms and

liberalization since 1978 and India since 1991. China is paying attention to building up infrastructure, to health and education. This has paid off.

China has taken great care in locating and creating Special Economic Zones (SEZs). It involved the farmers and affected people from the planning stage, convinced them of the usefulness and advantages and benefits that would accrue to them and ensured that their standard of living had improved as a result of the SEZs. In India, the State and also Central Governments pronouncements and actions for creating the SEZs or for locating huge factories have evoked vehement opposition and revolt by the farmers which is exploited by the politicians and activists.

According to the World Development Report for 2005 published by the UNDP, the electricity generation capacity (MW) of India is 89,000 and that of China, nearly three times, i.e. 2,58,000. The electricity transmission and distribution losses in India come to 23.4 percent and in China 6.8 percent.

India's huge rising absolute fiscal deficit causes much concern. In FY 2004 it was Rs.1,23,272 crores, and in FY 2008, it is Rs.1,50,498 crores. Political populism with coalition Government at the Centre and in many States rules the roost. There is a very wide yawning gap between promises and performance. Political class has lost its credibility in the public eye. Coupled with this the criminals go scot free. The judicial system has failed due to inexcusable and inordinate delays and well established escape routes for criminals.

Unlike China India has a very serious internal security problem. Naxalism, in the early phase surfaced due to denial of basic human rights to tribals and poor people with no avenue for redressal of their grievance. Administrative apathy and neglect over a long period despite peoples' protests resulted in the alienation of the people. Money allocated for social and economic development of the concerned regions and people is meagre and insufficient and whatever is allocated does not reach the target population. As of now, 165 districts in the country from Nepal downwards to Tamilnadu, Kerala, UP, Bihar, Orissa, Chhattisgarh, Maharashtra, Andhra Pradesh, Karnataka are under Naxalite control. In many states they get covert support from political leaders. The only way to contain and gradually

eradicate Naxalism is by promptly and effectively addressing the genuine problems of these tribals and poor people, thus winning their respect for the administration, and at the same time ruthlessly and rigorously curbing and eradicating corruption and terrorism. Failure to do so will affect economic growth of the country and its stature and clout in world affairs.

In India, the percentage of people below the poverty line earning less than one dollar a day is 34.7 and earning below two dollars a day is 79.9. China has succeeded in bringing this percentage down to six. The Chinese farmer produces double the quantity of food from his land than the Indian farmer.

In 1978 China's GDP was 140.06 billion US dollars and India's 155 billion dollars. In 2003, China's GDP went up to 1.4 trillion dollars and India's 603 billion dollars. The share of agriculture in GDP in 1980 in China was 30.1 percent and in India 42.8 percent. In 2003 this percentage came down to 15 in China and 23 in India. In industry this percentage in 1980 was 21.9 in India and 26 in 2003. In respect of China in 1980 it was 48.5 and in 2003 it was 53. In services in India this percentage in 1980 was 35.3 and in 2003 it was 52. In respect of China in 1980 it was 21.4 percent and 32 in 2003.

In terms of GDP ranking China was 10th largest in 1978 and today it is fourth. India has moved from 8th position in 1980 to 6th in 2002. In terms of per capita GDP, China's global ranking was 178 in 1978 and it is 102 now.

The Foreign Direct Investment (FDI) Net Inflows in 2003 was 53.5 billion dollars in China and 4.3 billion dollars in India. In 2004-05 China's share in world trade was 3.79 and India's 0.93. China has nearly one trillion dollars as Foreign Exchange Reserves and India nearly 150 billion dollars.

Youth male illiteracy in India is twenty times higher than in China. Female illiteracy in India is 34 percent as compared to three percent in China. Twenty years from now India may have a window of opportunity as a result of larger productive work force being young compared to China due to ageing factor. But this can be a danger if it is incompetent and less productive.

According to the latest National and Family Survey (NHFS 3) an overwhelming majority of children and women in India suffer from mal-nutrition and their number is growing.

China is a fast industrialized country whereas India seems to be entering the post industrial services phase without having industrialized. This needs to be reversed. Stimulating industrialization creates more jobs and has multiplier effects on the economy. This calls for greater investment in infrastructure. The Government too needs to spend less on itself and more on people. It is the service sector in India and industry and manufacturing sector in China which are the major players. China's growth has been more capital driven.

In India 40 million people by education as well as occupation qualify for Science and Technology. Out of this only 14.2 million were actually engaged in Science and Technology activities. Out of this 12.6 million people did not have the qualifications relating to their work.

It takes 89 days to get a number of clearances to start a business in India whereas in China it takes 41 days.

Private Sector Thrives in Red China

Private sector now accounts for 60 percent of the GDP in China. It is the largest contributor to additional employment that is taking place in China. It is also boosting exports, and significantly influencing the overall globalization. There is far greater economic democracy in China than in India. There is greater administrative decentralization and of funds and expenditure. Market prices determine 87 percent of total market in production goods sector. State guided prices are 2.7 percent and state fixed prices 10 percent. Chinese economy is mainly export driven.

Significant increase has taken place in urbanization in China and also in India. Out of ten most polluted cities in the world, five are in China.

China is actively involved in projects in Africa and Latin America. It seeks to emerge as a major global investor. Growth has been primarily driven by investment, productivity and exports. Efficiency factor is now being seen as the key driver of the growth particularly in the industrial sector.

Economic Growth of China and India : Implications

China's per capita GDP is 1800 dollars, much less than developed countries. That means, it can absorb growth, as it is yet to witness equitable purchasing power because of overall distribution of income and the regional disparities and income inequalities. In its eleventh five year plan covering 2006-2010, China is focused on how to realize an equitable society. Will the world economy be able to sustain China's growth in terms of resource implications? Cost factor will go up. The situation will alter drastically if India is also included in this scenario with its annual 8 percent growth. At the social and political level it would be harmful for a fast growing economy like China and India to tolerate inequality in society for long. Other developing countries will follow their example.

The Human Development Index (HDI) is a composite index prepared by UNDP using longevity, education and income as key components. India was ranked 82 in 1970 and 127 now. China was ranked 64 in 1970 and 85 now.

Since independence, China has not taken even one wrong step which could mar its national interests. It has always negotiated from position of strength and never from a position of weakness. It has sorted out all its border problems with its neighbours except India where it has already acquired a position of strength. On the other hand India has border problems with all its neighbours and has made no determined attempt to resolve them. China has developed worrisome linkages with all neighbours of India and has established footholds there. It has plans to divert rivers originating in Tibet to its main land, by clamming Brahmaputra river and diverting 200 billion cubic meters of water annually to feed the aging yellow river. This is an area of potential major conflict leading even to a war.

As per India's version China is illegally occupying 43,180 Sq Km of J&K including 5180 Sq Km illegally ceded to Beijing by Islamabad under the Sino-Pakistan boundary agreement in 1963. China accuses India of possessing some 90,000 Sq Km. Chinese territory mostly in Arunachal Pradesh.

China wants an international environment of long term stability and stable surrounding environment to suit its modernization goals.

It aims to achieve a four-fold increase of GDP by 2020 from the 2000 level and become a modernized medium level developed country by 2050. Therefore no change should be expected in its "accommodative" foreign policy. On the eve of Chinese President Hu Jintao's first official visit to India, the Chinese Ambassador to India Sun Yuxi reiterated that Beijing considered Arunachal Pradesh to be part of Chinese territory. This created a political storm and was quickly toned down. On the contentious border issue both sides have agreed that an early settlement will advance the basic interests of the two countries and shall therefore be pursued as a strategic objective. During the visit, China offered India civil nuclear energy cooperation with a caveat that existing non-proliferation norms must be respected. Hu Jintao did not give firm assurance to New Delhi on India's permanent membership in the UN Security Council. At Islamabad he talked about the need for a "consensus" in the UNSC on this account. China also sought to keep Asia unipolar by either constraining or being critical of Japan and India.

The two emerging great powers India and China are neighbours. They will increasingly compete for resources, markets and influence. China will try to block the rise of a potentially powerful competitor in world trade, and international forums. Therefore through overt and covert means will try to keep India embroiled in its internal affairs. Simultaneously it will extend cooperation in areas of congruence which promise economic and political advantages and which enable successful tackling of potential threats from other quarters.

India's area of strategic interest extends from the Persian Gulf to the Malacca Straits, and from Central Asia to the Southern Indian Ocean including all littorals. West Asia is of particular interest with more than five million Indian workers working there. The two million Indian diaspora in the United States has acquired prestige and political influence. Nearly twenty million diaspora all over the world is wanting to pay back to its country of origin and during this year has brought in / invested 22 billion dollars.

The US Congress recently wanted to erect hurdles in issuing American visa to talented Indians for safeguarding jobs in the U.S. for Americans. Bill Gates addressed the U.S. Congress to desist from taking such a step as it would boomerang and adversely affect the

competitiveness of American products in the fiercely competitive world market and thus its economy.

USA has begun to look at India through a new prism. There is recognition of India as a big market for US products, as also sale of military hardware. The Indian diaspora in the US is playing a significant role. There is appreciation of top class professionalism, capacity and performance of the Indian military. The US sees possibilities of a role for India as a counter to China, a partner in dealing with piracy and terrorism in the Indian Ocean and as a significant player in the conduct of peace operations for conflict management. Europe looks at India as a big market and as a emerging player at global and regional levels. Japan sees India as a partner in ensuring security of sea lanes of communication in the Indian Ocean as also in countering Chinese hegemony. The dragon and the elephant are two very different entities, but they are both on the ascendant and Hu Jintao's visit is indicative of their intent to tango together, albeit cautiously. Both see that there is enough space for them to grow together playing their respective roles in the region and beyond.

PROCEEDINGS OF THE SEMINAR

The Seminar on "Emerging World Order And Sino-Indian Relations" was held on 21st March, 2007 in the New Auditorium of Yashwantrao Chavan Academy of Development Administration (YASHADA). It was chaired by former Home Secretary, Government of India, Dr. Madhav Godbole, President of the Centre. Shri C.V. Ranganathan, IFS (Retd) and former Ambassador of India to China delivered the Keynote Address. The first two sessions were chaired by Ambassador Prakash Shah, former Ambassador of India to the UN and Under Secretary General, UN. In the first session, Dr. T.K. Bhaumik, Chief Economist, Reliance Industries made his presentation on "China and India :The Economic Dimension". Dr. Bhaumik played a leading role in the CII delegation to the third, fourth and fifth WTO Ministerial Conferences in Seattle, Doha and Cancun. Dr. Brahma Chellancy, Professor of Strategic Studies at the Centre for Policy Research, Delhi made his presentation on "Sino-Indian Strategic Relationship". He was an Adviser to India's National Security Council as Convenor of External Security Group of the National Security Advisory Board, as well as member of the Board's Nuclear Doctrine Group.

The third session on "Military Modernisation : China and India" was chaired by Lt Gen R.K. Nanavatty. Vice Admiral (Retd) SCS Bangara and Dr. Srikanth Kondapalli were the two Main Speakers in this session. Vice Admiral Bangara has a distinguished career spanning over four decades in the Indian Navy in the executive branch. He made his presentation on "Modernisation of the Chinese Navy and Its Implications in the Indian Ocean". Dr. Srikanth Kondapalli, Associate Professor in Chinese Studies at JNU, was a post Doctoral Visiting Fellow at People's University Beijing, a visiting Professor at National Chengchi University, Taipei. He is a Faculty Member at College of Naval Warfare, Army War College, Indo-Tibetan Border Police Academy and Border Security Force Academy. He made his presentation on "Military Modernisation : China and India".

The opening remarks by the chairman of the Seminar, Dr. Madhav Godbole indicated the rough guidelines for the conduct of the

seminar. The presentation by every main speaker was followed by the subject being thrown open for questions, comments, observations and discussion. At the end of all the three sessions, there was general discussion which was animated and very lively. However, the general feeling was that lately the emerging world order is in a flux, many questions need to be probed into again and again, and that it was not possible to do full justice to the subject in one seminar and that too in a one day seminar. It needed to be further discussed to elaborate on the fast developing and changing scenario from time to time keeping in mind the holistic view of India's national security.

WELCOME BY DIRECTOR LT GEN D.B. SHEKATKAR

Lt Gen D B Shekatkar, Director of the Centre welcomed all the participants at the Seminar and introduced the distinguished main speakers. He said that the main speakers had undertaken deep study in Sino-Indian relations from various angles covering economics, trade, diplomacy, defence/offence plans, operations and capabilities. They have authored many books and frequently contributed articles in magazines. We look forward to their presentation, as also a well informed interaction by the other participants.

He said that Shri C.V. Ranganathan, former Ambassador of India to China and former Jawaharlal Nehru Fellow and Convener of National Security Advisory Board, is the Co-Chairman of India-China Eminent Persons Group. He would be delivering the Keynote Address. Ambassador Prakash Shah, IFS (Retd), former India's Ambassador to UN, and Under Secretary General, UN and Consultant on International Affairs to UPS, Washington and DODSA Group in Dubai will be chairing the first two Sessions. In the first Session, Dr. T.K. Bhaumik will be making his presentation on "China and India : The Economic Dimension". Dr. T.K. Bhaumik, Chief Economist, Reliance Industries Ltd headed the CII. Team with Harvard Business School Study of Competitive Advantage of Indian Industry. He has been a Member of the Indian-ASEAN Expert Group on Cooperation in Trade and Investment. He has been a UNIDO Consultant and has undertaken UNIDP projects. He had been active in the formation of Indian Ocean Rim Association for Regional Cooperation and Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation Group as Industry Representative. He played a leading role in the CII delegation to the third, fourth and fifth WTO Ministerial Conferences in Seattle, Doha and Cancun respectively.

In the Second Session, Dr. Brahma Chellaney, Professor of Strategic Studies at the Centre for Policy Research would be making his presentation on "Sino-Indian Strategic Relationship". He was an

Adviser to India's National Security Council, serving as Convenor of External Security Group of the National Security Advisory Board, as well as member of the Board's Nuclear Doctrine Group. A specialist on international security and arms control issues, Professor Chellaney has held appointments at the Harvard University's School of Advanced International Studies and the Australian National University. Author of many books his latest being the best selling "Asian Juggernaut : The Rise of China, India and Japan (Harper Collins, 2007).

The Third Session chaired by Lt Gen (Retd) RK Nanavatty will be on "Military Modernisation : China and India" and will have Vice Admiral (Retd) SCS Bangara and Dr. Srikanth Kondapalli of the Centre for East Asian Studies, JNU as the Main Speakers. In a career spanning four decades in the Executive Branch of the Indian Navy, Vice Admiral Bangara has commanded Warships, a large flotilla, a premier military training academy and a Naval Command. He shouldered a challenging diplomatic assignment and headed branches and directorates at Naval Headquarters that oversaw various aspects of naval functioning and capability development. Dr. Srikanth Kondapalli is Associate Professor in Chinese Studies at JNU. He is also an Honorary Fellow at Institute of Chinese Studies, Delhi and Research Associate at Centre for Chinese Studies, University of Stellenbosch, South Africa. He was a post Doctoral Visiting Fellow at People's University, Beijing. He was a visiting Professor at National Chengchi University, Taipei. He is a faculty member at College of Naval Warfare, Army War College, Indo-Tibetan Border Police Academy and Border Security Force Academy.

Lt Gen (Retd) DB Shekatkar said that each session after the presentation by the Main Speaker would be open for discussion, questions and comments and interaction with the participants and there would be a general discussion at the end of all the three sessions.

**OPENING REMARKS BY THE CHAIRMAN
DR. MADHAV GODBOLE**

My batchmate Ambassador Ranganathan, distinguished panelists, ladies and gentleman,

We are fortunate to have such a distinguished panel for the seminar. Ministry of External Affairs is the only Ministry that has taken interest in our Centre and has been supporting and providing funds for conducting seminars every year for the last 15 years.

I have 10-11 questions for the panelists for which the common Indians wants to know the answers. Wayback in 1950s, my colleague gave a paper to Pandit Jawaharlal Nehru giving the existing situation and suggesting remedial measures and action to be taken. There was a special mention of India China relations. He had urged that it be put up to the cabinet for discussion. What happened to this paper ? Nothing is known. Sardar Vallabh Bhai Patel wrote to Pandit Jawaharlal Nehru describing the northern borders and Chinese activities. He requested that the India-China relations were very important and therefore should be discussed by the Cabinet. We still do not know whether these were ever put up to the Cabinet and ever discussed. What happened to this note ?

In 1950, India was offered a seat in the UN Security Council. India declined advocating that the seat should be given to China. Was, the case discussed by the Union Cabinet, or was it Pandit Jawaharlal Nehru's decision alone ? We still do not know. Now India is hankering for this seat. George Fernandez as Defence Minister stated in 2003 that China was the greatest enemy of India. It created a huge media uproar and Chinese strong reaction. Was it the cabinet's view ? Mr. BK Nehru, who got everything in life, was peeved and expressed it in his book that he was offered the office of UN Secretary General, but it fizzled out because of internal dissensions.

We seem to be only reacting to situations and propitiating China. China as encircled India on all fronts and from all sides. In the African

continent India had been considered a strong moral force. China was nowhere in the picture. Now China has replaced India as a Moral Force in the African Continent. For last 50 years, why India China border issue has not been resolved despite long 26 years of border talks ? China has made network of roads in Tibet close to our border and these is o Indian protest. The US is talking about the Chinese syndrome and consider China as an enemy. Worse affected and threatened India only pursues a policy to propitiate. Why ? Can India be a world power atleast a regional power considering whether China will permit emergence of two regional powers in this region ? The common man in India wants to know the answers to these questions.

**KEY NOTE ADDRESS BY
C.V. RANGANATHAN**

Over the last decade and a half it became commonplace to hear that the global order had become unipolar. Recent developments, however, especially those since the turn of the century, have shown that the expression "unipolar" needs many qualifications. As applied to the dominance of the United States' politico-military power, it reflects only a partial reality. An examination of the economic, social, and increasingly technological dimensions of power would show that the global order is no longer unipolar. It is true of course that the distribution of economic power is diffused much more than is the case with politico-military power, with the former resting on a much broader base than the latter.

From 2003 following the actions of the American-led coalition in Iraq, the influence which its undoubted power gave it from the end of the Cold War, has eroded exponentially. This is not just confined to West Asia, but has spread to the other parts of Asia, Africa, and Latin America. It would seem that the onset of globalization has actually encouraged regionalism and the attempts at the integration of trading groups of contiguous continental dimensions. In the case of India's neighborhood in Central, South East and East Asian regionalism goes beyond the economic dimensions to include the political and security issues. All this contributes to the displacement to a large extent of America as the center of the economic gravity while its unilateralist actions have led to a diminution of political influence.

The European Union is a player at the international level that matches the USA in the economic dimensions of power. In global trade and aid, it is in most respects equal to the USA. In the course of time, the euro is likely to emerge as an international reserve currency. Russia has over the past few years, thanks largely to its energy exports, begun to lift itself out of economic distress and institutional chaos. It has great assets in its trained scientific manpower, its nuclear and missile capabilities, its defense industry and its mineral and energy resources. It is at times willing to be politically assertive vis-à-vis moves such as the expansion of NATO into areas of former Soviet Union and to curb US moves in the UN Security Council. Japan is set

to strike a more normal balance between its economic and military roles. All three the EU, Russia and Japan face huge demographic deficits now and in the future. The fundamental pluralism in world society and the reemergence of ideologies implies a search, therefore, for organizing that multiplicity with more than just a calculus of military power.

Developments in Asia from the latter part of the nineties and in the early years of this century also including the sequential rise of China and India illustrate this graphically. Asia has changed over these years and China is a principal cause. Its growing economic and military power, rising political influence, distinctive diplomatic voice, its increasing involvement in regional multilateral institutions, and the responsibility it is willing to assume over broader security issues which concern the international community as a whole, have cumulatively contributed to affecting the structure of power that characterized international relations and interactions. Asia as a whole is not becoming Sino-centric (although parts are) but it is becoming a place in which Chinese interests and influence cannot be disregarded.

David M Lampton, a well known American academic and author of several books and essays on China, has in a recently edited book entitled "Power Shift: China and Asia's New Dynamics"¹ analyses the changed mix of Chinese power in recent years, which have propelled China in the direction of becoming the major power that it is. He uses an earlier classic study on the disaggregating of the concept of "power" into three categories remunerative, coercive, and normative and applies this to China's domestic growth and its external politics.

The expansion of this remunerative power, both manifest and latent, has given China options and avenues for influence that it has not previously enjoyed in the modern era. It is gaining power as a rapidly growing purchaser of what others throughout Asia have to sell. It has become a key part of the global supply chain providing goods destined for North America, Japan, Europe, Asia and Africa. It

¹ Lampton, D. *in* Power Shift: China and Asia's New Dynamics (2005), edited by David Shambaugh. University of California Press, Berkeley and Los Angeles.

is also increasingly investing in Asia, Africa and Latin America in order to diversify its sources of raw materials, principally energy and other strategic materials. Lampton says, "in short, if you are a nation seeking investment, seeking buyers for your intermediate products, or looking to export commodities, the PRC is a country with which you wish to do business". Chinese investments in US Treasury Bonds have driven the US economy to have a vested interest in China's economy and fostered interdependence.

As for the use of coercive power, Beijing has used its domestic economic growth for investments in rapidly increasing its military capabilities. There are many aspects to this including professionalization of its armed forces through introduction of the revolution in military affairs into its command, control, intelligence and combat structures, modernizing its deterrent nuclear systems and means of delivery, acquiring force projection capabilities with particular emphasis on a possible conflict-over-Taiwan scenario. However, to focus on the resource end of China's security policy should not distract from China's changed security behavior over recent years, at least starting from 1996-97. The new security approach can be summarized as reassurance based upon cooperative security, dialogue and mutual economic benefit. The overall success of this approach in the regions bordering China has been considerable, though some anxieties remain.

Some of the manifestations of the new security policies on which China has acted are the increase of joint military exercise with neighbors, employment of CBMs, shelving, downplaying, or resolving contentious land and sea border issues, pursuing crisis management, as seen over the North Korean nuclear issue, contributing to a build up of regional multilateral organizations (for example the Shanghai Cooperation Organization). Beijing has also increasingly made clear that it does not seek to drive the USA militarily from East Asia. Equally, China is sensitive to the taking of major security related actions which are seen as incompatible with its interests in the region.

Concerning normative power, a quote from the above mentioned author may suffice: "Economic engagement, security assurances, opposing superpower domination, championing a level trade playing

field for developing countries (e.g. WTO), and being economically successful constitute a posture that resonates with many. This is

started, there has been a consensus across the political spectrum on India's China policy, all the more remarkable considering that quite a few changes of governments led by different parties and coalitions took place. An elaborate inter-governmental dialogue architecture has been put in place. These include subjects such as security, strategic issues, policy planning, finance, cooperation on multilateral subjects, such as issues before the U.N. and W.T.O, environment, counter-terrorism and others of a functional nature. 2006 has been declared by both sides as the "year of India-China friendship" with a series of commemorative events due to take place in both countries. China has emerged as India's second largest trade partner by 2006.

Within a few years of this millennium, India has become well poised in its relations with all the major powers and groupings; U.S.A., European Union (E.U.) Russia, Japan, China and ASEAN. Each of these compartments of India's relations serve to reinforce a wide spectrum of India's interests in ensuring development, peace and stability. Care must be taken to see that no single compartment of each of India's relations with the major powers and groupings impacts adversely on the other. In the context of China, the Indian Prime Minister gave a clear expression to this in the wake of the recent substantive improvements in Indo-U.S. relations: "The World has enough space to have India and China develop together. I don't believe that having a good relationship with the U.S.A. means we are opposed to China." U.S.A. enjoys a density of relations with China covering strategic, political, economic, social and other interests which it is not going to jeopardize by seeking to overtly contain China with India's help.

The 2005 Joint Statement signed by the Chinese and Indian Premiers recognizes that both countries share common interests in the maintenance of peace, stability and prosperity in Asia and the world at large and also that they share the desire to develop a closer and more extensive understanding and cooperation in regional and international affairs. Acknowledging their linked destinies as neighbors and the two largest countries of Asia, both sides have agreed in the statement that they would, together, contribute to the establishment of an atmosphere of mutual understanding, trust and cooperation in Asia and the world at large. Further, they have

committed to facilitating efforts to strengthen multilateral coordination mechanisms on security. All this amounts to formal acknowledgement that the good neighborly diplomacy followed by India and China has been extended from their immediate neighborhoods to a policy for multilateral regimes in Asia.

As of now, the most visible example of India and China participating and contributing to regional cooperation is in South East Asia, potentially extending to East Asia. Both India and China look upon the Association of South East Asia Nations (ASEAN) as the principal driver of Asian Economic integration. Prominent leaders among the members of the ASEAN look forward with eagerness to leveraging the rising political and economic status of India and China for the benefit of ASEAN. They warmly welcome the great improvement in India-China relations, which vastly adds to the comfort levels of the member states of ASEAN. Leaders in South East Asia look upon the growth of India-China relations and its impact on South East and East Asia as the latest instance of major power relations in Asia becoming multidimensional, not structured along any single axis as was the case in the last century. This would entail the fashioning of a regional architecture in Asia which is inclusive of the reasonable interests of all the major and powers and groups--U.S.A., European Union and Russia.

While it is evident that the member states of ASEAN expect India, China, Japan, and the Republic of Korea to play key roles along with ASEAN in working toward closer Asian economic integration, they feel that the coming into being of multiple and overlapping networks is feasible. This is necessary because each of the major Asian countries is in the process of entering into Free Trade or Regional Trade Agreements, and other types of economic agreement either with ASEAN as a whole or with individual countries. Hence an open regionalism would be necessary which permits connectivity both amongst regional players and with the rest of the world and with global institutions.

The above broad approach was evident when Prime Minister Dr. Manmohan Singh shared India's vision and long-term expectation at successive East Asia Summits. He envisaged an integrated market

from the Himalayas to the Pacific Ocean linked by road, rail, air and shipping services. If such a situation came into existence, an Asian community would be constituted as an "arc of advantage" across which there would be a large-scale movement of people, capital, ideas and creativity. For such a vision to be realized, it is necessary for India and China to cooperate along with other South East and East Asian nations.

It is evident that there is an interconnectedness of security concerns in Asia. Regional stability in terms of security and economic and social development is a concern for both India and China, as threats affecting one part of Asia could impact on neighboring states in Asia. In ASEAN and in the Asian Regional forum (ARF), China and India are both party to a range of declarations and plans of action against terrorism and other non-traditional security threats. This forms a solid basis for practical cooperation to combat the threats posed by terrorism, piracy and other maritime crimes.

ASEAN is also keen to exploit synergies between India and China in practical ways. This they hope to achieve through political dialogue on the shape and development of the East Asia Summit into an open and inclusive regional architecture. Economic cooperation they hope could be fostered by measures to encourage regional trade and investments and by setting up economic institutions. Environmental cooperation, which could focus on transboundary pollution, water problems, preservation of biodiversity and urban environmental issues, is also proposed. Lastly, in order to enhance the impact on the peoples of Asia, cooperation in education, health, science and technology, media and culture has to be brought on the agenda.

India has been invited as an observer of the Shanghai Cooperation Organization. Russia, China and four Central Asian States are members of this regional grouping. Set up to combat terrorism, extreme religious fundamentalism and secessionism, it has grown in acceptance into a regional association to promote security, economic cooperation and cultural relations, and to prevent drug smuggling and transborder crisis. India's link with the group can serve to expand bilateral links with the prominent Central Asian States and to be part of border trans-regional projects, for example in

the field of energy. The declaration adopted in April 2006 when President Putin visited China calling for the setting up of trilateral cooperation between Russia, China and India needs to be taken seriously by India. Its government must give thought on how to give effect to this desirable idea and the appropriate institutional framework for such cooperation.

The logic of geography is unrelenting, and proximity is the most difficult and testing among the diplomatic challenges India faces with respect to its neighborhood. It is obvious that India's relationship with China, described as one of strategic cooperative partnership, would need to be tested with respect to the commonly shared neighborhood. It is also self-evident that India's security interests are best served if all our neighbors evolve as viable states with moderate, stable, political and social systems, and with robust economies. A removal of these present deficits would give all our neighbors the confidence to take advantage of India's growing strengths to reap political and economic benefits. The most desirable outcome for India would be if the people and governments of Pakistan, Nepal, Bangladesh and Sri Lanka take domestic responsibility to remove Indian concerns, since their policies often cause problems for India. Feudal autocracy, militarism, acquiescence and complicity with fundamentalist terrorists and extremists, lack of responsiveness to the legitimate demands of the majority are some of the characteristics which bring insecurities to South Asia.

The principles of respect for sovereignty and non-interference in internal affairs are challenged in situations where states either are not willing or have lost capacities to exercise domestic responsibility with regard to situations which bring harm to neighbors and to the international community. Adoption of more people-oriented policies rather than regime-oriented policies becomes necessary when regimes are not seen to exercise responsibility and control with respect to trans-border developments such as terrorism, crime, illegal migration, etc. In the context of improving India-China relations, the time has come for mature and sensitive dialogues between the two countries on similar policies which would favor stability and development in the neighborhood.

It is logical that in the nature of things as they have evolved over the last few years, India, U.S.A. and China share some common interests in South Asia although no common approaches to secure these interests are visible. Absence of the possibility of military conflict, strict control over the spread of technologies related to non-conventional weapons from areas known for proliferation, and prevention of the reemergence of fundamentalist or extremist ideologies leading to international terrorism are some of the common interests. Thus there is room for dialogue at inter-governmental and academic levels between the three countries on how these common interests can be pursued. The maturity with which Indian and Chinese leaders achieved a strategic consensus should lead to a situation where the accretion of power by India and China does not lead to a display of power politics in India's neighborhood and elsewhere.

To conclude, the rise and peaceful development of China would be incomplete without the comprehensive improvement of its relations with India. Conversely, India's success in positioning itself as a global or strategic partner of the major powers--U.S.A., European Union, Russia, Japan--and groups such as ASEAN would not have been achieved without the rapid improvements in India-China relations. Together their mutual determination to work together in strategic, security and economic fields is a harbinger that the two civilizational states would have a beneficial impact on Asia in the first decades of this millennium.

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1. MacFarquhar, Roderick. 1997. *The Origins of the Cultural Revolution: The Coming of the Cataclysm, 1961-1966*. Oxford: Oxford University Press.
2. Man Singh, Surjit, ed. 1998, *Indian and Chinese Foreign Policies in Comparative Perspective*, New Delhi.
3. Ranganathan, C.V. and V.C. Khanna. 2004. *India and China: The Way Ahead* (2nd ed.).
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SESSION I

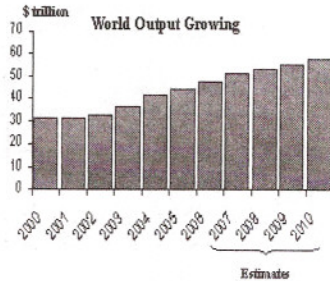
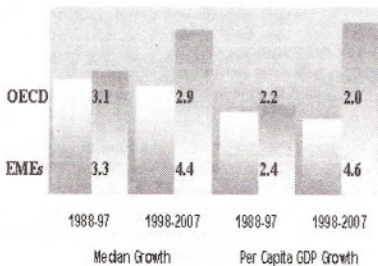
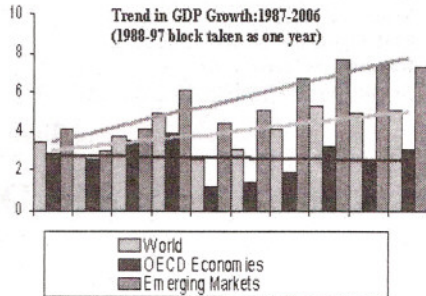
CHINA AND INDIA : THE ECONOMIC DIMENSION

Chairman : Prakash Shah
Main Speaker : Tapan Bhaumik

PAPER PRESENTED BY DR. TAPAN BHAUMIK

Stronger World Economy

- World Economy is going strong, adding roughly \$2261 billion annually to world output. i.e. so much of value getting added every year.
- World GDP grew 4.1% average annual between 1998 and 2006 to reach \$47.8 trillion in 2006.
- Expected to exceed \$51 trillion in 2007.
- Growth leaders are changing places. Today's growth leaders are emerging market economies—no longer the OECD economies.
- More particularly it is developing Asia including India and China stealing the show.

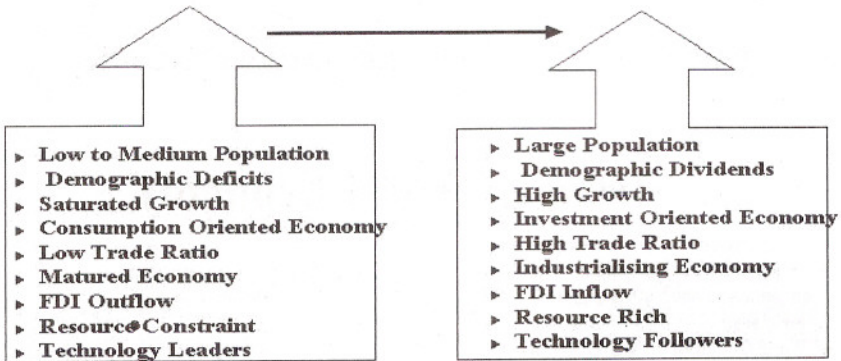


People in emerging economies are getting richer, faster

And The Order is Shifting...

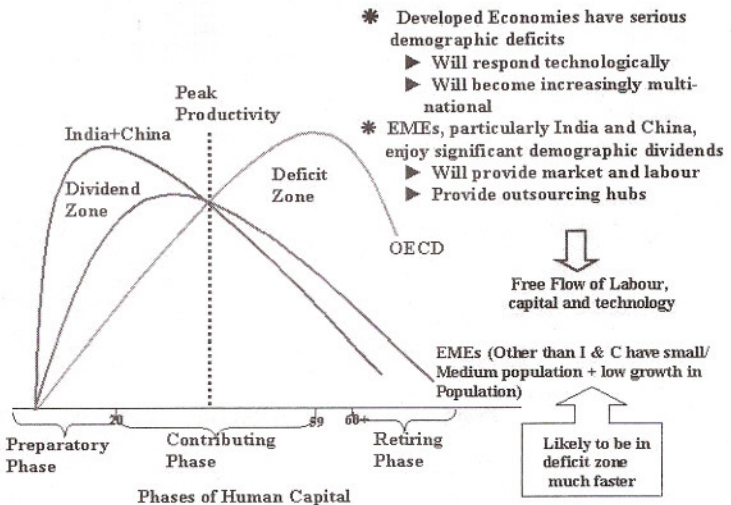
Towards a Pluralistic World Economic Order

From OECD to Emerging Market Economies (EMEs)



Slide 2

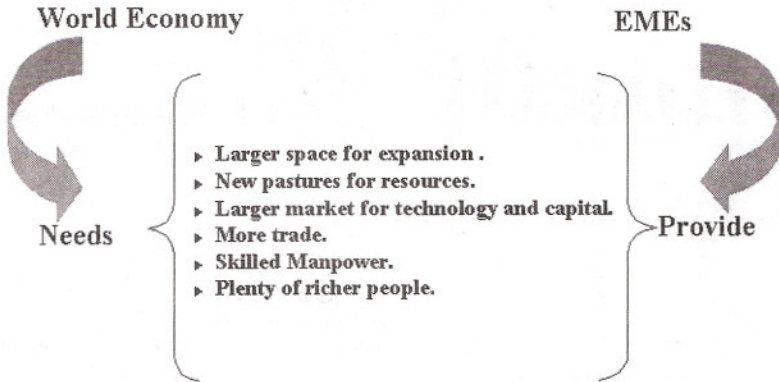
...And so is World Demographic Order



Slide 3

EMEs to reconstruct the World Economy

EMEs provide what the world needs



Building a synergistic world order

Slide 4

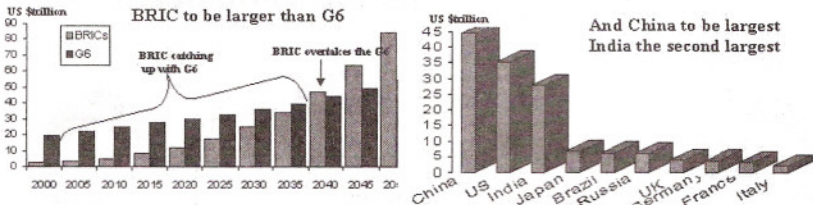
Emerging Market Economies

- * A paradigm shift happening, with emerging *markets* as growth leaders.
- * The table is turning:
 - ▶ Emerging Asian economies grew 8.8% in 2004, 9% in 2005, 8.7(E) in 2006, but buoyed by China & India.
 - ▶ High Externalisation
 - ▶ Rising Forex Reserves.
 - ▶ Leading the growth in industrial production and world trade.
 - ▶ Growing consumption, growing investment- leading the global demand growth.
 - ▶ They constitute almost half of global population—a market of roughly 3.5 billion

Economic Indicators	2004	2005	2006(E)	2007(E)
GDP Growth: Emerging Markets	7.7	7.4	7.3	7.2
Developing Asia	8.8	9.0	8.7	8.6
China	10.1	10.2	10.0	10.0
India	8.0	8.5	8.3	7.3
Imports of Emerging Markets	16.4	11.9	13.0	12.1
Exports of emerging Markets	14.6	11.8	10.7	10.6
Consumer Prices of Emerging Markets	5.6	5.3	5.2	5.0

Slide 5

The Face of EMEs: The BRIC



2005		2050	
GDP (\$billion)	Top 10 Countries	Top 10 Countries	GDP (\$billion)
11,697	US	China	44,453
4,427	Japan	US	35,165
2,911	Germany	India	27,803
1,724	China	Japan	6,673
1,688	UK	Brazil	6074
1,489	France	Russia	5,870
1,236	Italy	UK	3782
604	India	Germany	3603
534	Russia	France	3148
468	Brazil	Italy	2061

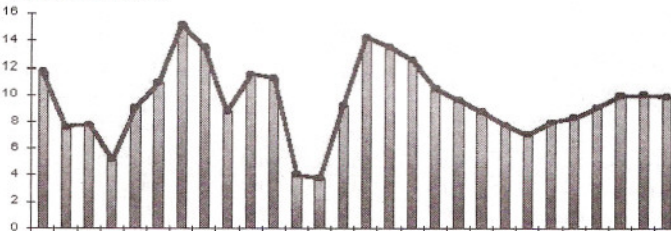
Emergence of a new grouping in
World Economy
G10= BRIC + G6
But with a new order...
Today's Top 10 are not Tomorrow's Top 10

Slide 6

Overview of China's Economy

- * An average of 9.5% GDP growth since 1980.
- * GDP doubled every 8 years, but doubled between 2000 and 2005.
- * Per capita GDP increased at the rate of 8.1% between 1995 and 2005 => from \$568.8 to \$1717.
- * Average annual rate of inflation (GDP deflator) 4.9%
- * The Economy emerged as 10th largest in 1978 to 4th largest in 2005.

Real GDP Growth Rate



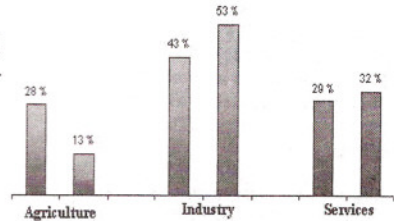
Real GDP Growth	
1978-95	9.8
1995-00	8.2
2000-05	10.4
1995-05	8.8

Slide 7

Structural Changes in China's Economy

(Average annual growth) 1985-95 1995-05

	1985-95	1995-05
Agriculture	4.2	3.3
Industry	12.8	9.9
Services	9.5	9.7



- * Economic growth has changed the economic structure
- * And has boosted growth of private sector
- Produces 60% GDP
- generates most of the new jobs, besides driving exports and globalisation
- rapid economic growth has brought about rapid growth in urbanisation (44%) bringing in its trail rising rural urban disparity and overall income inequality

Slide 8

Structural Changes in China's Market

Share of transactions conducted at market prices

Percent of transaction volume

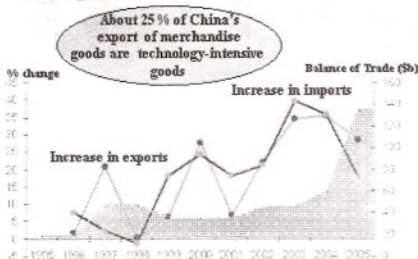
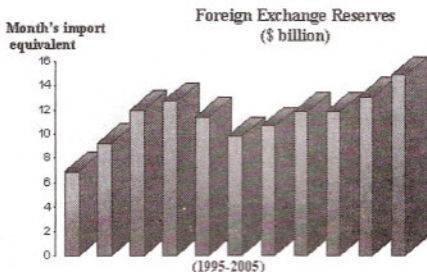
	1978	1985	1991	1995	1999	2003
Producer goods						
Market prices	0	13	46	78	86	87.3
State guided	0	23	18	6	4	2.7
State fixed	100	64	36	16	10	10
Retail Sales						
Market prices	3	34	69	89	95	96.1
State guided	0	19	10	2	1	1.3
State fixed	97	47	21	9	4	2.6

Source: National Reform and Development Commission's Price Yearbooks

Slide 9

Externalisation of China's Economy

- Globalisation at its fastest speed.
- Export GDP ratio up from 21.15 % in 1995 to 33.72% in 2005.
- Trade GDP ratio up from 39.5% in 1995 to 62.9% in 2005.
- FDI to GDCF ratio around 8%
- Foreign exchange reserves up from \$75.3 billion in 1995 to \$974.6 billion in August 2006



- * China has surpassed Japan in foreign exchange reserves
- * Helping China to emerge as prominent investor abroad from Asia

Direct Investment Abroad (in \$billion)

1999	1.8
2000	.92
2001	6.9
2002	2.5
2003	.15
2004	1.8
2005	11.3

Slide 10

China & India: A Comparison

- * Indian race has just begun. Miles to go before we catch up with China.
- * How does China and India Compare?

2005	Per capita GDP	Per capita retail sales	Consumption Size (\$ billion)	Infrastructure Investment (\$ billion)	Investment in housing (\$ billion)
China	\$1760	\$346	1074	201 (9% of GDP)	224
India	\$780	\$146	498	28 (36% of GDP)	33

GDP: India 35% of China's
Cons. Spending: India 45% of China's

Invest Ratio: China's 1.6 times of India
Steel Demand: China's 10.5 times that of India

Slide 11

India & China: A Comparison

Macro Indicators: 2004/05

	China	India
Consumption (2004-05)	1979	694
GDP (Nominal US \$bn)	1074	498
Consumption (Nominal US \$ bn)	788	420
Private Consumption	286	78
Government Consumption	54.3%	71.8%
Private Consumption	39.8%	60.6%
Government Consumption	14.5%	11.3%
Consumption per capita (US\$)	826	457
Private Consumption	606	385
Government Consumption	220	72

Consumption Basket components (2004)

	China	India
Food, Beverages and Tobacco	33%	51%
Transport & Communications	18%	15%
Housing	10%	12%
Leisure & Education	12%	4%
Clothing & footwear	8%	5%
Household goods & Services	7%	3%
Health	6%	9%
Hotels & Catering	5%	2%
Miscellaneous goods & Services	7%	9%

Penetration Rates for Durable Products:05

	Penetration Rate (Per 1000 people)		Market Size (Annual Sales, million)	
	China	India	China	India
Passenger Cars	14	10	3.2 ^a	1.1
Motorcycles	59	39	10.5	5.8
Cellular Subscribers	30.1	69	59	28
Internet	85	6	17	1.1
Accounts Televisions	416	104	87	12

	Assumed GDP Growth Rate of		No. of Years		Trailing 3 yrs growth	Implied Growth	
	7%	8%	7%	8%		7%	8%
Cars	7	6	13%	5%	9%		
Televisions	1	10	4%	21%	24%		
Telephone	9	8%	37%	12%	16%		

Slide 12

China & India

- * China's investment to GDP ratio is 1.6 times that of India: In 2005, China's investment was 49% of GDP (US\$ 1,082 billion) while India's was an estimated 30% of GDP (US \$240 billion).
- * The key driver for China's high investment rate is a higher domestic savings rate.
- * China's capex to GDP is now 2.7 times that of the US and it accounts for about 11% of global investment.
- * China's infrastructure investments were an estimated US\$201 billion (9.0% of GDP) compared with US\$28 billion (3.6%) for India.
- * In 2005, China's investment in housing construction was US\$224 billion (10.1% of GDP) versus an estimated US\$33 billion (4.1%) in India.
- * While China's investments are biased towards industry, India's is evenly spread over Industry and services.
- * China's steel and cement demand, (an indicator of economic well being) is about 10.5 and 7.5 times that for India respectively.
- * Even though India lags behind in the growth rate compared to China, it takes the lead in high-end commercial services like IT and ITeS.

Slide 13

India: Way Forward

- * India need not be unduly worried about high growth in China.
- * No need to follow China. Neither necessary nor possible, but India must grow at its own pace.
- * India must stay on high growth of 8%+. Need to carefully avoid overheating.
- * 8% long term growth is very much sustainable, but pace of economic reform has to be accelerated.
- * Need to accelerate capital expenditure and mobilise more global savings.
- * With the existing incidence of taxation, a savings ratio of more than 80% may not be welcome, because unlike China, India should capitalise on the strength of domestic market.
- * There is need for enhanced co-operation between China and India and FTA between the two may help integrate the combined domestic market of nearly 2.5 billion people. So what more do we need?
- * Finally, China and India should co-operate to translate into reality. An idea whose time has come: ASIAN ECONOMIC AREA

Slide 14

SESSION II**SINO-INDIAN STRATEGIC RELATIONSHIP****Chairman : Prakash Shah****Main Speaker : Brahma Chellaney****PAPER PRESENTED BY****SHRI BRAHMA CHELLANEY**

The word strategic is a broad term. It encompasses not only diplomatic and defensive issues but also developmental and internal stability issues. And since I've been asked to look at strategic relationship between China and India, I will make my presentation broad based to look as to how these two countries are growing in terms of their relationship. We are not talking of mere nation states. These are two large civilizations. They make up one third of human population. They are too large to be contained by others and too large actually to contain each other. Yet how their relationship evolves is going to have a very important bearing on international security. That's the reason why the India China relationship was always a subject of great international interest.

We have discussed in the previous session the issues of economic growth. But I think it is very important to bear in mind that the base of their economic rise is very different. First, is the contrast between the fact that one case it is largely private sector led growth, in other case China is a state driven growth and the manifestation of that is, in India the growth is largely white collared services driven while in China it is blue collar, manufacturing, led growth, and important point to note is that it is private sector which is leading the economic growth. In fact, India tends to do poorly even today whenever the state is involved. In contrast, China tends to do very well when the state is involved. Therefore in China when the state is leading the growth it has very important strategic implication. The Chinese President is like the CEO of a corporate entity, the political bureau is like the members of

the company board. This is how the Chinese state operates today. Whatever I thought looking at China and India and the fact that India has very similar advantages as China in terms of skilled manpower, low wages, that the pattern of economic modernisation would be very similar. Actually it is not and nothing better explains the fact that this in case of China its huge growth is being propelled on the back of large trade surpluses .It is based on search for increasingly large export markets. Incase of India we import more than we export. In fact for December 2006 the last month's figures that I saw Indian imports surpassed exports by 60%. Now this is no small thing. All the Asian Tigers, if you see their economies they are based on an export driven growth. But India is still a country, which imports more than exports despite having low wages, despite having skilled manpower. And as a consequence of this we see trade deficiency in the case of India and incase of China we see that country tripling its trade surplus with the rest of the world, in just 3 year period 2002 and 2005 .In 2005 the last year for which US statistics are available, China enjoyed a trade surplus with US of 202 billion dollars .Now, you compare that total with a trade volume today with 230 billion dollars. But if you have trade surplus 202 billion in one country it is not a surprise that today China is sitting on a foreign exchange reserve of 1 trillion dollars .When you sit on a horde of that amount of money, naturally you become an important player in the international monetary and financial system. Today, the US relies on Chinese savings and surpluses to finance its large budget deficits, to prop up the value of the dollar and to hold on US interest rates and in return China is able to buy tremendous clout in the US system.

There is also a similar glaring disparity in terms of military development in China and India. China's weaponry is intercontinental in range, India's weaponry remains sub continental in range. Just because India is enjoying 8-9% growth rate, GDP growth rate that does not alter the picture. As a footnote may I add that even today Japan's economy is twice the size of China but see the kind of international spotlight China gets, because it is not mere GDP growth rate that determines your status internationally. There are factors that go beyond the economic growth rates .But it is a fact that when China was still poor and backward, very cautiously it

emphasized the development of intercontinental range weaponry, for example, way back in 1975 China's ICBM the Dong Feng Fi with a range of 12000 kms was successfully tested. India in contrast, forget about having an ICBM, we don't even have an ICBM project on the drawing board.

China's military spending has attracted a lot of international attention for a number of reasons. First, is the fact that China has registered double digit increase in military spending over a quarter century a period in which India's as a percentage of GDP 25 years ago, India defense spending was 3.95% of the GDP. Today it has fallen to 2.3% or so of the GDP. It is the sustained double-digit growth, the military spending by China, which gets noticed internationally. Second this Chinese defense spending increase is the fastest in the world in percentage terms and not in absolute terms because what has happened is USA is now engaged in massive increase in its defense spending. If you see the recent unveiled US budget, unveiled just two weeks ago it shows a huge increase in US defense spending to 481 billion dollars. Plus 142 billion dollars allocated separately to fight two wars one in Iraq and one in Afghanistan making a grand total of defense spending of 662 billion dollars, an amazing figure. Our defense spending is only 22 billion dollars in this new budget .Now here is a country where US is spending 662 billion dollars, so if you don't include the amount they have allocated for fighting 2 wars America spends more than 50% of the world's defense dollars, just one country. So in comparison when you look at China's defense budget it may be large by Asian standards and I wont even go into issues what figures China right, official figures, figures by this institution, that institution. I wont even go into those issues. The fact is by Asian standards Chinese defense spending is large and growing very sharply but by US standards it makes up 1/10th of the US defense budget. But it is not the size of your defense spending that matters, it is how you spend your money that you allocate for defense.

To give you a converse situation, ironically both China and India unveiled the defense budget at the same time this year just about twothree weeks ago and the official, I underline the word official total defense budget of China is 45.6 billion dollars and for India it is 22.4

billion dollars. It will still be an issue internationally. It will be an issue in relation to China's and how it is spending for a simple reason. China spends its money wisely and intelligently. When India increases its defense budget it is good news for military industrial complex in Russia, Israel, France, US in that order. It means job creation in other markets while you keep your domestic armament production base weak and poor. From the fifties but very consciously from 60's and 70's Chinese defense spending has been geared to achieve two primary objectives, one through the focus on enhanced capabilities, the emphasis has been on developing robust deterrents. And today the Chinese missile force is at the heart of China's military modernization. Second has been on expanding domestic armament production base. So even today, while China is importing hi-tech weapons from Russia and elsewhere it is one of the largest exporters of arms in the world and its three largest clients are India's immediate neighbours-Pakistan, Burma and Bangladesh in that order. And the second objective of China has been to help re-align balance of power in its favour. So military money is spent with an emphasis on shifting the balance of power in favour of Beijing. In contrast India depends very much even today on imports to meet its basic defense needs. And therefore the domestic armament industry remains, rather under-developed.

As more importantly incase of India if you look at our defense planning and defense preparedness we are still geared towards fighting the next conventional war. And the two flaws with this kind of planning and preparedness the last conventional war we fought was 35 years ago. We are not going to face a full fledged conventional war anytime in the foreseeable future. The threat we are facing today are increasingly unconventional in nature. Whether it is trans national terrorism whether it is anti satellite weapon lethality, name any threat India faces today, it is unconventional. Second in the changed international paradigm it is not the use of force, it is the building up of such asymmetric capabilities by a nation state that another nation state in the neighbourhood begins to feel the strategic squeeze. Even if for a moment if we were to argue that it makes sense for India to buy insurance for the future and prepare for the next conventional war won't you at least agree, preventing the next conventional war is a

better strategy than wanting to fight the next conventional war. Prevention is better than actually seeking to fight the next conventional war. If you wish to prevent war what would you do? You would do exactly what China is doing. You would invest resources in weapons of deterrence. Today its been ten years since we made ourselves a nuclear weapon state and how many years since we conducted our first nuclear test since 1974. We still don't have a minimal deterrent against China, let alone a credible deterrent we don't even have minimal deterrent against China.

Now coming to the India China bilateral relationship. These are old civilizations but these two countries are new neighbours. They have been neighbours for only 56 years ever since the disappearance of Tibet as a historical buffer. They have no history of dealing with each other politically and therefore ever since they have become neighbours, ever since Chinese troops for the first time, in history, came to the borders of India, India and China have been on the learning curve trying to build equilibrium in their relationship. Of course they had a war within 12 years of their borders meeting for the first time. Yet if you look at the larger scheme of things especially where the relationship was three decades ago or when Mao Tse Yong died, one has to admit that India and China have built certain stability and equilibrium in their relationship. So this is on the plus side, and giving their sights, giving their geo-political ambitions and their geographical proximity, competitive dynamics in their relationship is inevitable. You could only think of co-operation between India and China that would happen may be, co- operation and competition. There is naturally an outcome of their size, their ambition, and their proximity. Also there is another reason for is that when you compare Asia with Europe. In Europe the largest economy the largest state the most powerful state militarily Germany has become one among equals in Europe. In Asia the largest state has no intent of being one among equals. To make matters even more complex its pure rivals have no intent of allowing it to call the shots in Asia . So co-operation is not going to exclude competition nor can growing trade, and this is an important point nor can growing trade be evidence of political progress in India-China relationship.

There is a possibility on the part of many India analysts to look at the booming India China trade and say look the India China relationship is doing very well. If that was so US and China would be good friends today and Japan and China whose trade volume is ten times larger than that of India and China they would be bosom pals. But that is not how inter state relationships are developed . Trade is only one element that defines an interstate relationship. Any case in today's market driven world inter- state economic ties are not subject to constraint by political problems. Two states may be feuding politically yet their economic ties may be booming. Second just because you have interdependent commercial ties does not mean that the states involved will exercise caution and moderation. If you look at the world hundred years ago it was commercially interdependent and yet we had World war I . Unless strategic animosities are treated we cannot build enduring stability and restraints. And also if you look at the India China trade it doesn't make India look good, I'm sorry to say, 85 percent of India's exports to China consist of primary commodities, as if India is some third world African state feeding the economic modernization of China and 52 percent just 52 percent of India's entire exports comprise of just only one item, iron ore. Do you know that China is sitting on two and a half times iron ore reserves of India. It has imposed a ban on exports of iron ore, encourages its own provinces to import iron ore from other countries so that it can hold actually to its iron ore reserves. India is meeting about 25 percent of China's iron ore needs, and then we buy some of the steel manufactured by the Indian iron ore. So just looking at the pattern of Indian exports and imports to China this trade pattern is not sustainable. India will not be able to sustain this kind of primary commodity driven exports to China. We know just recently a few days ago in the national budget the Finance Minister has imposed a three hundred rupee surcharge, a tax on iron ore exports. This has come after two years of public criticism that we are stripping iron ore reserves and feeding the economic needs of China. The point that I'm trying to make is that competition is nothing to fear as long as it stays healthy and under control. In fact, when I look ahead at the India-China relationship, what I see is managed competition along with increasing co-operation. So we will have both increasing co-operation and we will also have managed competition.

Now coming to today's relationship between India and China, for different reasons both China and India wish to play down the competitive dynamics of their relationship and put the accent on co-operation. Reasons are different but that is not the issue. This is fine as long as issues that divide India and China are not swept under the rug. I acknowledge the issues that unite India and China and I'll come to that in a moment. But issues that divide India and China unless those issues are not treated this bi lateral relationship in the world will not be stable. Now for paucity of time let me flag two issues, one the obvious one is the border issue. India and China have been discussing the border issue continuously for 25 long years. This is the longest inter-state negotiating process on any issue in modern history. No two countries in modern history have continuously negotiated on any issue for 25 long years without any results to show any border settlement on their anvil.

The 1962 war which was not a short war, some Indian analysts call it a big war, it is the second longest war India has fought since independence, it lasted 32 days. Wounds of that war are periodically re-opened by China through assertive claims over Indian territories. I not have so much concern about overall border settlement as about a simple fact that India and China have never really defined their frontline. They don't have a line of control which is mutually defined, mutually accepted. These are the only two countries in the world, mark my words, the only two countries in the world which are not even separated by a defined military frontline. After 25 years of negotiations this is a sorry state of affairs. When Indira Gandhi opened those negotiations in 1981, she very clearly defined what The Indian objective was. The Indian objective was to remove the ambiguities between the Indian Line of Control so that there could be a Line of Control, which could be clearly defined. The three things about a Line Of Control is one to define it, delineate it and third is demarcate it. I am not talking about demarcation I am just talking about defining it, which means this is where I am and this is where you are. We acknowledge each other's military positions without prejudice to each other's territorial claims. It is a very simple, basic rudimentary exercise.

Asia is making progress and we have actually gone back to discussing concepts and principles. Now concepts and principles are some things that you should leave to academics like myself so that we can remain gainfully employed, but fulltime diplomats should actually focus on practical issues. For many years Indian diplomats were focused on defining the Line of Actual Control. By the way, it is called as Line of Actual Control which makes it a double farce. As again the Line of Control over Pakistan and Kashmir is a proper line, it is defined delineated and demarcated on the ground. The only LOC undefined is 80 to 120 kilometers long, and you know how much that cost us, that lack of definition in that small stretch. IndiaChina border from one to other end does not have a properly defined frontline. As far as the border settlement is concerned the larger issue the contours of the border settlement have been available for a very long time. The contours involve a simple trade off, India accepting the loss of its territory to either Chinese conquest or to encroachment by China and in return China giving up its claims in Indian territories, a simple trade acceptance of a existing position. The reason why we don't have a border settlement is that for one party status quo is not acceptable. We just have to go back to the statement or the statement of the Chinese ambassador on the Indian territory on the eve of Chinese President Hu Jintao's visit to know which party I am talking about. We are always talking about the Indo-Tibetan frontier. The claims of China and Indian territories are not based admittedly on alleged land connection with those territories. They are based on purported Tibetan Buddhist links with India.

The issue that divides India and China even today is Tibet. Let's face it and accept the reality. This is the problem at the core of India China divide is Tibet .Now what has happened cannot be undone easily. Of course history is not static. When I first went to Central Asia in 1990 and I went to Tashkent, Bishlek and Almati and places like that not a single Central Asian had even the dream of becoming free. Within a year of it those areas became independent. So I don't accept the fact that Tibet feature is sealed. Well that is not the issue, the issue is that what was once a buffer between the Indian and the Chinese civilization remains the main divide between India and China. Now we have to look at the ways how that buffer having ceased to be a

buffer can become a bridge, a political bridge between India and China. This can only happen if the Chinese Government were to reach out to the Tibetans, begin the process of reconciliation and healing. Dalai Lama for the first time is saying openly in public, he is willing to accept a status for Tibet short of independence within the frontiers of People's Republic. If any Indian insurgent group were to put forward that claim, Government would lap it up immediately. Today, the Indian government negotiates with the NSCNIM in Nagaland despite the fact NSCNIM does not accept the framework of the Indian union. Now here is a man, a man of peace who is saying openly in public, repeatedly, that I am going to accept a settlement within the frontiers, within the borders of People's Republic and what is China's response, we will not talk to him. Their strategy is to wait until he passes away, he dies but once he dies that offer may not be valid anymore. In exchange the younger Tibetans are becoming more militant. If China could have accepted when it absorbed Hong Kong to system one state why can't it accept three systems in one state. What is wrong with that and the new model which is before the United Nations office? Yet another formula for resolving the Tibetan issue.

Because of lack of time let me turn to those issues that concerns us . This is an issue that really focuses on internal dynamics of China . One of the issues that concern us when we look at China it is apparent from the defense ministry report released yesterday, apparent from the statements from the Prime Minister of India , the defense minister the foreign minister and the others. The dilemma which we talk about are concerns about China. We look at China's activities which impinge on our interest . Now to summarise what those concerns of India are they are in this framework , theoretical framework or conceptual framework which I have devised. China is building three corridors , two are north south corridors one is the corridor which links the Chinese Province with the Bay of Bengal through the length of Burma, Myanmar whatever you call it, and there is a Trans Karakorram corridor which extends old Karakorram highway all the way down south to the Arabian sea to Gwadar and connects now the Karakorram highway through the Dalbadin highway and creates a parallel highway all the way. and in both places both in the Trans Karakorram corridor. In addition what China is doing, it is also

creating an energy corridor or seeking to create an energy corridor. In case of Myanmar/ Burma slash to Uran sit way Burma has been selected as the point from where an energy bylane will run all the way to South China, plus the highway is connecting the traditionally , mainly Rangoon railway. In other words there are many corridor provides for rail road harbors, traffic for South China to the Bay of Bengal. In case of Trans Karakoram corridor as you know the old Karakoram, which was opened till, 1969 provided the strategic nexus for transportation of Chinese missiles to Pakistan. The rail was built, the reason cited in the public was that it is all economic, all commercial. Even today if you look at the purported reasons for building in Sri Lanka, all were supposed to be for economic commercial. We all know what starts as commercial / economic, actually acquires strategic significance gradually. Now if you take the case in Sri Lanka even the pretence of any commercial value for China doesn't exist. It is largely strategic while you build a port in Sri Lanka in Hambantota. It takes so much interest, it has to be largely driven by strategic considerations because through these three corridors China is increasingly taking interest in the Indo Asia region. Therefore the concern in India that India is actually being outflanked on all sides outflanked on the east outflanked on the west outflanked on the north and then now the prospect of being outflanked coming under squeeze from the south from the oceans, which has never happened before, because we have always felt secure as far as oceans are concerned. The Northern corridor is an east-west corridor. Two corridors which I mentioned are north-south corridors. The east-west corridors is where 12 new air fields have been built for the last 10 to 12 years, but more important fact is that transportation routes are coming up in that area. The finishing of this 1118 kilometer long Chengdu to Lhasa railway is of great strategic importance for India. Of course it was the architecture marvel in 600 kilometer of this stretch, that is more than 50 percent of the stretch of this railway goes through homofrost, completely frozen area and the altitude at which this railway is passing through is higher than the altitude which small planes fly. And therefore the people who travel by train on that route, the carriages are sealed with oxygen inside because of the altitude. But it is just not the railway to Lhasa, it is the fact that the building is perched southway which is closer to our borders that is already under construction. Xigaze is the second

largest city in Tibet. They are building or planning to build two further spurs. One spur will be to the Junction of the second baton of Tibet area in the valley and the second is a tri junction of Uttar Pradesh, Myanmar and Tibet. And long term plan, I mean by Chinese standards, and not by Indian standards, by their standards it is 10 years. I would also like to have a railway to Kathmandu. Now if all these transportation routes are complete, imagine how India is going to be affected. What it will do to India, its relation with that part of Indian security system like Nepal, like Bhutan. What it will be for India economically because it will increase China's ability to dump goods in the Indian market. But strategically the military significance of it is the fact that it provides China rapid military deployment capability, as sitting on the highest plateau in the world which is called the "Roof Of The World". We are down from the top. Maintaining the logistics, they can actually rapidly move and build their military forces so suddenly that they can catch us napping.

So now to conclude and I will conclude on this note. If you go back to history, at the start of the industrial era in 1820 India and China nearly made up of 50% of the world's GDP. Foreigners came and colonized India and they plundered China, because of the wealth of these two civilizations. So it is only natural that these two large civilizations are today as a centre of attention and of rapid economic development. The issue really is does the future really belong to them. There is a new faith now in BRIC report. My previous speaker referred to the BRIC's report. The future may belong to them, coming to their own, and at the same time coming to the history. But let us not forget, we are living in a very fast changing world. Who foresaw the development of the last 15 years? Did anybody foresee the development of the last 15 years and yet we project the development for the next 50 years. Where was it harboured 20 years ago? It showed Japan as Japan the next super power. Nobody asked as to what happened because it is an investment bank which knows only one thing how to make money quickly. The fact is that if you are in hard sciences you can use a tool called statistical probability to the chart the future, to chart how if certain factors remain the same what will be the progression. But in strategic analysis we can't even project five years hence, forget about 50 years. Hence projecting about 10 years is a

risky venture because what makes a country strong what gives a country great power status is not determined by one element it is not uni - dimensional, it is not only just GDP growth rate only. There are other equally important factors, for example political equation, internal stability, favouring capital development, leadership quality, quality of state craft, good governance and forward looking policies. If you have all these elements in a street, yes, then you are creating base for the future. Take the case of India. We have a booming economy, at least the white collared service sector which is booming, yet institutionally we are becoming weaker. Institutionally there is commotion in this country. That is not a base for becoming a great power. I wish contrary was true. If you look at India and China, one is democratic, one is autocratic and face very similar challenges. Both challenges are internal. In the case of China the challenge is how to have a soft political landing, because as they are modernizing economically but political modernization is underdeveloped. It has not really taken off, it is only stunted, it is not becoming like a retarded child. Then of course the future of China is doomed because we cannot develop just economically without developing politically. If the political landing is hard then of course China's unity and strength are going to be significantly affected. In the case of India the challenges have always been the same, what has always been in the history. Our main challenge in the Indian history is internal security, internal coalition that challenge has not changed. If you look at other challenges that India and China face for example look at the political corruption. If you look at the rankings of China and India internationally in Transparency International Index we are at low levels, we are at the same level. Inequity in income disparity we are again at the same level. The UNBP development index is slightly better than China so we can feel little prouder. There is something which we can feel prouder in comparison to China .We are less unequal than China. But the fact is that both the countries are becoming more and more unequal and if we become unequal this will have reperussions in social stability, internal stability .If we were to speak about environmental degradation again we are brothers. We are sort of reconciled to development with respect to environment and this is subject to heavy price. We are going to face the heavy price as the climatic change kicks in. Climate change will affect the developing world more than the developed world even though

the developed world is responsible for the green house gas emissions, and out of the two developing countries to be most affected by climate change are going to be China and India. Therefore to project fifty years hence we cannot even factor the consequence of preposterous climate change. Some factors are in control with the policy makers, some factors are beyond the control of policy makers. Climate change is one factor, which we cannot deal with nationally, subregionally, cannot be dealt internationally and we can't even actually stop it. You can only seek to manage the new environment, which you are going to live in. So if there is one issue that unites India and China it is that the fact that both in history and today they have been very proud of their policy of independence. They have kept away from military blocks and if you project their future, I don't think India is going to be a member of any military alliance nor will China. Both will seek to be independent powers. And because both have similar aspirations, both are large societies, both are growing fast economically there should be certain friction that requires that the political issues that divide India and China should be handled in a wise, intelligent way and not be ignored. Thank You!"

SESSION III**MILITARY MODERNISATION : CHINA AND INDIA**

Chairman : RK Nanavatty
Main Speakers : SCS Bangara
Srikanth Kondapalli

**PAPER PRESENTED BY VICE ADMIRAL (RETD) SCS
BANGARA, PVSM, AVSM**

Although the broad guidelines given to me for the post-lunch session is “Modernisation of the Chinese Navy and its Implications in the Indian Ocean”, I have, for some years now, avoided an assessment of any single service in order to profile the threat or capability to project force away from its home land. I need hardly explain the reason for not doing so, to this learned audience.

Even as I pondered over the possible composition of my talk, it became apparent that in a post-lunch session, no one wants to hear the assessment of another author or merely from notes compiled from the net. I also realized that four decades of interaction with analysts across the oceans both east and west should in the least, enable me to compile points of view which are based on my interaction and first hand experience. This does not mean that thoughts emanating from well known authors have not been taken into account in my assessments. I have indeed done that and given credit to the authors where, applicable. I have perhaps questioned at times, the relevance of some of these thoughts to India in particular and the IOR in general. I have based my conclusions on the intense interactions with two senior Chinese Navy delegations who were sent to my command and more recently during an international seminar at Chennai, with two leading military analyst; one from China and the other from ROC. More of it later.

In view of the aforesaid I have structured my talk as follows:-

- Background
- Measuring National Power.
- The Chinese Strategy.
- Anecdotal References.
- Implications in IOR.
- Conclusions.

Background

The Indian and Chinese armed forces in a narrow sense and India and China in a broad sense are much talked about, continuously compared and constantly analysed. Unfortunately mere numerical comparison of forces without resorting to assessment of the entire nation rarely tells you the truth. The Soviet war machine and more recently the Iraqi armed forces failed to live upto assessments made on their numerical strengths. Not many in this audience would be surprised by the outcome, that is what we would say today. Yet many of us who were brought up on the old diet of number crunching rarely focused on the human resources and its quality and the resources available with the country. For instance when some of us landed in the erstwhile Soviet Union in the late 60s and early 70s for training and acceptance of major military equipment, we were over awed with the sights and the numerical strengths and the pomp and show that goes with a super power. In a short while some of us realized that they had glaring weaknesses not only in the quality of human resource, operational doctrines etc but in convincing their own people of the superiority of their political ideology. They were fighting a technologically superior enemy and were required to constantly innovate. In addition, they had to grapple with conscripts who were limited in their capability due to their short but compulsory military service tenure. Also they were manned and equipped to suit their peculiar educational, sociological, ideological and strategic environment. They had made rapid strides in science and technology which were focused on specific areas like rocket science, space, missilery, torpedo etc. That they could achieve superiority in chosen areas of excellence has been well established but the fragility of the economy and the ideology did not allow them to build on it. Not many

of you in this audience would know that underway replenishment of the Soviet Fleet was an area of great weakness right upto mid 70s. Their tankers were stopped at sea so that ships could button on and fuel. This greatly hindered their trans-ocean and blue water capability. They made every effort to learn from us the NATO procedures for underway replenishment. This is a small example to put the subject in perspective. Our Air Force and Army personnel who had gone for similar acquisition programmes may have observed many such weaknesses. We never had a culture which promoted strategic thinking in an integrated manner and hence we lost an opportunity to record the first net assessment of the erstwhile Soviet Union. What has this got to do with the Chinese?

The Chinese were trained and equipped in much the same way as the Soviets had. Their thinking which I shall cover a little later continued to be influenced by the soviet processes. Much can therefore be gleaned on their mindsets if we were to trace the lineage of their doctrines. Quite simply we need to assess the national power of any country before we arrive at conclusions on their military capability. To do so I have drawn on methodologies used in assessing national power right from late 50s through to the present decade. I have drawn on the works of George Modelski, William Thompson, Andrew Mac, Clifford German and a few others. So what is the methodology to assess National Power?

National Power

“Why do big nations lose small wars?” in brief it is due to: -

- Inability to transform their latent and tangible power into effective battlefield outputs.
- Lack of will.
- Lack of interest.
- Hard and soft factors.

National capabilities have been judged inter alia, by the character of leadership, context of engagement, risk taking propensity, physical resources, technological base, government institutions etc. in order to

transform potential capabilities into actual some of the key factors would include the nations ability to innovate economically and technologically. Traditionally variable factors and single factors have been considered to asses national power. Whilst many looked at GNP, economic indicators, military expenditure, sizes of force etc there were some like Bruce Russet who looked at single factors such as total consumption of fuel and electricity of a country. There were formulae such as:-

$$G = N(L+P+I+M)$$

where N stands for Nuclear capability, L for Land, P for Population, I for industrial base and M for military size. Yet another formula derived national power (P) as

$$(C+E+M)(S+W)$$

where the author Ray Cline described C as critical mass, E as economic capacity, M as military (strategic balance + combat capability) S as national strategic coefficient and W as National Will. You would observe many of these calculations were subjective in nature and most of all when a list of powerful nations was compiled it tended to be the same countries occupying the ladder no matter what the formula. Therefore, even today other more tangible factors are being examined by the intelligence communities to compile the ascending order of national power.

In my view those nations that dominated in the past had some common characteristics such as:-

- Relatively efficient domestic market.
- Relatively open societies that encouraged economic innovation and creativity.
- Efficient institutional arrangements to safeguard property rights enable dispute resolutions and even provide fundamental rights.
- Conscientious political leadership.
- Sensitivity to global competition.

So I came across a simple definition of a National Power in a recent Rand publication which said, "A country's capacity to pursue strategic goals through purposeful action". This is the finest summary of all that I have said so far.

In the specific context of China and India we need to examine a few factors such as National resources, national performance and finally military capability. Even as I attempt to describe these each of you in the audience would come to your own conclusions on where we stand and hence what can be expected of these two global players in the foreseeable future.

Under national resources which consists of latent power we may look at :-

- Technological.
- Entrepreneurial.
- Quality of human resource.
- Economic capacity.
- Physical resource.

Under national performance which is tangible power we could look at external constraints, infrastructure capability and ideational resources.

Finally under military capability we may define combat proficiency as a sum of Strategic resources and conversion capability. What do I mean by this? Strategic resources generally consist of defence budget, manpower, military infrastructure, defence industry and inventory and logistics.

Conversion capability consists of threat and strategy, civil military relations and decision making structures, forces to cope with a threat, doctrine and training and finally the capacity to innovate.

At this juncture I would like to restate a truism that technology today plays a vital role in contributing to the national power equation. Academics have identified 22 separate technologies under critical

technologies. In today's context the emphasis is on ICT and for tomorrow various aspects related to materials, manufacturing, biotech, aeronautics, energy and environment have been listed as critical. Investments in R&D, access to technology, applications in micro electronics, opto electronics, HD TV, electronic imaging, enterprise, innovation and diffusion of technology among a highly capable human resource base form a vital link.

The Chinese Navy

Let us now spend a few minutes on the activities of the Chinese Navy. Giving you their acquisition programme, including their impressive nuclear submarine buildup is the easiest of my tasks. For the very same reasons that I have expounded such an approach would be of little value from the perspective of analytical assessment. I have chosen to examine the development of broad strategy that relate to the maritime field and to see how effective their conversion capability has been.

The offshore active-defence strategy was first outlined in the early 80s by the then commander Admiral Liu Huaqing. He was able to articulate and follow up his strategy till 1997 when he finally retired as the Vice Chairman of the Central Military Commission (CMC). Thus much like the Soviet Union of the late 50s the Chinese Navy started to shift their sight from a coastal force to an offshore defensive force. Very briefly the strategy outlined defence near the shore, mobile warfare at sea and surprise attacks from 150 nm to 600 nm. For those of you who have been in the Navy this will tell you many things when you look at the upper figure of 600 nm. China thereafter defined its area of interest as the Yellow Sea facing Korea and Japan, the western part of the East China Sea facing Taiwan and naturally the South China Sea. This was loosely termed as the first Island chain.

Phase II of his strategy talked about the second Island Chain, a north south line from the Kuriles to Japan, the Marianas and the Carlines. This was aimed at 2020. Phase III addressed the issue of being a global maritime power by 2050.

The above strategy was modified by Adm Zhang Liazhong who was the commander from 1988-1993. He merely identified China's maritime areas of interest: and the naval resources that need to be committed.-

- The first chain of islands to be defended by conventional and nuclear submarines, by Naval medium range aircraft and by ships. Mine laying by submarines was a prominent feature of his strategy.
- He termed the middle defence perimeter of 150 nm for anti-ship strikes by ships and aircrafts.
- Upto 60 nm from coast use of fast attack boats, land based artillery and missile systems.

Next I looked at the Chinese National defence report which is the equivalent of a white paper. The 2004 report specifically outlines the following objectives:-

- To stop separation and promote unification of the two Chinas while guarding against and resisting aggression. Defence of National sovereignty, territorial integrity and maritime rights and interests were high on priority.
- To promote national development along with economic and social development in order to increase the overall national strength.
- To modernise Chinese armed forces and improve the operational capability of self defence under network centric environment.
- To safeguard the interest of the Chinese people, crack down on criminal activity, maintain public order and social stability.

Within the armed forces I see their priorities as :-

- Focus on RMA, IW and NCW.
- Improve the base of science and technology.
- Continue reforms and downsize for efficiency.
- Develop doctrines of joint operations and establish Special Forces units.
- Manage crisis and contingencies through joint planning.

Anecdotal References

With this backdrop and their detailed modernization plan left for the question hour let me move onto the personal observations which I termed as anecdotal references. In my capacity as C in C I had the unique privilege of interacting extensively with two senior delegations from PLAN led by Admirals. The first came on a specific mission to look at Aviation training facilities in the Indian Navy. They were on a mission to study various types of models available in countries where Naval Aviation had taken deep roots. This delegation had senior staff members and the deputy commander of Naval Aviation of the Chinese navy. The second was the visit of two frontline Naval ships to Kochi with the Fleet Commander embarked.

I have no doubt that the pros and cons of providing access to the Chinese to see for themselves training related to non operational aspects of aviation must have been debated in Delhi. I am equally sure that the need to engage the Chinese at multiple levels must have been a factor that permitted this interaction.

As the visit progressed we found the senior officers of the Chinese Navy overwhelmed by the range and scope of training activities. The type of questions and the disbelief with which they witnessed the performance of young sailors and artificers was a sure indication of the nascent stage of aviation in PLAN. It was here that we became reasonably sure that the Chinese find the absence of an Aircraft carrier as a significant weakness and a chink in their armour. Having realised the need to provide air defence to their maritime assets in blue waters they have a burning desire to fill this gap. My assessment clearly reveals that even if they succeed in creating a carrier battle group it would take them at least two decades to carry out successful carrier operations at sea. This of course fits in with their vision for 2050.

Secondly their inability to speak the English language gives them a complex while dealing with foreign navies. It is in this context that they could not believe until they saw for themselves that all our training of even sailors is conducted in English. They are completely

focusing on interacting with foreign Navies in order to register their presence with other navies. Their first multi lateral naval exercise has just been held off Karachi even as I put this article together.

Thirdly the lack of confidence to send their sailors ashore without being monitored in tightly controlled groups reflect the mindset of the erstwhile Soviet Union and their lack of trust in their men. In today's context I can barely think of any other navy of this size which resorts to such harsh measures. Without a doubt they are hoping to interact more and more with other maritime nations but it is the speed of such activities that they are trying to calibrate.

I have no doubt that this audience would have by now hoisted the nuances and implications of each of my observations while putting the big picture together. There are paradoxes that are amusingly stunning. Transformation and management of change are no doubt major challenges for the Chinese navy

In sum, what are the challenges that limit the Chinese desire to become a blue water force?

- Sustained operations beyond 600 nm
- Inability to conduct joint operations
- Poor C4 I2SR capability
- Absence of long range surveillance
- Inadequate air defence capability
- Poor ASW capability
- Poor MCM
- Inability to safeguard the supply of oil from the sea

Implications In IOR

If the challenges enumerated by me are as close as possible to the true capabilities of the Chinese navy today, we may need to reassess its impact in IOR

Purely from the maritime perspective, while the Indian Navy operates frequently in the south China sea, the Chinese are rarely if

ever seen in waters that form our backyard. For instance the Indian Navy conducted a 40 day full fledged exercise in the South China sea, with a battle group including a submarine in 2001, such an exercise is unthinkable for the Chinese. This exercise was widely reported by the western media and welcomed by countries like Singapore, Malaysia etc. The Battle group visited ports of a number of littoral states Including China without seeking fuel from anyone as the tanker could sustain this and much more. The icing on the cake came when our ships weathered two cyclones when the Chinese put their ships into harbour. The moment of glory came when the smallest unit i.e. a Kora class corvette entered a Chinese port with only a broken stanchion!! Since then there has been very healthy respect for the Indian Navy.

This is not to say that we are superior to the Chinese but certainly we have been a blue water force for much longer and thanks to some original NATO procedures taught to us right from the 50s we have been inter nationalized so that we can inter operate with any navy of repute. This takes a generation or more.

What then can we expect from the Chinese? If you cast your mind to the strategy out lined by Adm Liu, they are indeed on the path set out for them. With the acquisition of large destroyers from Russia they are acquiring long legs to cross the threshold of the 600nm limit that appears to have strangulated them. Notice the emphasis is on improving their defences vis- a vis USA. We are still in their peripheral vision. The million dollar question is how long? Hence when the political and economic encirclement of India may continue it can best be matced by a slightly more frequent Chinese presence in the Indian ocean. If we believe that they are on track in respect to their long term plans 2020 is the earliest when effective Chinese presence may be noticed

What should we do until then? Do every thing possible to keep the pot boiling between the Americans and the Chinese in respect of Chinese maritime interests in the Asia pacific region. This will ensure that we continue to remain in the peripheral vision. If the border settlement makes progress so much the better. We must continuously expand our engagement to hitherto unprecedented levels right across

the spectrum of academics to military to economics ,cultural and whatever else is possible. After all we are looking at the single largest trading partner of India. When trade booms all else take a back seat.

Conclusions

Going back to the subject of National power and the various formulae discussed earlier it would appear that China has a definite edge over us. They are able to produce miracles in infrastructure development and other related issues. If all goes well China would be a power to reckon with. There are a few uncertainties. Even as the market economy starts to take deeper roots, internal conflict between the haves and the have-nots would create its own dynamics perhaps leading to party politics much worse than what we have seen in India. Liberalisation of Govt. control such as the recently announced private land ownership are quite controversial and could lead to increased corruption and criminalization of politics. Added to this is the negative factor of the Chinese demographic trends. The combination of a variety of these factors may buy us the time we need to become economically ,technologically and hence militarily strong and stable.

For a change let us use the Americans to do our dirty jobs . It is their aim to keep the Chinese out of IOR -not ours

PAPER PRESENTED BY
DR. SRIKANTH KONDAPALLI

Introduction

The Chinese military modernisation efforts had attracted global attention due to several recent events including the March 2007 increase in defence budget to about \$44 billion; January 11, 2007 successful knocking off of a defunct satellite at about 680 kilometres by a ground based missile; early 2007 testing of a fifth generation of multi-role aircraft; 2006 testing of anti-submarine warfare systems; a well-organised joint military exercise with the Russian armed forces in August 2005; successful manned spacecraft launches from 2003 onwards; October 2004 Han-class nuclear submarine incident near the waters of Japan; a submarine disaster incident involving No 361 Ming class vessel near Neichangshan, east of China and others. These experiments, initiated in the 1980s, have highlighted the Chinese military modernisation efforts.

While the 1950s efforts of China came at a time of general United States containment and embargoes, the recent period witnessed unprecedented engagement of China with several countries and its rise recently. In certain fields, the Western countries embargoes continue (in the aftermath of the 1989 Tiananmen Incident) to this day. Yet the Chinese military modernisation efforts continue to elicit keen interest and, in some quarters, concerns. The Indian defence and external ministry annual reports continue to view such developments as missile deployments and military logistics developments in Tibet with concern, while that of the United States bordering on alarm. Japan, in its defence outline of December 2004, considered Chinese military modernisation efforts as posing threats to its security, while for Taiwanese leadership such efforts pose challenges to its very survival. The Southeast Asian countries, specifically Vietnam and the Philippines, are guarded in response to the Chinese moves in the region, despite their recent trilateral agreement and on-going confidence building measures. These external responses to the Chinese military modernisation efforts, although dismissed by China

in its latest White Paper as creating a racket about “China threat” theory, raise several issues on the direction of such efforts, aims and objectives, content and scale and their impact on regional and global security. A brief attempt is made below to address these issues.

The People's Republic of China (PRC) has launched a comprehensive modernisation programme of the People's Liberation Army (PLA) in the mid-1980s. While the PLA made efforts in this regard from the 1950s, recent phase of modernisation has been wide-ranging and has the effect of changing gradually the traditional image and contents of the PLA in the coming decades. After the 1979 Vietnam War, when China had experienced a relatively peaceful external environment, it made most of this situation by launching modernisation programme. In the recent period, the Central Military Commission (CMC) reportedly projected in the early 1990s a three-stage modernisation programme for the armed forces - viz., an initial modernisation of the three branches from 1992 to 1996; a second phase of “fundamental modernization” by 1998; and a third phase of “basic advanced Modernisation” by 2001.² Further blueprints were drawn with emphasis on mechanisation and informationisation- by the new “fourth generation” of the Chinese leadership after the 16th Party Congress in 2002. The December 2006 White Paper on national defence outlined the roadmap of such modernisation as: “first step is to lay a solid foundation by 2010, the second is to make major progress around 2020, and the third is to basically reach the strategic goal of building informationized armed forces and being capable of winning informationized wars by the mid-21st century.”³

Modernisation efforts of the PLA involved streamlining and reorganising its force structures, raising elite troops, restructuring of command and control mechanisms, restoration of the rank system and grades, emphasis on professional military education, revamping curriculum and upgrading the defence technological capabilities of

2 See *Cheng Ming* March 1, 1992, in *Foreign Broadcast Information Service: Daily Report, China* (hereafter *FBIS-CHI*) *FBIS-CHI-92-045*, March 6, 1992 p 37. See also David Shambaugh, *Reforming China's Military* (Berkeley: University of California Press, 2003)

3 See “China's National Defense” White Paper issues by the State Council on December 29, 2006 at <<http://english.peopledaily.com.cn>>

the personnel. These are meant to enhance military capabilities of the country so as to overcome the perceived challenges of the state. Several factors influenced such modernising efforts, viz., changes in the nature of warfare, technology, ability to divert precious budgetary and human resources, political leadership's choices and outlook, and the like. The actual modernising efforts of the PLA were carried by different defence industrial, staff and other related military establishments.

Such modernisation efforts, however, were subsumed under the overall development of the economy.⁴ A majority of the 156 industrial units established in the 1950s with the Soviet assistance are in the civilian sector, with about 40 catering to the defence needs of the country. Budgetary allocations for modernising defence sector were relatively low, though by the 1990s such allocations have shown an upswing, even in official figures, with two digit increases. Additional constraints on any full blown modernisation of the PLA include "red and expert" discourse, self-sufficiency after the Soviet technicians' withdrawal in 1960, technological factors, export controls by Western countries based on politico-strategic considerations, and the like.

The main objectives set forth for the PLA modernisation programme are to be able to deter the adversary which differed in the last five decades but mainly included the US forces in East Asia (1958 and 1996 Taiwan Straits crises, Korean War, trade embargoes, etc) and territorial and sovereignty issues. Extension of the security perimeters in February 1992 further enlarged the scope of the PLA modernisation. Early modernising trends in the PLA included adoption of the Soviet model of development of the armed forces, viz., the general departments, rank system (which was in force from 1955 till 1965 and resurrected later from 1980s modernisation), translation and implementation of the Soviet training manuals and procurement of modern equipment and systems from different sources. Yet the PLA

4 See "Making Contributions for Attaining New Objectives of Struggle- Seventh Commentary on Studying, Implementing the Spirit of 16th CPC National Congress" *Jiefangjun Bao* January 15, 2003 in *FBIS-CHI-2003-0115* January 17, 2003. The writer argued: "National defense and army building, as important parts of national construction, are consistently of crucial relevance to the existence and development of a country. Only when a country is rich can its military be strong. To enrich a country, its military must be strengthened."

forces in 1979 war with Vietnam showed glaring deficiencies in its modernisation.

Modernising Strategy

Modernising strategic principles have implications to the entire armed forces of a country. It influences the direction of the military organizational set-up, the procurement patterns and quality of military equipment, professional military education and training, besides indicating the direction in which the country responds to others in the region and beyond. A simplified broad brush of the trends in PLA strategy in the last eight decades since it evolved from 1921 indicates to three aspects of People's War (*renmin zhanzheng*) (PW), People's War Under Modern Conditions (*renmin zhanzheng zai xiandai tiaojian xia*) (PWMC) and the Local War Under High-tech Conditions (*jubu zhanzheng zai gao jishu tiaojian xia*). To this may be added the recent emphases on revolution in military affairs (*xin junshi geming*) (RMA) and asymmetric warfare (*bu duichen zhanzheng*).⁵

Recent triggers for modernisation came as a result of the losses suffered in the Vietnam War of 1979.⁶ To overcome the problems in the PLA, a 'strategic transformation' [*zhanlue zhuanbian*] was initiated at the May-June 1985 CMC enlarged conference, aimed at not only demobilising soldiers, but also improving the command system, and upgrading technological level of its weaponry. The Gulf War of 1991 also came as an eye-opener for the PLA in terms of the importance of multi-dimensional combat, rapid-response, in-depth and precision attacks, cruise missiles, and electronic warfare effects on destroying the C3I systems in all spheres of the battlefield.⁷

5 See Michael Pillsbury ed. *Chinese Views of Future Warfare* (New Delhi: Lancer Publishers, 1998) first published 1997; Pillsbury ed. *China Debates the Future Security Environment* (National Defense University, 2000) available at <http://www.ndu.edu/inss/books/pills2.htm> and Qiao Liang and Wang Xiangsui, *Unrestricted Warfare* (Beijing: PLA Literature and Arts Publishing House, 1999) translated at FBISOW2807114599

6 The 1979 Vietnam War showed the weaknesses of the PLA's arms, fighting ability, and lack of experience in directing battles. Deng Xiaoping on March 12, 1980 candidly agreed that 'If a war breaks out, we will find it difficult even to disperse our forces [due to 'bloatedness'], let alone direct operations'. See *Selected Works of Deng Xiaoping* (Beijing: Foreign Languages Press, 1984) p.269

7 See Zhang Yihong, "How did the Persian Gulf War affect the Chinese Army?" December 28, 1998 at <<http://www.kanwa.com/english/981230b.html>>.

The modern hi-tech wars and debates within the PLA impacted on several aspects of war preparations, flexibility, from strategic surprise attack to operational, tactical and technological surprise attack, paralysing enemy's will to fight, to aim at a quick war with overwhelming force, command, control and communications, computers, intelligence operations, surveillance and reconnaissance (C4ISR), importance of precision-guided munitions, air-strikes, improvements in logistics support, information warfare, and development of stand-off weapons.⁸ Towards attaining these capabilities, China has undertaken several measures in the direction of developing elite forces, theatre-command posts, mechanisation of the striking force and armoured corps, amphibious capabilities, advanced weapons programme, including long-range aviation, air-refuelling, AWACS-capable aircraft, aircraft carriers, and force multipliers such as mobile ballistic missile systems, land-attack cruise missiles, and advanced surface-to-air missiles. China is seeking to procure state-of-the-art multi-role fighters, beyond-visual range air-to-air missiles, direction finding and jamming equipment to upgrade its ground-based, ship-borne and air-borne forces.

Force Restructuring

The process of force structure reorganisation took place in various forms, including demobilisation of troops (mainly infantry), or transfer of personnel, reduction in the number of Military Regions (MR) from 13 to 11 and to the current 7, merging of the 36 traditional Field Armies into the current 18 Group Armies, or carving out of elite units (Rapid Reaction Forces and Special Operations Forces) as large-scale reorganization of the ground forces is time consuming.⁹

8 See Feng Haiming, "Dangdai gaojishu jubu zhanzheng zhanlue zhidao fazhan de xin dongxiang" [New trends of development in strategic guidance in contemporary hi-tech local wars] *Zhongguo Junshi Kexue* [Chinese Military Science] (Beijing) vol. 45 no. 4 1998 pp. 162-64; Kan Hui, "Gaojishu jubu zhanzheng de tedian" [Characteristics of hi-tech local wars] *Zhongguo Junshi Kexue* vol. 45 no. 4 1998 pp. 151-55.

9 See James C. Mulvenon and Andrew ND Yang eds. *Seeking Truth From Facts: A Retrospective on Chinese Military Studies in the Post-Mao Era* (Santa Monica: RAND Corp, 2001) pp. 51-86

Several reorganisations of the structure of the PLA took place in order to further the modernisation process. Broadly, the restructuring took place in terms of enhancing professionalism among the personnel, rationalisation of battle order, revamping control and command structures, enhancing combat capabilities, training, administrative and logistics reform and so on.¹⁰ New bodies were created while some structures were abolished in this process of streamlining. From 1949 till present, demobilisation of the troops took place in ten instalments.¹¹ The nearly 121 infantry divisions that existed in the 1970s were reduced to 84 in 1992 to about 46 by 2000, 44 in 2002 and 25 in 2006. A further reduction of these divisions is expected in the coming years, while the armoured and artillery divisions are being strengthened.¹² Rank system was re-introduced in the 1980s.

To fight local wars, the PLA needed Rapid Response Forces (RRF) [*kuaisu budui*] capable of operating independently or in joint operations. Currently it is engaged in the training of 40 RRF units, 20 of which have already reportedly been commissioned or re-designated in different regions and units of the PLA with varying levels of development and capabilities. These RRFs are to be developed in each of the seven Military Regions, in each of the 18 Group Armies and also by the service arms of the PLA in the coming years.¹³

The manifestation of the modernisation drive of Chinese naval structure and fleet followed the pattern of quantitative and qualitative enhancement of ships' capabilities, high-speed boats of enduring capability, quick deployment and coordinated activities.¹⁴ China has also begun the process of modernising its naval bases.

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- 10 For changes in the composition of the combat units see *Dangdai Zhongguo jundui de junshi gongzuo* vol.2 pp. 47-56 and the various annual assessments of International Institute for Strategic Studies, *The Military Balance* (London: various years) and "*Junshi Kongjian*" at <<http://www.tl.ah163.net/personalhomepage/aaa/aaa/lj/s-lj.htm>>
- 11 See "China's Rapid Reaction Force and Rapid Deployment Force" at <http://www.ndu.edu/inss/China_Center/chinacamf.htm>
- 12 See *Zhongguo renmin jiefangjun junguan shouce: Haijun fence* p.299.
- 13 See "China's Rapid Reaction Force and Rapid Deployment Force" at <http://www.ndu.edu/inss/China_Center/chinacamf.htm>
- 14 See *Zhongguo renmin jiefangjun junguan shouce: Haijun fence* p.299.

Efforts in this direction include technological renovation; up gradation of docks, supply of water, and energy at Qingdao, Shanghai, Guangzhou and Zhanjiang ports; and restructuring of Lushun, Zhoushan, Wenzhou and Sanya military ports into different quarters for anchoring, living, logistics and recreation.¹⁵

Another aspect of the reform process is the gradual change in the responsibilities of various aspects of the navy to suit the changing strategic perceptions of the navy.¹⁶

Modernisation of Chinese Air Force structures involved renewal of its various components, reduction in the size of the structure and cutting down in the number of administrative levels, simplification of the pyramidal command levels, introduction of “a highly flexible multi-system composite formation” and integration of various organizations.¹⁷ Specific aspects included development of the Airborne Corps, building specialized forces like the Class-A combat regiments, command automation of missile battalions and anti-aircraft gun companies.¹⁸ Before the 1980s, Chinese Air Force had 12 air corps, 36 fighter divisions, 7 bomber divisions, six attack aircraft divisions and two transport aircraft divisions. After the 1980s, a majority of the air corps headquarters was abolished or transferred to MR Air Force (MRAF) Headquarters or placed as strategic reserves.¹⁹ In 2006, the Chinese air force had 32 air divisions (22 fighter, 3 bomber, 5 attack and 2 transports). In the 1990s a three-layered unified command

15 This is based on the report “Modern naval bases” *China Daily* April 28, 1997 p.3

16 See Srikanth Kondapalli, *China's Naval Power* (New Delhi: Knowledge World, 2001)

17 See Peng Feng, “Drastic Changes To Take Place in Form of Battlefield” *Liberation Army Daily* January 9, 1996 p. 6 in *FBIS-CHI-96-061* March 28, 1996 pp. 27-28; Kenneth W. Allen, Glenn Krumei and Jonathan D. Pollack, *China's Air Force Enters the 21st Century* (Santa Monica: Rand Corporation, 1995) (MR-580-AF)

18 Rong Qingxiang, Zhang Dongfeng and Hong Heping, “Flying Toward a New Century—Summary of Air Force Modernization” *Liberation Army Daily* November 11, 1994 p. 1 in *FBIS-CHI-94-232* December 2, 1994 pp. 23-24 (p. 23) and Xin Ming (chief ed.) *Zhongguo renmin jiefangjun junguan shouce: Hangkong fenge* [Chinese People's Liberation Army Officers Manual: Air Force Part] (Qingdao: Qingdao Publications, 1991)

19 This is based on You Ji, *The Armed Forces of China* (London: I.B.Tauris, 1999) p.122

structure at Beijing, MRAFs and Air Division levels was formed. For furthering the quick response of the airborne troops, RRFs were commissioned. Reorganisation also involved reduction of the obsolescent aircraft in the inventory of the PLAAF. Several of the J-5s, J-6s, J-7s fighters, Hong-series bombers and Yun-transports were retired from service in the last two decades.²⁰ Soon after the 2005 joint exercises with Russia, China reportedly planned to procure nearly 18 Il-78 transports from Russia and Ukraine.

Hardware Modernisation

One of the most concrete indicators of military modernisation is visible in the hardware aspects. China has carried forward modernisation drive in its defence acquisitions either through indigenous sources or through purchases from abroad. Modernising influences were mainly reflected in the form of reform of the defence industrial structure, acquiring advanced weaponry or systems while at the same time withdrawing obsolete equipment from its active inventory. Since large-scale reorganisation is a time consuming process, selective, hi-tech, modernisation and priority funding of "elite" projects became the norm in China.

Ground Forces

In general, the ground forces equipment modernisation involved improvement in the battlefield survivability of the armour, enhancing firepower, targeting systems, crosswind sensors, third-generation night sights, computerized fire control systems, mobility of the vehicles, and provision of the Global Positioning Systems. The 16th Party Congress decided that the PLA needs to give more thrust in mechanising its equipment and spread information technology applications in the armed forces of the country.²¹

20 See John Wilson Lewis and Xue Litai, "China's Search for a Modern Air Force" *International Security* vol. 24 no. 1 Summer 1999 pp. 64-94 (p. 74)

21 "PLA Deputies at NPC Panel Discussion Pledge to Mechanize, Modernize Through IT" *Xinhua* March 17, 2003 in *FBIS-CHI-2003-0317* March 18, 2003

Modernising influence in light and main battle tanks are seen in the development of composite armour panels for enhanced battlefield survivability against small arms fire and shell splinters.²² The latest models of MBTs (from Type 85II) are made of welded steel instead of the previous versions of cast steel turrets. In addition, the Type 90 II indicates explosive reactive armour. Secondly, the power-to-weight ratio has been enhanced over a period of time from 14.44 hp/t in the Type 59 to 25 in Type 90II. Speed has been increased from 40-50 kmph powered by a 520 hp engine of the Type 59 MBT to about 62.3 kmph of the 1,200 hp engine of the Type 90II with enhanced fuel capacity for longer duration operations. Other modernising influences include improvements in infrared night vision equipment, gun stabilizers, and provision of GPS from the Type 85 III model onwards, laser range finders etc.

Improvements in Armoured Personnel Carriers include steel armour and 320-360hp diesel engines that provide higher power-to-weight ratio.²³ Regarding artillery, the NORINCO has also developed various self-propelled guns and howitzers (tracked as well as towed versions) of different calibres (ranging from 203mm, 155mm, 152mm, 130 mm, 122 mm, etc.). The latest models display qualitative improvements in power-to-weight ratio despite a progressive increase in the weight of the guns from the Type 54 to that of the latest 155 mm gun.

Aviation

China revamped its aviation industrial structures and in 1999 the Aviation Industries Corporation (AVIC) was further bifurcated in to two organisations (I & II). In addition, China has commenced simultaneous design and development of advanced fighter aircraft. Six reported versions of fighter aircrafts/fighter-bombers include FC-1, F-10 (developed from 2001 with Israeli technology), F-11 (a version

22 This is based on *Jane's Armour and Artillery 2000-2001* (Surrey: Jane's Information Group, 2000) (relevant pages) and "Junshi Kongjian" at <<http://www.tl.ah163.net/personalhomepage/aaa/aaa/lj/s-lj.htm>>

23 This is based on *Jane's Armour and Artillery 2000-2001* (Surrey: Jane's Information Group, 2000) pp. 4-8; 269-77 and 417-19.

of the re-designated Su-27 fighter aircraft), FBC-1 (JH-7 twin-engine strike fighter for long-range air cover missions), XJ-1 and a stealth aircraft. Major innovations attempted by China are related to multi-functional long-range air superiority with advanced fire control systems, beyond-vision air-to-air missile systems, rapid reaction, electronic warfare, and resistance to electronic jamming and for real time aerial combat and air-to-ground assault systems. Other areas in which China has shown keen interest are AWACS, in-flight refuelling, anti-missile defences, and automatic command and control facilities.

Navy

Admiral Liu Huaqing is considered as a major modernising influence on the Chinese Navy.²⁴ He established four goals in this regard, including electronisation, automation, ballistic missile-equipment and nuclearisation. In modernising its naval equipment, China emphasized on increasing the numbers of surface combatants in comparison to their ratio with that of the subsurface naval vessels. While several obsolete submarines were either decommissioned or put into reserves, the number of destroyers and frigates increased over a period of time. Acquisition of two Sovremenny class destroyers in 1996-99 (and more ordered) with advanced naval guns, radars, tactical missile systems furthers this process. Another significant feature is the increase in the number of amphibious vessels, thus indicating importance given to Marine Corps landing operations for Taiwan and South China Sea Islands operations in the future.²⁵

Qualitative improvements like enhanced firepower, endurance capabilities and reach of the naval vessels and weapon systems have been made. The mobility of the ships has also increased noticeably, thanks to the gradual transition into gas turbines and nuclear propulsion. The endurance capability of the submarines was also enhanced. Acquisition of a large number of Kilo-class submarines, and, possibly, some of the Amur-class with air independent

24 "Youguanhai- jun zhanlue wenti de tantao" [On naval strategy] *Haijun Zazhi* [Naval Force Magazine] June 1986 p.3

25 This section is based on Srikanth Kondapalli, *China's Naval Power* (New Delhi: Knowledge World, 2001)

propulsion, could definitely alter naval capabilities of China in the future. The firepower of the destroyers, frigates and submarines (54 Moskits, Gadfly's, HQ & YJ-series SAMs & SSMs, etc) show substantial improvement, though still not up to the level of a full-fledged blue navy. Automation of SAM launchers is another significant advance.

Strategic Weapons

Changes from minimum to limited nuclear deterrence with its impact on enhancing nuclear stockpile, developing miniature versions, long-range, solid propellant, accurate and MIRV capabilities are broadly the modernising aspects of strategic weapons of China.²⁶

The liquid fuelled and silo-based older-generation Dong Feng 3 and 4 missiles are giving way to mobile and solid-propellant strategic and tactical missiles. The development of the Dong Feng-31 started from the 1980s as a replacement of China's older versions of missiles. This new generation DF-31 three-stage solid-propellant inter-continental-range ballistic missile was test-fired in August 1999 and planned to be deployed in the southern regions of China. DF-31's sea-based version, the Julang-2 SLBM is slated to be deployed on the Type 094 SSBN under-development. The first of the JL-2 submarine-launched IRBM is expected to be operational with the PLA Navy. It was reported that China is in the process of modernising its missile capabilities by making agreements with Russia, including SS-18/19 ICBM technology in 1997-98 to be incorporated in the up gradation of the Dong Fang-31/41 missiles and testing with Russian cooperation of an ABM in the Tibetan Plateau in 1999. MIRV capabilities are another area China is reportedly working at the moment.²⁷

26 See Richard D. Fischer, Jr., "China's Missile Modernisation and Space Warfare Plans" in K. Santhanam and Srikanth Kondapalli Eds. *Asian Security and China 2000-2010* (New Delhi: Shipra Publications & IDSA, 2004) pp. 152-81

27 James Lamson and Wyn Bowen, "One arrow, three stars': China's MIRV programme" *Jane's Intelligence Review* May and June 1997 in 2 parts

Logistics

Logistics modernisation is another area the PLA has been stressing to meet future warfare needs. According to the 2000 White Paper, logistics modernisation are geared to provide

...flexible and effective field facilities for logistical supply, sustainment support, medical aid and emergency repair, surface replenishment, air refuelling and manoeuvrability support for the Second Artillery Force.”²⁸

The PLA in this regard has introduced three major reforms to their logistics units: “linking the logistics work of the three services, carrying out socialized logistics support, and improving the ability of field operation mobile support.”²⁹ In early 2000, China introduced the system of joint logistics by integrating facilities at the MR and local levels; contract system was introduced; and instituted military insurance system among the ranks. Mention here should be made of the roads and railway networks that China has been planning or developing in various regions of the country. From 1951-95 the PLA built about 100 highways in Tibet. Construction of the first expressway on the Tibet-Qinghai Plateau of about 217 km from Xining to Lanzhou was started in 1999 with a cost of Yuan 4.5 billion (\$540 million).³⁰ A railway line of about 1,000 kilometres was completed linking Qinghai with Tibet by July 2006 ahead of schedule.

Training

In order to overcome the contradictions between personnel and technology [*ren he jishu maodun*], as PLA started receiving hi-tech gadgets of late, modernising training of the personnel is crucial. The real test of the equipment in warfare is also seen in the level of the training.

28 “China National Defense in 2000” at <www.fmprc.gov.cn/eng/32221.html#2>

29 See *Xinhua* June 14, 1999 in *SWB FE/3564 G/10* June 18, 1999

30 See Beijing Radio bulletin details of September 16, 1995 at *FBIS-CHI-95-199* October 16, 1995 p. 45 and “Tibet-Qinghai Plateau builds first expressway” *People’s Daily* December 31, 1999 at <<http://english.peopledaily.com.cn/english/199912/31/1999....>>

Training programme in the PLA is imparted in all seven Military Regions (Beijing, Shenyang, Jinan, Nanjing, Guangzhou, Chengdu and Lanzhou ground and air forces and at sea in all the three fleets (North, East and South Sea Fleets) and at the strategic bases. Compared to the pre-1978 period of modernisation when single arm/subject training prevailed, recent training stressed quantitative and qualitative programmes, multi-platform and multi-tasking measures to the troops in addition to pan-theatre experience. The content of the PLA training programme is undergoing a major change to include new subjects. Night and joint operations, "three-attacks and three-defences" (striking stealth aircraft, striking cruise missiles, and striking helicopter gunships; defence against precision strikes, defence against electronic jamming, and defence against reconnaissance and surveillance), simulation methods, red vs. blue confrontations etc are being emphasised by the PLA leadership.

In the 1960s, the PLA followed the training principle of "taking our side as the dominant factor". At the beginnings of the 1970s camp and field training was followed and training units were established. From April 1972 to 1973 about 310,000 officers were trained in rotation.³¹ In 1974, Deng Xiaoping equated training as among the strategic issues to be reformed.³² Subsequently, the mid-1980s strategic transformation of the PLA has also affected in modernising the training methods. Between 1993 and 1995 the PLA launched a reform programme of the training system. This three-year reform programme singled out about 100 ground force units for training in the science of campaigns, tactics and grouping.³³ In 1995 the General Staff Department, the nodal organ for military training, has put forth a "Military Training Outline" which broadly revised the armed forces training from "fighting" a local war to "winning" a local war under high tech conditions.³⁴ Changes in the training methods are aimed henceforth at a transition from:

31 Details on the history of training are derived from *Zhongguo renmin jiefangjun* [Chinese PLA] 2 vols. (Beijing: Dangdai Zhongguo Chubanshe, 1994) vol.1 pp.403-74; Han Huaizhi ed. *Dangdai Zhongguo jundui de junshi gongzuo* [China Today: The Military Affairs of the Chinese Army] 2 vols (Beijing: Chinese Academy of Social Sciences, 1989) vol.2 pp. 220-305

32 *Deng Xiaoping guanyu xin shiqi jundui jianshe lunshu xuanbian* 1993 pp. 167-90

33 "Successful exercises by PLA 'proof' of reform success" *Xinhua* March 19, 1996 in *FBIS-CHI-96-054* March 20, 1996

34 For changes in the training requirements see "Magnificent and mighty armed forces demonstrate their majestic appearance." *Xinhua* July 30, 1997 in *FBIS-CHI-97-211* July 31, 1997

- extensive labour-intensive training to high-quality, high-efficiency and technology-intensive training;
- meeting the needs of fighting a local war under ordinary conditions to meeting the needs of winning a local war under the conditions of modern technology and particularly high technology.³⁵

Subsequently a three-year “high-tide” of training was launched in 1997. In 1998 Jiang Zemin, while addressing a training session for intermediate and high-ranking cadres of the PLA, urged the gathering to find ways to “increase the ability to control a modern war”.³⁶ Jiang Zemin reportedly issued “Essentials of Combined Operations of the first generation” in 1999.³⁷ After assessing the previous cycle of training reform and to aim at “formidable enemies”, a new project of “innovation in four aspects” was launched as a guideline for the early part of the 21st Century in which it is predicted that there would be a “fierce quality competition” among different militaries.

A “five combat abilities” [*wuzhong zuozhan nengli*] campaign was launched by the PLA to train its troops “under modern conditions”. These include cooperative combat ability by including all branches of the armed forces; rapid response ability to attack and eliminate the enemy; electronic countermeasure [ECM] ability to engage in effective electronic monitoring, interference and destruction and ECMs; logistics assurance ability in supply of materials, medical treatment and rescue, equipment maintenance and transportation and; field warfare survival ability.³⁸

According to the “two adaptations, three keeping paces, four transformations” [*liange shiying, sange tongbu, sige zhuanbian*] the

35 Ma Xiaochun and Zhao Xiujian, “Report on PLA’s training reform achievements” *Xinhua* December 8, 1998 in *FBIS-CHI-98-348* December 15, 1998; and *Zhongguo renmin jiefangjun junguan shouce: Hangkong fence* p.194

36 Jiang cited by Chen Hui, “New military training developments noted” *Xinhua* April 8, 1998 in *FBIS-CHI-98-099* April 10, 1998

37 “Military chief stresses need for joint forces” *Xinhua* February 17, 2000 in *SWB FE/3773 G/6-7* February 25, 2000

38 See *The Lexicon* vol.2 p.173

reserve forces were ordered to adapt to the current strategic changes and the objective requirements of war-time mobilisation; to keep pace with modernisation, regional economic reforms, organisation building and upgrading and deployment of weaponry among militias; transform from training of reserves to specialized technical training, from haphazard and miscellaneous training to specific orientation, from emphasis on quantity to quality, and from low-calibre training of "everyone can fire a rifle and toss a grenade" to base-oriented training.³⁹ In the Chinese joint operational training, officers of various armed services were urged to "widen" their field of vision about other services and develop joint formation, joint tactics and joint training.⁴⁰

Military Exercises

China has conducted more than 300 military exercises in the last five decades with their numbers increasing after the modernisation programme was launched in 1978. Though the military exercises of the earlier period were either by single service or are confined to limited geographical area or subject, after the modernisation drive was launched, combined arms exercises became the norm. Subjects dealt with in these training programmes included the so-called "three-changes"- change from technical training to tactical training, from training on a single type of airframe to multiple air frames; and from operation by a single arm of the service to operation by combined arms of the service.

In early 1970s, a new policy of "three attacks and three defences" was initiated to train troops in "attacking tanks, aircraft and paratroopers and defending against atomic bombs, chemical warfare and biological weapons." Military exercises conducted from 2000 stressed the same principles of "three attacks and three defences" of the early 1970s albeit with changed contents of "attacking stealth aircraft, cruise missiles, and armed helicopters; defending against precision strikes, electronic interference, and reconnaissance and

39 The Lexicon vol.2 pp.277-78

40 He Jiasheng, "New train of thought vital to joint operations" *Liberation Army Daily* May 8, 2001 p.6 in *FBIS-CHI-2001-0508* May 10, 2001

monitoring". In addition, from the recent period China has initiated joint military exercises or operations with other countries, including with Russia, Central Asian Republics, Pakistan and India, though the scale of such operations have been limited in scope and extent to include counter terrorism, and search and rescue operations.

Simulation

Simulation exercises include a careful and critical study of an imaginary opponent's combat skills, relative evaluation of equipment on both sides, awareness of the opponent's tactics, actual operational requirements, and so on. At the end these simulated exercises are expected to augment one's own combat capabilities, overcome weaknesses, and, given current Chinese inventory backwardness, "overcome the superior with inferior equipment." The other advantages of such simulated exercises are easy adaptability to veritable environments, cost-effectiveness, scientific inputs, ability to carry out high-quality exercises at any time.

Conclusion

The PLA is in the process of modernising its doctrinal principles, inventory, force structures, education and training. Progress in the last two decades has been higher than compared to the previous period, given the concerted efforts after launching of the Four Modernisation programme from the late 1970s. Extension in the security perimeter of China in 1992 further added to this modernisation drive.

Modernisation of the PLA affected the power projection forces like the air, naval and missile forces, while less emphases was placed on the ground forces which were actually downsized. PLA's journey towards elitism is reflected in the process. Additionally, professional trends were introduced with younger profile and retirement age limits, rank and grades, reforming curriculum in the academia, emphasis on technical cadre, etc. Nevertheless, one frequently comes across the phenomenon of lack of initiative and innovation of PLA troops in the training programme. Conventionally, more modernisation efforts lead

to more professionalism among the ranks and may lead to less hold of the CCP over the PLA.

Hardware modernisation made progress with indigenous efforts and acquisitions from abroad, mainly Russia, France and Israel, though with these two sources, China faced problems such as high technology development, integration of different systems, export controls, and budgetary constraints. Earlier efforts at reverse-engineering, that consumed more than a decade, are giving way to joint design and development or licence-manufacturing agreements and selective systems imports from abroad. Shifts towards 21st Century warfare technologies, RMA, IW and space technologies may be seen in the R&D process with strategic frontiers as focus. The early 2003 accident involving an indigenously-built Ming class submarine No. 361 near Neichangshan Islands has been a set back, though.

One effect of the modernisation drive is that defence spending increased to double-digit figures throughout the recent period. Western estimates on China's actual spending on defence sector to be four times that of the official figures to make it the second largest defence spender in the world after the US and displacing that of Japan.

Modernisation of the PLA forces has highlighted the significance of challenges for the neighbouring countries, though current military build-up indicates to their orientation towards Taiwan, Senkaku/Diaoyutao, and South China Sea Islands. Possible military action by China in Taiwan Straits include six different ways viz., SRBM pre-emptive strikes; attacks to paralyse electronic and C4I systems; air strikes; deployment by airborne forces; conducting submarine blockades; and amphibious landing operations. In addition, the resolve to fight and win local wars on borders poses a challenge to regional stability. While the current focus of the PLA forces and modernisation efforts are towards the eastern sea-board, military logistics modernisation in the western portions of the country indicates to the futuristic plans and implies that India-China border areas could become active in the medium to long term.

**CLOSING REMARKS BY THE CHIARMAN
DR. MADHAV GODBOLE**

This has been a very rewarding experience. We have heard several sides of the issue. The internal security concerns are far more important for India than for China. What do we do about internal security? The Indian development has a vibrant social sector and it is with state control. In China, the private sector is flourishing in a socialistic economy.

In India, do we have a strategy in dealing with China? There has been no policy. We have threat on every front in respect of China, but we are not aware of it.

The word secular features in the basic structure of the Indian constitution, and is accepted by the Supreme Court. It cannot be questioned or changed. There is a necessity to examine the basic issues.

On the border issue, my colleague said, what is the hurry. The threat from China is on all fronts. On the Transfer of Power Document, Pandit Jawaharlal Nehru wrote to the Governor General that the way border is being drawn, it will create problems all over. Nothing came out of it. Mountbatten expressed that it will all get sorted out in time. Nehru had suggested borders along the natural lines and contours.

The para military forces strength is half a million. They are asking for two lakh more for guarding the border. That would mean a huge financial requirement. On the border issue it was decided that the Group of Ministers would meet every quarter and examine and monitor progress. During last five years the Group of Ministers has not met even once. Similarly, the National Security council has been set up on the lines of USA and western nations. No major issues of relevance and importance have yet been taken up by the National Security Council. There is despondence that there is no mechanism to look into the problems of India. The positive outcome is that the distinguished panelists of this seminar should taken the above message to Delhi and awaken them.

SUMMARY OF DISCUSSIONS

- India and China are not mere nation states, but two large civilisations. They make up one third of human population. They are too large to be contained by others and too large actually to contain each other.
- The base of the economic rise of China and India is very different. In case of India, it is private sector led growth and in case of China it is state driven growth. In case of India it is white collared growth and in case of China, it is blue collar, manufacturing led growth, and it is the private sector that is leading the economic growth.
- In case of China its huge growth is propelled on the back of large trade surpluses. In case of India imports surpass exports, and iron ore constitutes the major item of India's exports.
- The huge foreign exchange reserves of over one trillion US dollars gives China tremendous clout in international monetary and financial system, including in the US system.
- China's weaponry is intercontinental in range whereas India's is sub-continental.
- China has registered sustained double digit increase in military spending over a quarters of century. Chinese defence spending is geared to enhancing capabilities and developing robust deterrents. Its focus is on expanding domestic armament production base.
- China launched the Four Modernisation programme of the PLA since 1970, from initial to fundamental to basic advanced and then to mechanization and informationisation by the fourth generation of the Chinese leadership after 2002. This has strengthened and widened the power projection forces like the air, naval and missile forces. This highlights the significance of challenges for the neighbouring countries. India needs to take a very serious note of this development.

- India's defence spending of 2.3 percent of GDP is very low when compared to the developed countries and China. Any increase in India's defence budget, because of reliance on imports helps the military industrial complex in Russia, Israel, France and the US. Domestic armament industry remains therefore under developed.
- China is one of the largest exporter of arms in the world and its three largest clients are India's immediate neighbours Pakistan, Burma and Bangladesh. It aims to realign balance of power in its favour.
- India does not have even minimal deterrent against China.
- The issue that divides India and China is Tibet. What was once a buffer between the Indian and Chinese civilisations remains the main divide between India and China. Acquiescing to Chinese forcibly taking over of Tibet without any protest by India, quietly surrendering its rights and privileges in Tibet without any protest reveals the strategic blinkers on the part of the Indian political leaders. The two nation states consequently became new neighbours, enabling Chinese to assertively claim huge chunks of Indian territory.
- India and China have been discussing the border issue for over twenty five years without any result to show border settlement.
- India and China have never really defined their frontline. They do not have a line of control which is mutually defined and mutually accepted. The Chinese talk about the Line of Actual Control, which makes discussions farcical. Border settlement is a core issue in India China relations and cannot be brushed aside and pushed under the rug.
- The Chinese lay claim to huge Indian territory, i.e. Arunachal. India claims Aksai Chin which illegally was handed over to China by Pakistan.
- The Chinese are building two North South and one East West

corridors connecting them through network of rail and road and airports and giving them access to the Bay of Bengal and the Arabian Sea. They are building a port in Hambantota in Sri Lanka. They are also building an Energy Corridor. Strategically India is being enveloped from all directions. India needs to seriously consider the strategic implications of this envelopment.

- What gives a country strength and great power status is not merely GDP growth rate. There are other important factors, eg. Political equation, internal stability favouring capital development, leadership quality, quality of state craft, good governance and forward looking policies.
- Both the countries are becoming more and more unequal. This will have repercussions in social stability and internal stability.
- Both in history and today India and China have been very proud of their policy of independence. They have kept away from military blocks. Both will seek to be independent powers. Both have similar aspirations. Both have large societies. Both are growing fast economically. Certain friction is unavoidable, and that requires that the political issues that divide India and China should be handled wisely, intelligently and tactfully and should not be ignored.

**EMERGING WORLD ORDER AND SINO INDIAN
RELATIONS
SEMINAR : 21st March, 2007
(Venue : Yashwantrao Chavan Academy of Development
Administration (YASHADA)
New Auditorium, Baner Road, Pune)**

LIST OF PARTICIPANTS

- | | | |
|------------------------------------|---|------|
| 1. Dr. Madhav Godbole | - | CASS |
| 2. ACM (Retd) H. Moolgavkar | - | CASS |
| 3. Lt Gen (Retd) RK Nanavatty | - | CASS |
| 4. Shri MK Mangalmurti | - | CASS |
| 5. Prof. Gautam Sen | - | CASS |
| 6. Air Marshal (Retd) S. Kulkarni | - | CASS |
| 7. Shri Prakash Shah | - | CASS |
| 8. Lt Gen (Retd) BT Pandit | - | CASS |
| 9. Lt Gen (Retd) DB Shekatkar | - | CASS |
| 10. Gp Capt (Retd) SG Chitnis | - | CASS |
| 11. Brig (Retd) Vivek Sapatnekar | - | CASS |
| 12. Brig (Retd) RR Palsokar | - | CASS |
| 13. Lt Gen (Retd) A. Mukherjee | - | CASS |
| 14. Wg Cdr (Retd) MY Kasbekar | - | CASS |
| 15. Maj Gen (Retd) SG Pitre | - | CASS |
| 16. AVM (Retd) RD Limaye | - | CASS |
| 17. Prof. AV Bhagwat | - | CASS |
| 18. Air Cmde (Retd) AP Valavade | - | CASS |
| 19. Rear Admiral (Retd) SS Godbole | - | CASS |

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| 20. | Shri VL Date | - | CASS |
| 21. | Brig (Retd) DA Paranjape | - | CASS |
| 22. | Air Cmde (Retd) A. Mahabaleshwarkar | - | CASS |
| 23. | Shri M M Sharma | - | CASS |
| 24. | Air Cmde (Retd) RV Phadke | - | CASS |
| 25. | Shri PB Kulkarni | - | CASS |
| 26. | Brig (Retd) HC Dhodapkar | - | CASS |
| 27. | Shri NN Sathaye | - | CASS |
| 28. | Prof. Devendra Vispute | - | CASS |
| 29. | Brig (Retd) SG Sathe | - | CASS |
| 30. | Shri PC Khole | - | CASS |
| 31. | Shri CV Ranganathan | - | IFS (Retd) |
| 32. | Dr. Tapan Bhaumik | - | Chief Economist, Reliance Industries Ltd. |
| 33. | Dr. Brahma Chellaney | - | Professor of Strategic Studies, CPR |
| 34. | Vice Admiral (Retd) SCS Bangara | - | Former Commandant, NDA |
| 35. | Dr. Srikanth Kondapalli | - | Professor Centre for East Asian Studies, JNU |
| 36. | Major Dharmendra Yadav | - | CASS / NDA |
| 37. | Major GS Puri | - | CASS / NDA |
| 38. | Lt DS Bareth | - | CASS / NDA |
| 39. | Lt Col Sushil Pradhan | - | CASS / ACCS, Ahmednagar |
| 40. | Brig VK Bhatt | - | CASS / BEG & Centre |
| 41. | Lt Col Birendra Singh | - | CASS / BEG & Centre |
| 42. | Maj Vilas | - | CASS / BEG & Centre |
| 43. | Col Gurudev Singh | - | CASS / MITS |
| 44. | Col Virendra Tomar | - | CASS / MITS |
| 45. | Maj V Katoch | - | CASS / MITS |

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| 46. | Maj P Mishra | - | CASS / MITS |
| 47. | Maj J Ninan | - | CASS / MITS |
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| 51. | Col G. Mukherjee | - | DDSS, University of Pune |
| 52. | Col RV Athavale | - | DDSS, University of Pune |
| 53. | Col Mohammed Saijad | - | DDSS, University of Pune |
| 54. | Col RR Nimbhorkar | - | DDSS, University of Pune |
| 55. | Col AK Sinha | - | DDSS, University of Pune |
| 56. | Col RS Ghanwat | - | DDSS, University of Pune |
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| 63. | Mr. Deepankar Pagare | - | DDSS, University of Pune |
| 64. | Mr. Kapil Patil | - | DDSS, University of Pune |
| 65. | Col Atul Joshi | - | University of Pune |
| 66. | Mr. Ganesh Jadhav | - | University of Pune |
| 67. | Mr. Shivaji Mane | - | University of Pune |
| 68. | Mr. Ananda Pandhare | - | University of Pune |
| 69. | Dr. SK Sabnis | - | DRDO (HEMRL) |
| 70. | Capt (Retd) Rajan Vir | - | Indian Maritime Foundation |

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| 71. | Mrs. Gita Vir | - | NSCC, Pune |
| 72. | Mr. SK Jadhav | - | Sakal |
| 73. | Mr. Sarang Dastane | - | Sakal |
| 74. | Mr. Prasad Kulkarni | - | Herald |
| 75. | Mr. Nitin Brahme | - | Press |
| 76. | Mr. VK Apte | - | |
| 77. | Col (Retd) A.B. Deshpande | - | |
| 78. | Mrs. Lata Chitnis | - | |
| 79. | Ms. Ranjan Puranik | - | |
| 80. | Gp Cpat (Retd) SB Haldule | - | |
| 81. | Mr. Kiran Patil | - | |