
CENTRE FOR ADVANCED STRATEGIC STUDIES



**PROCEEDINGS OF SEMINAR
ON
THE EMERGING CHINA :
POLITICAL, ECONOMIC AND
MILITARY IMPLICATIONS FOR INDIA
22 - 23 NOVEMBER, 1994**

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Industrialist & Gandhian
- Shri R.D. Pradhan
(Former Home Secretary
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SEMINAR

THE EMERGING CHINA : POLITICAL, ECONOMIC AND MILITARY IMPLICATIONS FOR INDIA

SEMINAR : 22-23 NOVEMBER, 1994

(Venue : Namdev Sabhagruha, Pune University)

The Seminar on "The Emerging China : Political, Economic and Military Implications for India," held on 22nd and 23rd November, 1994 in the Namdev Sabhagruha in the University of Pune was a major one. There were over one hundred participants. These included renowned social scientists, human rights activists, legal luminaries, captains of industry, academicians, research scholars and students, high ranking civil and military officers, serving as well as retired from Pune region as well as from Delhi. Some of the distinguished participants, former foreign service officers, had observed China from close quarters and were associated/involved in formulating India's foreign policy. The list of the participants of this well attended seminar is given separately.

The views expressed by the speakers are their own and not attributable to any institution/organization.

The Centre for Advanced Strategic Studies (CASS) is grateful to the Ministry of External Affairs, Government of India, New Delhi for providing financial assistance for the seminar.

Introduction

Nearly two centuries ago, Napoleon Bonaparte had said, "China, there's a sleeping giant. Awaken him and he will shake the world". No people in this century have been seasoned and hardened as the Chinese. Rising from the humiliation of the sacking of Beijing during the Boxer rebellion through the Japanese aggression, the Civil War and Korean war China has emerged as a super power in her own rights and appears to be destined to be one of the most dominant powers in the next century. Despite reverses suffered at various times the Chinese leaders have displayed a remarkable foresight in safeguarding their strategic perceptions and promoting national

security interests. Their handling of relations with the super powers and their neighbours can only evoke admiration of the highest order. The deftness and cynicism which they have displayed at times was evidence of having mastered the art of "real politics". The outstanding and consistent element in their policy has been never to bargain from a position of weakness and never to resolve an issue to their disadvantage.

China is nearly three times the size of India with a population of 120 crores against India's 90 crores. In 1949 the economic development of the two countries was at almost the same level. Today, China's progress, measured by any important economic indicator, overshadows India's progress by atleast three to four times.

Its liberalisation and economic reforms since 1978 brought in spectacular gains and GNP growth. It doubled its 1980 GNP in seven years and is set to quadruple it by 2000. By then, it will be counted as a middle income country. Currently, its GNP annual growth rate is 13 percent. Its target is to bring the GNP upto a level of average developed country by mid 21st century. The World Bank's Annual Report of 1991 states that China reduced absolute poverty from 20 percent in 1981 to 6 percent in 1989. A Pentagon Report on long term strategy forecasts that by 2010, China may emerge as the World's third or fourth largest power in economic and military terms altering the global landscape.

China's economic reforms are a unique experiment in combining economic deregulation and political regimentation. Presently, its annual favourable trade balance is 20 billion US dollars out of which 13 billion is with the USA. The Tiananmen incident resulted in a temporary setback due to sanctions. Fearful of losing lucrative trade to competitors, these were lowered one by one very soon, by the Western countries. Despite sporadic threats on human rights violations and on Tibet, the USA continues to accord and extend Most Favoured Nation (MFN) status to China. Eco-politics takes precedence over other considerations. On 17 Oct. 94, the US and China set up a joint defence conversion commission to promote the use of defence industrial, technological and scientific facilities and personnel for peaceful purposes, ensuring regular high level contact and sharing experiences and lessons from defence industry conversion.

At present, the economic growth suffers from the flaw of regional imbalances and also seeping corruption. In a move to assert central

control, the Government ordered smashing of regional protectionism wave that has riven the country with road blocks, illegal fines and unofficial currencies, smashing market protectionism and improving distribution. Chinese leaders are anxious to reverse proliferation of city, town and provincial power bases. The decade of reform has increased the economic muscle of many regions. They are reported to have achieved a reasonable degree of success. They now face a series of inter-locking, socio-economic and political problems that may eventually prove more daunting in the post-Deng period, about to commence.

According to the Chinese theory of comprehensive national power, economic and technological advancements as well as political stability and ideological purity are integral components of national strength. Rapidly growing GNP also means more funds for defence.

China has 2.9 million persons in the armed forces, backed by 1.2 million reserves. It has 90,000 strategic Rocket Units, 14 ICBMs with megatonnage capacity, out of which 4 are mod tested with MIRV, 60 plus IRBMs, 48 submarines, out of which one is SSBN with 12 CSS-N-3 and 5 SSN (8 under construction), some with 16 launch tubes with 2200 km to 3000 km range and possible 1 x 2 mt warhead in testing. Its space programme has made significant headway. It offers atleast six launch vehicles ; 1D-A, Long March 2C, 2E, 3, 3A and 4 capable of placing 750 kg to 4000 kg payload into low geosynchronous/geostationary orbit. It has developed special customer facilities at Xinchang and has decided to use predatory pricing to establish itself in the world market. It continues to refine and augment its nuclear stockpile. China's military leaders assert that the second generation improvement in mobility, reliability and overall survivability are essential to make its modest deterrent force to be credible into the next century. China continues with its nuclear tests even when other NWS have called a moratorium. Chinese experts estimate that there will be as many as four more tests of China's new warhead designs, and these may go on till 1996. It aims to acquire a credible retaliatory ability against the US and Russia.

It is estimated that by mid 1980s, China was exporting two billion dollars worth of arms. Its exports included Silkworm missiles, cruise missiles, CSS-2 missiles (of 2200 miles range to Saudi Arabia), artillery shells, mortar-rounds, anti-tank weaponry etc. These were to countries, whenever and wherever opportunities arose. It has a secret

military cooperation agreement with Israel. Janes Defence Weekly estimated Israel-China trade at 3 billion dollars. It gave Pakistan design of a nuclear warhead and conducted a nuclear test on its behalf. It sold many major weapon systems to Pakistan including M-11 missiles, which resulted in US embargo in August, 1993. This is now being lifted after it recently signed an agreement with the USA suspending export of missiles, their components and technology in respect of missiles with an inherent capability of 300 km range. China's arms exports are governed by a judicious mix of commercial and geo-political considerations.

China has taken a major step close to a future role as the policeman on the east and south east Asian beat. It enacted "The Law of the Peoples Republic of China on its Territorial Waters and Their Contiguous Areas". The territorial boundaries are not defined precisely by longitude and latitude. This gives it flexibility in claiming areas. It has claimed a vast area containing many islands including the Paracels, which it grabbed from Vietnam through gun-boat diplomacy, the Spratly islands which are claimed by Vietnam and other South East Asian countries, the Senkoku Islands controlled by Japan. It has laid down conditions for the use of these waters. It has signed a contract with Croston Energy Corporation of Denver US for oil exploration on a part of sea covering 9700 sq. miles, assuring them full naval protection. This part of the sea is also claimed by Vietnam. Vietnam too has given a contract to another American Company for oil exploration. The Chinese are not permitting this company to carry out its work. Spratly Islands could be a flash point.

For rapid economic growth, China will seek a stable and peaceful environment, atleast till it reaches a stage of being able to flex its muscles without fear of retaliation. It can well afford to play for time as its security is not threatened. Patience is a well known Chinese virtue.

Tibet is now well connected with the mainland with a network of roads, airfields and oil pipelines. It does not accept the Sino-Indian border as depicted on Indian maps. It rejects the watershed principle and insists on actual line of control which earlier kept on advancing from time to time. Its intrusion into Sumdrong Chu valley in Arunachal Pradesh, its protests over grant of statehood to Arunachal Pradesh, over declaration of Sikkim as one of the states of India, its inflexible stance on the border issue, its claims on 50000 sq.kms in India's north-

eastern region and another chunk in Aksai Chin, the Karakoram highway and another parallel highway - these are central issues, cause for India's concern.

Recent improvements in Sino-Indian relations have relegated these issues to the background. The danger that these issues can be reactivated by the Chinese at a time convenient to them and inconvenient to us cannot be lost sight of. Similarly, China getting closer to the West Asian countries as well as the pathologically hostile Islamic republic of Bangladesh and Pakistan are a matter of serious concern to us. No less is the recent activation of Chinese interest in Myanmar and reports of the appearance of a Chinese Blue Water Navy in the Indian Ocean.

With one fifth of world's population, a pulsating economy, third most powerful nuclear weapon state, veto-wielding permanent member of the UN Security Council, ever alert and ruthless in pursuing its national interests, China carries tremendous clout. Deng Xiaoping shielded China from too much, too fast liberalisation and from roads of capitalism generated by glasnost and perestroika. He put together a team to ensure that the economic reforms continue. The present leaders, Jiang Zemen, the General Secretary and the Chairman of the Military Commission, Mr. Li Peng, the Prime Minister and Mr. Zhu Rongji, the Deputy Prime Minister are at the helm of affairs in the post-Deng era. It is to be seen as to how this team works and takes the country into the 21st century.

Geography has ordained China and India to live together. For most of the time they have lived together in peace. The Himalayas ensured this in the past. In the last forty years, it is the same Himalayas which have brought the armies of the two countries in a eye-ball to eye-ball confrontation. While tensions between the two countries are decreasing the gap that grows between the economic development of the two countries causes apprehension. Will the Chinese giant, now that it has been awakened, be a belligerent one or will it be a friendly one? How will China look upon India's place in the sun? Will China resent the role that India's size, its population and its inherent strength entitle it to play on the international field or will China welcome the two countries coming together in common endeavour to play a benign role in human affairs - as they have done in the past?

India has the potential, in the long run to be counted and stand in full measure along side China, provided its liberalisation programme succeeds in rising above prevailing corruption and politicking. What are the prospects of economic cooperation between the two countries to successfully face the onslaught of the USA and Western countries? Could India get marginalised and make little progress in the world trade due to fierce competition from China and the Asian Tigers and the countries of the Pacific region? What does India need to do to safeguard its security interests against potential threat to its economy, to its political stability in the north-east region, and on the military front from China? What sort of deterrence does India need to develop against China? Will China remain cohesive in the post-Deng era? In case of irreconcilable internal dissensions in China, what would be the impact on India? The seminar is expected to provide answers to these and allied questions after evaluating the changing scenario.

PROCEEDINGS OF THE SEMINAR

Shri R.D. Pradhan, President, CASS, on behalf of the Centre, and all the seminar participants paid homage to late General Bipinchandra Joshi, former chief of Army Staff. He said that the late General was a scholar, a thinker and a doer with innovative ideas and only a few days ago, was honoured by the University of Pune. He had established the Chhatrapati Shivaji Chair for Strategic Studies in the Pune University and wanted many more similar chairs to be established in other universities to promote greater interaction and coordination between the armed forces and the academe. The seminar participants stood and observed one minute's silence to pay respects to the departed soul.

Shri R.D. Pradhan, then opened the seminar and welcomed the distinguished visitors from Delhi and all the seminar participants. He thanked Professor S.C.Gupte, Vice Chancellor, Pune University for his very valuable support to the Centre in terms of infrastructure and facilities, right from its inception.

The seminar was chaired by Shri R.D. Sathe, former foreign secretary and Vice President of the CASS. Shri. C.V. Rangathan, former Ambassador to China and France gave the keynote address on "The Emerging China : The Asian Miracle and Sino-Indian Relations", in the first session, which had Major General Banerjee of the IDSA as

the discussant. Shri. Shivshankar Menon, Joint Secretary (NE), Ministry of External Affairs dwelt on the Sino-Indian relations in the global context as the main speaker in the second session. Prof. Gautam Sen was the discussant. On the following day, that is, 23 Nov. 94, the well known expert on China, from the Jawaharlal Nehru University, Prof. G.P. Deshpande focussed on the economic and political implications of the emerging China on India, as the main speaker in the third session. Shri. Sharad Marathe and Dr. (Col) BSKS Chopra were the discussants in this session. The fourth session chaired by Admiral J.G. Nadkarni (Retd), Director of the Centre had Major General D Banerjee, Deputy Director of the IDSA, New Delhi as the main speaker covering the military dimension. Brigadier (Retd) N.B. Grant and Major General (Retd) K.S. Pendse were the discussants.

After the presentation by the main speakers, and remarks/ observations by the discussants each session was thrown open for general discussion, which proved animated, lively, thought provoking and useful.

INAUGURAL SESSION

Shri R.D. Sathe, Vice President of the Governing Council of the Centre for Advanced Strategic Studies (CASS) as Chairman of the Seminar welcomed the distinguished gathering. Mrs. Thatcher, he said, had once remarked that it is good to know your enemy, who later could be a friend. He said that it was advisable to do some crystal grazing on China and explore likely areas of congruence between India and China in the future. He said that it was a mistake to either overestimate or underestimate an enemy. It is necessary to know the enemy's strengths and weaknesses. Economic strength is the most important element in adversarial confrontation. He said that China is thought of as a developing country, a trading country. One needs to take note of the fact that China had invented paper and gunpowder long ago and that science and metallurgy were well developed in China many many years ago. Indian craftsmen in North India preferred to use Chinese make tools rather than European make. Steel making in China was not a backyard proposition, but it was highly developed. The Chinese Emperor told the first British emissary when the latter presented his credentials, "We, as a country have every thing we need. We don't need anything from you. But you are free to buy from us." China was self sufficient. The nineteenth century reduced China to colonial status. It is now emerging as a major power.

He felt happy that the Centre had as the main speakers for the Seminar four eminent persons long associated with China studies. They would signpost those areas where we are going and where China is. He said that by observing anonymity in questioning, the questions would be provoking and will throw up new ideas.

The Chairman introduced the main speakers. He said that Mr. C.V.Ranganathan, former Ambassador to China and France had joined the IFS in 1959 and was in the first batch to learn Chinese in Hong Kong. He was the First Secretary in Beijing during the cultural revolution in China. He would venture out and read Chinese posters etc. to gather intelligence. Chinese then were concerned about the points of haemorrhage in their cultural revolution. He has written several articles on China and continues writing. Mr. Shivshankar Menon, Joint Secretary (NE), Ministry of External Affairs, was currently handling the Chinese affairs. He would be able to focus on the subject with the advantage of being an insider. Prof. G.P. Deshpande from the Centre for East Asian Studies, School of International Studies at

the Jawaharlal Nehru University was a well known Sinologist, had studied Chinese and had visited China a number of times. A prolific writer and a regular contributor to the Economic and Political Weekly, he would be focussing on the political and economic implications of the emerging China in the third session. Maj Gen D. Banerjee, Deputy Director of the IDSA, New Delhi has recently visited China. He has been writing on the emerging international scenario and the developments in the east and far east. He will be covering the military implications in the fourth, that is, the last session. The Chairman invited Shri Navalmal Firodia to inaugurate the seminar.

INAUGURAL ADDRESS BY N K FIRODIA

I compliment the Centre for Advanced Strategic Studies for organising this seminar on "The Emerging China : Economic, Political and Military Implications for India". This is a very vital subject of national importance. It requires comprehensive study of historical events and contemporary facts, mature deliberation, which would result in formulation of short and long term policy. I am looking forward today to the studied and well thought out contribution by eminent participants including the Chairman Mr. R. D. Sathe, who have taken active part in the formulation and implimentation of our Defence and Foreign policies.

For a layman like me the problem simply put forth is "will China be a menace to India or will she be a friend of India ?".

China could not have been a menace to India if we had not committed two blunders.

First, if Pandit Nehru, the then Prime Minister had not rushed under the pressure of Lord Mountbatten to the United Nations on the Kashmir issue against the advice of Sardar Patel and also considering the fact that Gen. Thimayya had requested to allow him only a week to push back the then unorganised raiders to the well demarcated boundaries, there would have been no Karakoram Highway and no direct interlinking between China and Pakistan and the consequent happenings.

The second blunder was the ignoring of written advice given by Sardar Patel to Pandit Nehru as early as on 4th June 1949. I quote "We have to strengthen our position in Sikkim as well as Tibet. The

further we keep away the communist forces the better. Tibet has long been detached from China. I anticipate that as soon as Chinese have established themselves in rest of China, they will try to destroy its autonomous existence. You have to consider carefully your policy towards Tibet in such circumstances and prepare from now for that eventuality." Against this clear advice but due to the deliberate wrong information given by the fellow travellers of Communists like K.M. Pannicker and Krishna Menon and others, Pandit Nehru was intending to recognise China. Sardar Patel again wrote on 6.12.1949, I quote "It seems your intention is to recognise China soon after the UN Session ends, even if it means that others are not ready by then or prepared to do so. My own feeling is that we do not stand to gain anything by giving a lead. In case however you feel that we must recognise China earlier than others I feel we might have a discussion in the Cabinet". Pandit Nehru replied the same day "Our Advisers are of the opinion that it would be definitely harmful to recognise China after the Commonwealth have done so. It would mean we have no policy of our own, but follow dictates of other countries." The inevitable happened.

In September 1950 Pandit Nehru complimented Mr. K.M. Pannicker for his skill as an Ambassador to Peking as Pandit Nehru noted that he gets on very well with Chinese Government. A month later Peking started the military action to 'liberate' Tibet. Sardar Vallabhbhai Patel accused China of aggression and spoke of Tibet as "a country" in public utterance in Ahmedabad.

Pandit Nehru also ignored a hint from Mr. Henderson that the Foreign Affairs Department of U.S.A. will help in this matter if asked for. But Nehru refused to countenance a breach with China.

Sardar Patel to record his views again wrote to Pandit Nehru on 7.11.1950 I quote, "I have carefully gone through the correspondence between the External Affairs Ministry and our Ambassador in Peking and through him the Chinese Government. Chinese Government have tried to delude us by professions of peaceful intentions. There is no doubt that during the period covered by this correspondence the Chinese must have been concentrating for an onslaught on Tibet. The final action of Chinese in my judgement is little short of perfidy. The tragedy of it is that Tibetans put faith in us, they chose to be guided by us and we have been unable to get them out of the meshes of Chinese diplomacy or Chinese influence. It is impossible to imagine

any sensible person believing in the so called threat to China from Anglo American Machinations in Tibet. If the Chinese put faith in this, they must have distrusted us so completely as to have taken us as tools or stooges of Anglo-American diplomacy. This feeling if genuinely entertained by the Chinese inspite of your direct approach to them, indicates that even though we regard ourselves as friends of China, the Chinese do not regard us as their friends. We had a friendly Tibet which gave us no trouble. We seem to have regarded Tibetan autonomy as extending to independent treaty relationship. The Chinese interpretation of suzerainty seems to be different. We can therefore safely assume that very soon they will disown all the stipulations which Tibet has entered into with us in the past. The undefined state of the frontier and the existence on our side of population with affinities to Tibetans or Chinese have all the elements of potential troubles between China and ourselves. For the first time after centuries India has to concentrate itself on two fronts simultanously. In our calculations we shall now have to reckon (apart from Pakistan), with communist China in the North and the North-East. We have to attend to Military and intelligence appreciation of the China's threat, a long term consideration of our Defence needs, review of the question of China's entry into the United Nations, political and administrative steps to strengthen our Northern and North-Eastern frontiers, measures of internal security in the border areas, improvement of communications in these areas and with the frontier outposts and a strengthening of the policing and intelligence of frontier posts." Unquote.

The letter ended with a suggestion that we may as early as possible decide on such steps as we might think be immediately necessary. No such meeting took place and the letter was not even answered.

Both these blunders would not have happened if Mahatma Gandhiji, the father of the nation would not have, for reasons not known, sponsored Pandit Jawaharlal Nehru as the President of the Congress Party in succession to Maulana Azad in 1946. According to the Constitution of Congress, Provincial Congress Committees were to nominate the candidate for the Presidentship of the Congress. When the working Committee met in June 1946 it was clear that 12 Provincial Congress Committees had nominated Sardar Patel and none had nominated Pandit Nehru. However in deference to the suggestion of Gandhiji, Acharya Kripalani, the Gen. Secretary circulated

a paper in the meeting proposing the name of Pandit Nehru for signatures of the members. When the paper reached Sardar Patel he passed it on to Gandhiji. There upon Gandhiji talked to Pandit Nehru and told him that no P.C.C. had proposed his name. Pandit Nehru kept quiet. Gandhiji then asked Sardar to sign, which he did, foregoing his rightful claim to be the President of Congress and consequently the Prime Minister of India. All this is sad recorded history, but has to be remembered while dealing with China.

Talking about the present scenario as it unfolds today, China will be a menace to India. Friendship can be between two equals. If one is stronger and the other weak, the stronger would always dominate. There is a vast gulf between China and India. China has always been a dominant imperialist country. Even under the Communist regime it always dominated. India has been subject to foreign rule for the last thousand years. China has always been a nation and its people patriotic.

India excepting for the common culture was a conglomerate of principalities divided by language, castes, worship and untouchability. It was under the British Rule and freedom movement that India to some extent inculcated nationhood. Within a few years after independence the India, integrated by Sardar Patel as last homage to his beloved motherland was divided into linguistic States. Today we think, talk and claim to be Maharashtrians, Andhras, Kanadas and not as 'Indians'.

China today is a self reliant rich nation having annual trade surplus of 20 Billion US Dollars.

India in 1991 was on the brink of insolvency. Even today India has a foreign debt of more than 90 Billion Dollars. India has deficit trade balance and deficit fiscal budget almost every year with rare exceptions. China has a powerful political structure and has its own national policy.

India since independence had never had its own national policy. Under the fond ornamental name of internationalism it was wedded and allowed itself to be subjected to Soviet policies. This was amply proved by the incidence in Hungary and Afghanistan. It was openly talked that Soviet Embassy monitored day to day policies of Government of India, both external and internal. I know reliably that

Soviet Nationals were invited to address the study group of Congress M.P.s.

China has 47 Million hectares of land under irrigation. India has 60 Million Hectares of land under irrigation. Yet China's food production is 450 Million Tonnes per year, whereas India's food production is only 180 to 185 Million Tonnes per year.

China is known for its tough diplomacy. China has never agreed to anything to its disadvantage.

India's present Foreign Minister is an old ailing person. India's Prime Ministers since 1967 were and are so obsessed with keeping their own seats and positions that they had and have no time and energy to understand and direct problems of foreign policy and diplomacy. Our present Prime Minister rightfully boasts not to be wedded to any policy and claims excellence in fire-fighting at whatever costs in both national and international affairs. The recent news that a communist Government is likely to be formed in Nepal is proof enough of the bankruptcy of our diplomacy. It would be tantamount to inviting China to the brink of Gangetic plain.

The situation is therefore grim, but not hopeless. China still remains awkwardly poised between falling Marxism and would be capitalism. It will take a few years before china could overcome the past legacy. It is difficult to forecast the scenario in China after Deng Xiaoping. With booming economy beyond 13.4 per cent growth per year and the totalitarian power centre, China may go the Hitler's way. In such a case, the present honey-moon between USA and West with China may not last and these countries would recognise the importance of India as a counter balance.

Can India take advantage of such situations as these arise ? Are we in a position to put our house in order ? Politics in India has always been conducted as a family business. With prospects now and in the next year resulting in hung legislatures and parliament, can we have a national policy? Can India with the great resources available to it both in men and material rise to the occasion and achieve its due and rightful place in the comity of nations ? Let us hope and pray.

SESSION I

CHINA, ASIAN MIRACLE AND INDIA-
CHINA RELATIONS

Chairman : Shri R. D. Sathe

Keynote Speaker : Shri C. V. Ranganathan

PAPER PRESENTED BY SHRI C.V. RANGANATHAN

I am very moved to share a platform with Mr. R.D. Sathe, who was not only my guide, but also a very senior mentor. It is indeed a unique privilege to share on this platform some of the extra-ordinary experiences, which we both went through. Thank you very much for your very generous remarks in introducing me.

My involvement with China started around the time of the armed conflict, and then later, I was in Beijing between 1965 to 1968 during the cultural revolution. My conviction then was the same expressed by Mr. N.K. Firodia in his inaugural address, that a xenophobic inward looking China would remain frozen in an adversary posture with India, would defy all norms of international behaviour and would be rigid in its internal governance causing untold suffering to millions of its population while making progress in significant areas of science and technology. This pattern, I felt, would last a long time. But, this largely Mao's legacy started changing rather dramatically towards the end of seventies, and spurred the economic growth of China, which incidentally has been outlined very well in the paper circulated by the Centre for Advanced Strategic Studies. The fact that it changed so much leads one to the conclusion that the China of the eighties and nineties is very different from the China of the sixties, when we had our armed conflict. The change started in 1978 when Deng Xiao Ping outlined a package of economic reforms. China showed a remarkable adaptation to the changing international scenario, specifically to the geopolitical situation around its neighbourhood, across its immediate borders and all this was for the sake of its own economic development.

Two main economic trends are discernible in the post cold-war period which affect contemporary geopolitics. One is the collapse of the erstwhile communist economies of East Europe and the second,

which is diametrically on the opposite side of the spectrum is the continuing dynamism of many of the Asian economies. The evident contrast between the two, although both trends have evolved over the decades has led many western commentators to characterise the economic growth of Asia as a miracle. The processes which were initiated in China fifteen years ago have contributed in great measure to this "miracle". The economic reform process initiated in India three years ago has already been acclaimed as a continuation of the Asian alchemy, and statements that India will fuel the "miracle" further are now more frequently heard. So I chose as my title "China, the Asian Miracle and speculation on India-China relations" in the context of this new Asian growth.

Although Chinese spokesmen constantly aver that China is following the path of "Socialism with Chinese characteristics," the Chinese - though not consciously, perhaps have followed a route which has been taken by other rapidly growing economies of East Asia. The route consisted of subordination of ideology to economic pragmatism and of politics to economics. It involved acceptance of the role of foreign corporations and technology over a wide area and adapting to an increasingly market oriented economy. It also meant encouragement of domestic competition, albeit hesitant in the initial years of reforms, and giving China as a whole an increasingly outward looking economic and social posture. Other policies included subordination of geopolitics to economic growth, a reduced military budget in the initial years of reform and initially an overall reliance in the post-Vietnam-war situation on the Western World and Japan which would be friendly and supportive of the reform process, capitalising on their stake in the emergence of a strong country vis-a-vis the then Breznevite Soviet Union.

What makes China unique however, is that all this was propelled under a system dominated by the Chinese Communist Party which had at its helm leaders who had managed a command autarkic economy for three decades before the reforms of the eighties. Within this framework, economics was given priority over politics, coastal areas were given the initiative over the interior (including Beijing), Central control was loosened over the provinces and state enterprises and the locus and sectoral locus thrust of economic activity and above all over the individual. The exposure of much of China to the outside world has brought in a measure of a more cosmopolitan culture particularly in the coastal areas and in many of the major cities a great

contrast as anyone who has been in China during the sixties till the early eighties can attest.

Other consequences of China's domestic economic growth are visible in the foreign trade and investment fields. By 1992, China's foreign trade had risen to U.S. \$166 billion thus heralding the advent of China as one of the world's major trading powers. Its exports climbed from U.S. \$ 14.8 billion in 1979 to U.S. \$ 85 billion in 1992. These exports included more sophisticated products. In 1985 manufactured goods comprised only half of China's exports whereas by 1991 they comprised more than three quarters of all exports. Along with this export growth, China achieved huge trade surpluses with its major trading partners. In GNP terms, China has surpassed Japan in the share of its economy devoted to foreign trade.

In its first 12 years of reform (1978-1990), China attracted more than U.S. \$ 20 billion of foreign investment, far more than any other developing country for the same period. In 1992 China accounted for nearly three quarters of the increase in foreign direct investment inflows into developing economies. In 1993 alone there was an investment inflow of U.S. \$ 26 billion, ranking second only to U.S.A. as a host country for foreign investments. By 1993 Multinational companies accounted for over a quarter of China's exports compared to nine percent in 1989, even as the volume of total exports went up from U.S. \$ 53 billion to U.S. \$ 92 billion in these 4 years. By mid August 1994 China's foreign Exchange reserves stood as U.S. \$ 36 billion and there is talk of China working towards full currency convertibility.

Through the middle eighties and early nineties, East Asia has increasingly witnessed the growth of, what a Western scholar has termed, Natural Economic Territories (NET), that straddle old sovereign frontiers including those of China. Indeed, they are centred around the remarkable economic developments of part of that country. The success of China's domestic economic policies has attracted transborder trade and investment linkages thus involving China in more NETs than any other entity in the region.

Guangdong's rapid rate of growth during the 80s and into the 90s rising to be the number one Provincial level economy is important for the manner of this achievement. It is the result of a high level of economic integration between the Pearl river delta of the province and

HongKong. Hong Kong and Guangdong were perfect fit. Hong Kong had money, management, talent, marketing expertise, world wide networks and technology. Yet its economic success over the years was pushing wages and real estate prices so high that the territory was becoming uncompetitive in most of its traditional industries. Guangdong land and workers cost only about 10% of Hong Kong prices, but the province was short of skills, money and technology that were Hong Kong's forte. While the initial relationship in the early eighties were tentative and some expensive lessons had to be learnt by either side, a combination of kith and kinship connections, local pragmatism and infusions of hard currency overcame problems.

While Beijing negotiated for the return of Hong Kong in 1997 on the basis that existing Hong Kong systems would be continued for an additional fifty years, it also gave Guangdong a very flexible mandate and special privileges to move faster in domestic reform and in foreign trade than the rest of China. This created the opening for the great Guangdong - Hong Kong joint venture.. To ease the process of reforming and opening up of Guangdong, Beijing created a special economic zone called Shenzhen on Guangdong's border with Hong Kong. Three times larger than Hong Kong and with a mandate to go faster than the rest of Guangdong, Shenzhen was to be converted from a sleepy fishing village with a few rice paddies into an industry/service power centre. If Guangdong was the chosen ground for China to deal with the outside world, Shenzhen would be the highway for Guangdong to Hong Kong and beyond that to the rest of the world. The example, if it succeeded was meant to attract Taiwan to the P.R.C. fold.

By the early 90s the economic integration of socialist Guangdong and capitalist Hong Kong was largely complete although a variety of new aspects kept unfolding. Shenzhen in turn had become a mini-Hong Kong which saturated U.S. markets with consumer goods. Some 80% of investment in Guangdong came from Hong Kong. By 1993, half of Guangdong's industrial workforce (some 3 million out of 6 million) was employed by Hong Kong companies. Three out of four Hong Kong companies had operations in China, comprising some 23,000 joint ventures. If one includes wholly Chinese owned companies that live primarily off contracts from Hong Kong firms, then there were eighty thousand Hong Kong related enterprises located in Guangdong.

The effect of all this is only too visible on the people of Guangdong. In half a generation, good food, housing nearly universal television and personal motorised transportation have replaced poverty and drabness. On Hong Kong too the integration with Guangdong and China brought larger benefits. In half a generation Hong Kong had lost its identity as primarily a manufacturer of cheap consumer goods and moved upmarket to become the services capital of Pacific Asia. By 1991 most Hong Kong manufacturing had moved north across the border, and 83% of the Hong Kong economy was in the service sectors. China's economic growth fuelled by Hong Kong's marketing, design, management, technology and finance brought living standards to Hong Kong higher than many European countries.

Although Hong Kong firms initially concentrated their efforts on fellow Cantonese in Guangdong, the joint venture syndrome steadily broadened to involve Hong Kong with all of China. Two thirds of the huge foreign investment flowing into China from 1979 onwards came from Hong Kong. The success of joint ventures with Hong Kong in rudimentary export-oriented processing industries in Guangdong and other parts of China has encouraged Hong Kong entrepreneurs to engage themselves more deeply in various major housing developments along the coast, super-highways across provinces, double-tracking of the backbone railway artery from the north to south, that is, from Beijing to Hong Kong, reconstruction of major ports and wharves management of the Shanghai Port, which is the largest in China, are some of the projects where they are involved.

In the reverse direction, during tense periods of Sino-British negotiations over Hong Kong when stock markets plunged in Hong Kong, China subsidized financial stability. The new bank of China building in Hong Kong symbolizes Chinese investments in Hong Kong in real estate, building and companies. In many major Hong Kong concerns in the field of telecommunications, airlines, real estate, formerly under predominant British control, the Chinese have acquired large shares.

The above would show that there is a symbiotic interdependence between China and Hong Kong, where Hong Kong is seen and appreciated as an economic utility. Difficulties arise when in non-Mainland perspectives, Hong Kong's future is sought to be cast as a political entity with a democratic and independent life of its own. It is a safe bet to assume that Hong Kong would continue to play the

several roles it is playing even after 1997 when it is fully integrated into China since China may not be interested in destroying the value of its own investments in Hong Kong or bring to an abrupt end the several useful roles that Hong Kong plays in China's economic growth.

Similar efforts in other parts of the country with external help may not achieve the same degree of rapid remarkable growth, by other trans-border linkages which have evolved or are coming into being. Beyond the Hong Kong - Guangdong NET is a wider southern China area where Hong Kong and Taiwan are joined with Guangdong, Fujian (an adjoining province), and Hainan Island in an increasingly tight economic unit. Everyone familiar with the current contemporary history of China knows the bitter hostility and enmity between Taiwan and the mainland. You have also the remarkable picture of economics overruling politics of political differences being kept aside in the interest of economic growth. Taiwanese investment in Fujian province, which was 3 billion US dollars in the previous decade, was of the order of 3 billion US dollars in 1992 alone. By mid 1993, there were 12000 Taiwan funded enterprises in China, and visits of Taiwanese to mainland China reached a figure of 1.5 million each in 1992 and 1993. Taiwanese investors are also paying increasing attention to other provinces north of Guangdong and Fujian, such as Jiangsu and Chejiang. With recent Taiwanese government relaxation on direct investments from the island to the mainland, there is bound to be a further spurt in investments and trade.

Beyond these NETS across China's immediate borders, there is a NET involving other Chinese communities in S.E Asia. The city state of Singapore has its own distinctive approach to China. Despite the majority population's roots in Guangdong province, Singapore's trade and investment links with China are more at a national level. Total Singapore trade with China is the largest among S.E. Asian States, From 1979-91 total Singapore investment in China was U.S. \$ 897 million but in 1992 alone it was U.S. \$ 997 million. Later investment schemes concern plans to invest billions of dollars in township schemes near Shanghai.

This pattern of transborder linkages is not confined just to southern and south-eastern China. In northern China, you have a pattern of linkages with South Korea, Japan, and across the boarder with Russia. Japan is the premier destination of two of China's

northern coastal provinces, Liaoning and Shandong and also for two remote island provinces, Qinghai and Xingjiang. Sino-Japanese economic relations are growing in the Shanghai and Jiangsu regions. The provinces of Shandong, Liaoning and Jilin are stepping up trade with South Korea.

Northern China was regarded by Chinese policy planners as an area of potential economic significance in the development of what was called in China in 1988, "The Great North-East Asian Economic Circle". This envisaged the provinces of Liaoning, Jilin, Heilongjiang and Inner Mongolia as playing a pivotal role in cultivating an economic nexus incorporating the Russian Far East, Japan, the two Koreas and the Mongolian Republic. Six years later this still seems to be a distant and difficult objective to achieve. Unlike the South which registered enormous growth of the non-state sector allied to close association with Hong Kong and Taiwan, the north has been held back by its traditional "rust-belt" industry, the predominance of the state sector and Soviet style heavy industry and terms of trade being weighted against producers of raw materials. All four provinces however, have deepened and extended their economic and social relations with Russia despite the political upheavals that have taken place there and despite the four not faring as well from the marketisation of China's economy.

Actual growth and development of trade between China's north East and the Russian Far East has been important for the border regions and for Chinese defence industries. From U.S. \$ 4 billion in 1989, trade with Russia grew to U.S. \$ 7 billion in 1993. But the quality of this trade is different in that Russia primarily provides a market for Chinese consumer goods while Russia supplied particular sectors such as military industries, raw and processed industrial materials. For example 44% of Russian exports valued at U.S. \$ 35 billion consisted of chemical fertilizers and chemical raw materials in 1993.

The most noteworthy feature of Sino-Russian trade is that a substantial portion of it is taken up with border trade and the Russian factor has acquired significance for some of the provinces of N.E. China. It is of particular importance in Heilongjiang where the local economy has benefited from the opening of the border areas and the upgradation of communication and transportation facilities. Trade companies have the right to deal directly in the Russia market and Harbin has become a major trading centre for the border trade.

Four cities bordering the Russian Far East have been given the same status and incentives as the Shenzhen Special Economic Zone (near Hong Kong). More than 250 Sino-Russian joint ventures in light industry, market vegetables, service industries, timber processing etc., now operate on both sides of the border. More than 20,000 Chinese workers are employed across the border, seasonally. The settlement of the boundary question for the most part, has eased still further trading conditions.

At the height of winter, once I went to the border province in Heilongjiang even before the Sino-Russian boundary dispute over the river borders was resolved. I saw more than 500 Chinese trucks in a convoy driving across the frozen river carrying Chinese consumer goods to the Russian border and more than a thousand river crossings from the other side to the Chinese side. The point, I like to stress is that regardless of the bitterness and enmity in the past that characterised the Sino Ex. Soviet Union, relations, roughly from the early eighties, the old pattern changed, making way, giving primacy to China's economic concerns and interests. There are however limits to the growth in the region bordering the Russian north east. With a total population of only 15 million and requiring vast investments in infrastructural developments and lacking an institutional framework geared to a market type economy, the Russian far east is not such a substantive market in itself for Chinese goods, nor can its supplies of basic commodities in themselves provide a basis for economic lift off.

Further afield to the North-West of China lies Xinjiang which has smaller borders with the newly emerged Central Asian States of Tadzhikistan and Kyrgyzstan and a much larger one with Kazakhstan. Prima facie one could believe that China's relations with these neighbours may prove to be difficult. The upsurge of nationalist feelings in former Soviet Union, with Xinjiang sharing same sub-ethnic and religious groups, could be troublesome giving rise to security concerns. Besides China has its own legacy of frictions with minority groups in Xinjiang from the days of the Great Leap forward and Cultural Revolution. Like other inland provinces, the boom of China's Coastal regions which we have examined above, has by-passed Xinjiang if not wholly, atleast substantially. As late as 1993, economic grievances, dissatisfaction with the centre's policies and the fundamentalist type ambitions of local groups led to violent disturbances prompting the Xinjiang Party Secretary to inveigh against nationalist separation posing a major threat to its stability.

Yet generally speaking the situation is one which Beijing ought to be able to control given the imperatives of economic development which would serve to link Xinjiang far more closely both with its neighbours across the borders to its north and west and to the rest of China. The leadership of the new Central Asian Republics have a great many worries without wishing to antagonise their largest and most powerful neighbour. Given the difficulties of the Russian federation and the birth pangs of the Central Asian Republics, China has become a major power in the region by default as it were. High level visits by Chinese leaders including the last one by premier Li Peng to Central Asian states can be seen as a political investment in building linkages based on complementarity between China and these states. China enjoys the self-confidence of a greater degree of economic stability for longer periods and comparative prosperity vis-a-vis the Central Asian Republics. Even if Xinjiang did not develop as rapidly as the rest of China during the period of reform, for the Republics of the former Soviet Union, China is an economic magnet and the sole successful model of how to transform socialist backwardness to the economic modernization all seek. Beijing's political interests have also been largely defensive since their emergence, rather than national assertion, which is in contrast to other nations in the neighbourhood.

For Xinjiang the dynamics of economic growth require that it looks outward as in the case of other coastal provinces of China but even to a greater extent than the coastal provinces also look inward, to Beijing. For all its potential for developing its rich natural resources in agriculture, animal husbandry, cotton, construction materials, non-ferrous metal and oil, Xinjiang has depended overwhelmingly on budget subsidies from the Centre till very recently. When in 1988 as part of the Central Govt's attempts to prevent overheating of the economy there was a sharp cut in Central investment funds, Xinjiang began to energetically search for trading opportunities across the borders. There was even talk in responsible quarters of turning Xinjiang towards a "Great Islamic Circle", by which was meant the secular turning to neighbouring Republics (of the Soviet Union) but also to the Middle East. Already in neighbouring Ningxia (an Autonomous Muslim Region in N. China), some Gulf States were in 1986 commencing joint ventures and Xinjiang, with Beijing's blessings, was thinking of taking advantage of its Muslim identity for trade with partners in the Middle East.

Most activities in the trading field however have centred on the opening of markets to the north, where the collapse of the former Soviet Union followed by the Russian economy led to renewed opportunities for cross border trade. Markets in Almaty and Tashkent rapidly filled up with Chinese consumer products. To a very limited extent the Central Asian Republics, particularly Kazakhstan reciprocated by exporting oil exploration equipment, tractors and fertilizers. In the past few years this trade has mushroomed. In 1991 it rose to U.S. \$ 1 billion and in 1992 alone it doubled to U.S. \$ 2 billion. By 1992 the Chinese Government granted the cities in Xinjiang equivalent rights to the (10) open cities on the East Coast for attracting foreign investment and in 1993 ten highways to land ports on the frontiers of CIS Republics. The trans border trade in 1993 was predicted to constitute half of Xinjiang's foreign trade. Hong Kong, Japanese, Thai investments have also included Xinjiang.

Since 1992-93 Chinese firms from Xinjiang have started investing newly privatised enterprises, to a greater extent in the Russian federation, than in the Central Asian States. By 1993 business tourists from across the northern borders numbered 100,000. The impetus of supplying quality consumer goods to the north has improved the competitiveness of Xinjiang manufactures, which are becoming more successful in selling products to the rest of China.

Policy planners in Xinjiang and Beijing have argued that Xinjiang's opening to the north would be more successful only if there was an expansion of Xinjiang's integration into the national economy as a whole. By 1990 there was realization in Beijing that cutbacks in investments in Xinjiang were counter productive, an acknowledgement which was spurred by the facts of China's energy balance gradually turning adverse. Xinjiang which has significant oil reserves is likely to profit greatly from this factor.

Domestic Chinese resources are scarce. For this reason, and also to attract the best technologies, Beijing in 1993 allowed foreign companies for the first time to participate in on-shore oil exploration. China has a vested interest in the development of trans-border trade and investment links between Xinjiang and its northern neighbours, but there are limits for such links for optimum resources exploitation of Xinjiang, particularly oil.

Yunnan, not a coastal province, has borders with Vietnam, Laos and Myanmar to its South and Szechwan and Tibet to its north within China. There are clear indications of its growing involvement with neighbouring countries and other South East Asian countries. Japan, Hong Kong and USA are investing there. Like Xinjiang in the historical past, Yunnan also flourished as part of the Southern Silk Route. In the closing years of the nineteenth and the first decades of the 20th centuries the French and British developed trading relations with Yunnan from their respective colonies in Vietnam and Burma, but the province was almost forgotten from the forties to the eighties. During the Second World War, road links with Burma and the air bridge with India sustained the defence of India and China.

The French and the British developed trade relations with Yunnan from the aspect of their colonies in Vietnam and Burma. During World War II, Yunnan was a major hub for transportation links between India and China. Now fifteen years after the reforms in China, Yunnan's foreign economic relations already play a considerable part in its economy. With varying success, it has developed border trade with neighbouring Myanmar, Laos and Vietnam. While linking up with nearby Thailand, Yunnan sees itself as part of a quadrangle that is being formed around the Mekong river which would involve it with Myanmar, Laos and Thailand. It is rich in natural resources. It has fifty kinds of mineral resources and in six of them including lead zinc and phosphorous ore it ranks first in the country. Thanks to its many rivers, mountainous Yunnan has a power potential which is good for 18.7% of the country's total, second only to Szechwan province. Other resources include tobacco, sugar, rubber and tea. The level of utilization in proportion to the practical potential is low - less than 5%. On the reverse side rough and hilly terrain pose great difficulties in developing this potential.

Steps are underway to remove this bottleneck. Over the next decade U.S. \$ 1.72 billion is planned as investment to construct modern transport and telecommunication networks. These include railways to coastal Guangxi province and highways, some of which will provide links with countries in the adjoining regions, to Myanmar and through Myanmar when conditions permit to Bangladesh (and India?), to Thailand (through Myanmar) to Laos and to the Vietnamese border. River shipping services on the Lancang (or Mekong) river and the Honghe river will eventually link Yunnan with Thailand. International air routes already cover Bangkok, Singapore, Hongkong, Yangon and Vietiane.

From 1993, Yunnan which used to be power short, has become an exporter of power to adjoining Szechwan and the province has ambitions to become a major hydro-power case for the region. Hydro-electric power generation projection till the second decade of the next century include the sale of power to other S.E. Asian countries and Thailand has already signed agreements with Yunnan for the purchase of electricity when one project comes on stream.

The interesting thing about Yunnan's relations with its neighbours are that in some ways they are almost the reverse of say the relations between Guangdong and Hongkong or Fujian and Taiwan. It is primarily Yunnan which invests across its borders particularly with Myanmar; it is Yunnan that exports technology and know how. The relative poverty of its neighbourhood sets definite limits to growth of Yunnan's investments and trade in the region, which makes up only a small part of Yunnan's total foreign trade and investment.

By far the most important border trade partner of Yunnan is Myanmar which "legalised" this trade only in 1988. Over the years simple barter trade between Yunnan and Myanmar has advanced to cash trade and exchange of technology and services. The Chinese Province's exports make up 70% of trade and includes textiles, small household items., electrical appliances, building materials and machinery. Yunnan's imports from Myanmar consist mainly of cotton, foodstuffs, wood, jade and aquatic products. Chinese investment in Myanmar are in fields of road construction and the development of manganese ore, coal and teak. Until 1991 (for which statistics are available) Yunnan's trade with Myanmar made up more than 60% of the country's total with Myanmar.

There are a number of reasons for the smooth development of Myanmar's economic relations with Yunnan. Firstly, Myanmar's regime has over the years maintained close political and military ties with China. Secondly prices of Chinese commodities are lower than on the world market. Thirdly Myanmar has little means to process its raw materials, for example timber, jade etc. However unofficial merchandise such as smuggled goods and drugs focus international attention on China-Myanmar relations and to the extent that the international community can, pressure will operate on both countries to lessen if not eliminate, the malevolent influences of traffic in drugs. International traffic in drugs is quite appropriately the subject of international intrusive diplomacy. To the extent that both Myanmar and China

cooperate through effective local surveillance and strict administrative action, they will gain the respect of the international community.

The other aspect of Asian and international concern in China - Myanmar relations is the military cooperation between the SLORC and the Chinese military. Reports are that this cooperation includes weapons supplies and manufacturing in Myanmar, joint military exercises, development of port facilities and construction of highways from Yunnan to Kachin state which could have dual-purpose. Rather than draw alarmist conclusions about the growth of Sino-Myanmar military relations it would be salutary to repose confidence in the intense nationalism of the people of Myanmar, who have historically shown an acute awareness of their interests. Chinese will have to step warily, given the background of popular resentment when trade and investment relations are seen as overbearing or damaging to local economies. As with other South-Eastern neighbours of China, Myanmar has a definite perception of modulating the level of political and economic cooperation in tune with local needs and sentiments.

After this survey of China's adaptation to the geopolitical situation across her immediate borders for the sake of economic development of her own distant and farflung provinces, we may make some more general comments which have value for the Indian context :

In the case of Southern China, the process of economic integration is multi-faceted and almost complete, where full advantage was taken of the numerous links which proximate Hong Kong and Taiwan could provide. The decision to fully integrate was consciously taken, given the reality of Hong Kong reverting in 1997. In the case of Taiwan, the Mainland decision for the economic involvement of Taiwan was an investment in the hope of realising eventually a typically "Chinese" style reunification. However, it is far too early to speak of the achievement of similar integration with neighbours in the north, north west, south-west and south-east. Existence of historical animosities and suspicions, disparity in rates of development, sensitivities surrounding possibilities of ethnic assertiveness, the state of political and social split, geographical and communication shortcomings and a variety of other factors would naturally affect the pace and quality of the growth of China's trans-border linkages. What can be seen however and affirmed in practice is that firm political decisions have been taken by Chinese leaders and their counterparts in China's neighbours to open wide to possibilities of various types of economic cooperation

and active physical preparations are being made through infrastructure developments in communications and other fields to propel the process of integration and interdependence as rapidly as circumstances permit. As in the case of China's domestic development, ideology and some times political differences have given way to pragmatism, in an attempt to achieve what is feasible and realistic.

Contemporary Asian history is witness to a strange paradox : those who forgo military ambitions gain in prosperity and power. This has been true of Japan, South Korea, Thailand and now China. By cutting the burden of the military on the economy, by reducing other forms of geopolitical entanglement, the country has focussed resources on economic development. The result, again paradoxically, is not to weaken China but to strengthen it. Economic growth has been so fast that even if military expenditure just grows proportionately with the economy, a formidable power can be created within a generation. In the meantime national cohesion, international respect and influence are also raised. For long China has been a nuclear power, with moderately sophisticated war heads and delivery systems. Its military, although shrinking has the ability to project force overseas. Short-term political restraint and rapid economic growth are now leading to long-term power.

China's economic success has had a subtle effect on the morale, identity and direction of overseas Chinese communities in Singapore, Malaysia, Indonesia, Thailand, U.S.A. and elsewhere. There is an exhilaration felt in these communities in China's economic performance and is having a palpable impact as overseas Chinese communities visit ancient home villages, invest there, build schools, universities and hospitals, engage in big infra-structural projects and some of whom consult with senior Chinese leaders and planners.

The Chinese stake in economic growth has facilitated stability in relations between China and her South-east Asian neighbours and is one of the great political events of the last decade of this century. Within countries' economic growth has knitted communities together and between them there is the acknowledgement that the way to prosperity lies in collaboration between states. As China followed the Asian pattern of growth, Beijing made peace with all its neighbours. As against the spread of revolutionary fervour, China embarked on a conservative policy of getting along with its neighbours. In the course of improving its relations with ASEAN countries, and specially

while normalising diplomatic relations with Indonesia, China made a series of specific promises not to tamper in the affairs of its neighbours and to promote positive economic and political ties. Realising that for some ASEAN countries, continuing U.S. military presence was seen as a guarantee against trans-border military incursions, the Chinese let it be known in private diplomatic conversation that they would not object to this as indeed the lack of public rhetoric on the subject would show. Vietnam went into Cambodia to oust the Pol-pot regime, China made common cause with Thailand and other ASEAN states. As prospects for peace drew near in 1991, China gave assurances of lessened military support to the Khmer Rouge faction. With other erstwhile ideological foes like S.Korea, beginning with withdrawing support to N.Korea in its confrontation with S. Korea, China conducted first an economic and then diplomatic accommodation with S. Korea in 1992. In a manner of speaking China's volte face in N. Korea was an ultimate symbol of the abandonment of ideology in foreign policy. As for China's territorial claims in the South China Sea, China is pursuing low-key tactics and running no major risks. S.E. Asian statesmen express the confidence that China is not going to risk its relations with South East Asian neighbours over the issue of Parcel and Spratly Islands.

A parallel process is under way to accept Vietnam's application to join ASEAN. While Vietnam is keen to join the organisation the process may take time. But given the recent history of ASEAN's hostility to Vietnam over the Cambodian issue, the fact that its admission to ASEAN is seriously discussed relatively soon after the Cambodian settlement, shows that there is strong consensus over the utility of expansion of ASEAN as a cohesive organisation for the purpose of achieving regional stability, prosperity and cooperation. It can be looked upon also as a move to forge a new regional balance in ASEAN's relations with China.

Vietnam was warmly welcomed to the first meeting of the ASEAN Regional Forum (ARF) held in early August'93. The ARF can be considered the first Asian official attempt to set up a permanent body for political and security issues. Pictures, showing the Indonesian, Chinese, Vietnamese, Cambodians and Singaporean foreign Ministers in an informal huddle symbolise the coming together of erstwhile enemies for a common purpose. Apart from ASEAN, others present included Japan, S. Korea, Laos, Papua New Guinea, Australia, New Zealand, Canada, the U.S.A., Russia and the European Union. The

formation of the ARF is a manifestation of the beginning of a pacifying multi-lateral approach to common security concerns through ensuring transparency in military build-ups, through confidence building measures and through the discipline of periodic dialogue, in the initial stages perhaps as peace-watcher rather than as peace-maker.

By the mid-eighties, Chinese spokesmen and commentators on foreign affairs were referring to a new "Omnidirectional" foreign policy. The elements of this were the seeking of foreign capital, investments and technology from those who had it to fuel China's economic growth. In return China enhanced her foreign trade to pay for imports. Secondly it involved the emergence of friendly and stable relationships with Asian neighbours, many of whom had also registered spectacular economic growth, in order to secure a peaceful external environment in which to pursue its own reform policies. Thirdly it included an active effort at repairing relations with the rest with whom there were major disputes. The initiative to renew invitations to successive Indian Prime Ministers and to Rajiv Gandhi came in this background.

In India the joining of this initiative by accepting the invitation to visit China in December 1988 was perhaps the outstanding foreign policy achievement of the former Prime Minister. The political impact of the visit is enduring and the beneficial effects will be felt for decades to come. The few critics of the visit have missed its symbolic significance of signalling to China that India was no longer going to base a China-policy on past antagonism and hurt feeling, that India was mature enough to look to the future free from stereotyped images of a China which belonged to the past. The main tangible result of the visit was a dramatic change in the atmosphere in the conduct of relations with China. Since the visit, reasoned dialogue, determination to tackle territorial and other questions without linking their solution to cooperation in different fields of human endeavour; creation of more flexible mechanisms for the solution of problems military and territorial and for the promotion of trade and mutual investments, discussions of global issues in which both countries have a stake, exchanges of visits at high and highest political levels and of scientists academics and businessmen and an enhanced volume of trade and mutual investments, have now become the order of the day in the normalised pattern of relations.

One of the important agreements reached during the Rajiv Gandhi visit related to the boundary question. Let us paraphrase the

paragraph in the Joint Press Statement in the visit issued on 23rd December 1988, relating to the peaceful settlement of the question through mutual consultations : Both sides agreed that while seeking a solution acceptable to both, relations would be promoted in all fields. Both sides would create the conditions and the atmosphere which would be helpful to a fair and reasonable settlement of the question.

A self-evident condition is the prevalence of peace and tranquillity along the boundary regions, pending a final settlement. Building upon the good-will generated by the Rajiv Gandhi visit and the return visit to India of Chinese Premier Li Peng in 1991, on the occasion of Prime Minister Rao's visit to China in 1993, a breakthrough was achieved, in the signing of the Border Peace and Tranquillity Agreement. The agreement inter-alia reflects a political decision at the highest level of both Governments to have experts from both sides define the Line of Actual Control, where there are differences between two sides, as to its precise location, improve field level communications and contacts between both sides locally based armed personnel, recommend feasible and practical troop withdrawals and exchange pertinent information which has a bearing on the maintenance of peace and stability along the border. The exercise in which diplomats and military personnel participate is to consolidate a situation where tensions on the border are a thing of the past and where confidence and trust in each other can become an enduring feature in areas which witnessed armed conflicts.

The argeement also envisages the attainment of the broad concept of "mutual and equal security". This is a bold and ambitions idea whose time has clearly come and has a relevance beyond the confines of Indian and Chinese boundaries. It could serve as a model as relevant as the Panch Sheel Agreement. The frequency of exchange of visits at the level of Defence Ministers and armed forces personnel gives the promise of early progress in converting the 1993 Argeement to practical measures on the ground. Given the background of the 1962 conflict and the hiatus in relations which followed for nearly a decade and a half after that, the peace and tranquillity Agreement when implemented would be a major step in the direction of having a mutually agreed line of Actual Control in all sectors of the India-China boundary. It will mark the precise areas up to which each side can send military patrols and take mutually transparent measures for their reasonable and legitimate defence. It will create the politico-military condition for Indian and Chinese forces to discharge their

responsibilities in a totally non-violent and non-provocative mode. However, the line of Actual Control should not be seen as a long-term expedient or as a substitute for an India-China Boundary Treaty.

For such a treaty to become a reality both countries need to pay attention to a second element referred to earlier, namely the creation of a "proper atmosphere" for a mutually acceptable boundary agreement. An atmosphere can come into being in India in our vibrant multi-party structure when an impressive consensus is consciously built for a political compromise cutting across all sections within the government and outside the government including political parties, opinion markers, the media, business persons and intellectuals. The failure to undertake such a consensus building exercise in the period prior to the 1962 armed conflict led to a situation where some negotiating opportunities were lost. The situation was complicated by provocative and insulting behaviour by the Chinese whose sense of insecurity was compounded by events in Tibet. In India what we witnessed then was ad-hoc disputation on how to deal with fast evolving situation on the ground. There were proposals and counter proposals from the two governments on how to defuse prevailing military tensions and incursions. The irony of the situation was that the most extensive documentation was available in the public domain in India at least to promote a rational discussion on all the political aspects of the India-China boundary question. This did not take place. Long after the conflict, in 1979 India's former foreign Minister Shri A.B. Vajpayee visited China and thus resumed the first high level contacts since 1960, a demonstration of the multi-party continuity of the Indian Government's policies to improve relations with China. Similar again in 1990-91 when the opposition parties in India were in Government there were resounding reaffirmations of the achievements of Rajiv Gandhi's visit to China in 1988. Highly placed Chinese leaders as well as the media remarked favourably on this multi-party consensus in favour of continuity. It would follow from all this that any attempt today to build a consensus for a boundary settlement with China would be much easier than in the past.

On the Chinese side a quick look at the domestic situation shows, with the wisdom of much hindsight, that from the late fifties running through the sixties Mao Dzedong was internally isolated (over the Great Leap Forward strategy in 1958), China felt beleaguered by threats from U.S.A. and by severe strains, leading to open ruptures in relations with its then ally, the former Soviet Union. Domestic

economic difficulties were compounded by the unleashing of extreme Xenophobia towards the outside world during the Great Proletarian Cultural Revolution. The link between the domestic happenings and the behaviour towards India in this period needs to be researched further by Indian and Chinese scholars. As far as the Chinese go, there has been critical appraisal of the historical role of Mao Dze Dong at home and one of his apparent supporters at the time Marshal Linbiao, the former Defence Minister, has been vehemently denounced as a traitor for his ambitions to overthrow Mao.

Chinese commentators and spokesmen have referred, in the late eighties, to India's conduct in 1962 as one that was provoked and instigated by the then Soviet leadership. The statement is obviously self-justificatory but there is a hint in it that the Chinese psyche finds it difficult to accept that, on its own, India could harbour hostile intentions towards China.

Even if there were no extravagant territorial claims from China, there is need in this second half of the 20th Century, on the threshold of the 21st, to take into account the wealth of data available through the progress of scientific cartography to more accurately translate on the ground the results of surveys, available to both sides on large scale maps. Applications of data obtained through satellite imagery, aerial photography and remote sensing to the ground would give a more scientific delineation of the accepted geographic principles on which respective stands, are based. Such technical and professional exercises which would involve joint surveys, of the boundary areas can only follow a political agreement at the highest level.

As to when exactly we should move forward to a final agreement on the Boundary Question, it would depend on the judgement of the leadership which alone can measure the degree of political support for such a move. Some persons have argued, without any factual basis, that an early settlement of the question is in India's interest because a strengthening China may make additional territorial claims and be in a position to enforce them. Such thinking belongs to an era that is in the past. Enough has been said above to try and show that the INA of the nineties is quite different from the China of the sixties and a strong plea is being made here that an India of the nineties, which is also quite different from the India of the sixties, could pursue its global self-interests, more effectively than in the past.

There is however one good reason at least among others for trying to arrive at an early settlement with China on the boundary. Senior Chinese officials and some Chinese political figures increasingly feel uneasy about the post liberation, post reform generations in China whose priorities have changed, whose values and for whom respect for the mystique of India diminishes.

Beyond an agreement on the boundary and indeed parallel to the process trying to achieve it, both governments need to examine how old historical ties of economic exchanges amongst the inhabitants of the border areas in both countries can be rejuvenated in contemporary times, with a greater measure of prosperity inland and with the establishment of better communications. Apart from the opening-up of additional border trading posts in the north, serious thinking must start on linking up the more populated areas to the east of India through Bangladesh and Myanmar to Yunnan and even beyond to Szechwan. The Provincial Governments of Yunnan and Szechwan, who have been given the necessary authorisation from the central government for external trade are very receptive to the idea of increasing links with India, as indeed are their academics and scientists.

In the context of the developing India-China dialogue leading to better understanding of each other's vital regional interests, China's good relations with India's neighbours has lost whatever acuity it had in some Indian's perceptions. In fact China is a strong supporter of the success of SAARC. It is a pity that on account of the poor state of Indo-Pakistan relations there is a damper on the deeper commitments required to make SAARC grow and have a real regional or international impact. The vast geo-political changes in Central Asia and the vested political interest in establishing as good relations as possible with India make China view problems between India and her neighbours purely as bilateral matters to be solved by India and the countries concerned. In this context the continuance of the strong and durable friendship between Pakistan and China does not in itself pose obstacles to the prospects of India and Pakistan reducing tension, building up confidence in each other and resorting to bilateral dialogue to resolve all problems. Nothing would please China more if the Kashmir question is solved through the sole efforts of India and Pakistan.

However, seemingly intractable certain political and security issues may appear in the evolving India China relationships. It will not serve our interests in finding early solutions to these if we think

in terms of linkages between issues. There are too many examples of the failure to establish linkages to serve certain narrow interests in the history of contemporary international relations, for example in Sino-U.S. relations and in China's relations with other countries.

The challenge posed to India and China today is the improvement of relations, which have now acquired poise, stability, maturity and warmth, to a visibly higher level of co-operation in various new fields. The people of both countries, who have given so much to each other in the past, have vast untapped potential for more cooperation. Thinking people in all countries are increasingly realising that not all problems of large societies developed and developing can be solved in the globalised market matrix. Each of the countries can make a distinctive contribution to the other's development by sharing solutions to social and other problems which have been indigenously evolved and which have wide applications. Such distinctive additions to the rich heritage of our ancient civilisation are keenly awaited.

SESSION II

INDIA-CHINA RELATIONS IN THE GLOBAL CONTEXT

Chairman : Shri R.D. Sathe

Main Speaker : Shri Shivshankar Menon

PAPER PRESENTED BY SHRI SHIVSHANKAR MENON

INDIA-CHINA RELATIONS IN THE GLOBAL CONTEXT

This paper attempts to answer two questions and then to draw certain conclusions. The first question is whether India-China relations are sui generis or are driven or affected by their international context. A rapid look through the major bilateral, domestic, regional and global events since 1986, when the present process of improving India-China relations gathered momentum, provides a mixed answer to this question. The second question is of the present state and international significance of India-China relations.

1. Are India-China Relations sui-generis ?

A quick look through the major events in India-China relations between 1986 and 1994, and domestic, regional and global developments in the same period is instructive. (See Annexure-1). In 1986, India-China relations seemed to several observers to be at their lowest point since 1962. Neville Maxwell proclaimed that the next India-China war was inevitable. And yet today, in less than eight years, these relations are described by both states as friendly, good neighbourly relations and are probably better than they have been in the last 35 years.

How did this happen? The easy answer, favoured by most western and outside commentators is that the global context changed dramatically, the Soviet Union disintegrated, and the improvement of India-China relations followed. And yet a closer look at Annexure 1 suggests that the major steps in the improvement of India-China relations preceded the changes in the global context. The Rajiv Gandhi visit to China took place before Gorbachev's, and long before the disintegration of the Soviet Union.

What the improvements did follow was major domestic shifts in both India and China. One would, therefore, also aver that domestic factors in each country have played a crucial, indispensable, role in creating the decisions that worsened or improved India-China relations. Among domestic factors, I would include each country's view of the other. By 1987, it was clear to us that China was the fastest growing power in the world.

It would therefore seem that India-China relations are largely sui generis, and have a dynamic of their own.

2. The International Significance of India-China Relations

This is not to say that India-China relations are entirely independent of their international context. Both the Chinese and we seem to see the present international situation as presenting a favourable context for improving India-China relations. Chinese scholars today describe the international context in terms which suggest interlocking balances of power and find historical analogies in the Warring States period. We have not always seen the world in such balance of power terms.

The Chinese described the world as already multipolar in important respects, and see it as heading for full multipolarity in the foreseeable future, helped, no doubt, by China's continued growth which will make her the world's largest or second largest economy within the next 15 years. Multipolarity, by definition, offers much greater room for manoeuvre, flexibility and opportunity to middle and great powers than a bipolar international system. China therefore describes herself as following an "independent foreign policy of peace", a policy which in practice avoids entanglements and external commitments which do not contribute directly to China's security and development. This is not very different from what we are doing. The fact that both countries are now concentrating primarily on their own rapid economic development and modernisation has helped to make the improvement of relations possible.

In fact, the first public symbol of change for the better in India-China relations after Wangdung was the Chinese reaction to the India-Sri Lanka agreement, when China, like the USA, seemed to accept an active Indian role and responsibility in Sri Lanka..

The immediate significance of improving India-China relations has therefore been that both are now capable of building upon mutual self interest and of addressing the differences that exist.

For the first time in history, India-China relations have some meaningful economic content. Trade this year will be in the region of US \$ 1 billion. Taken together, "Greater China" (China, Hong Kong and Taiwan), accounts for about 10% of India's total foreign trade, (more than the entire SAARC).

Politically, the regular exchange of high level visits has maintained the momentum of dialogue ; we have isolated the boundary problem and are putting in place the means to maintain peace and tranquillity along the border.

Are these relations stable and what is their future? To prophecy is of course foolish. However, if our argument is correct, stability in the relationship seems likely to flow from the steady domestic directions that both countries have found, and from the favourable international environment. (By a favourable international environment we do not necessarily mean a stable and unchanging international order). Reforms and the concentration on economic modernisation seem irreversible in both India and China and would seem to require good relations between India and China.

There are limits on our understanding China. India has been a domestic issue for the Chinese leadership. They both are not status quo powers and seek to enhance their national strength. Both have embarked upon liberalisation process, China since 1978 and India since last three years. The Chinese define development in broad terms, that is, developing comprehensive national strength, rather than limiting it to only economic calculus. A dialogue between the two countries has started and is going on. Sino-Indian relations appear to be picking up. However, it will be difficult to formalise these at a time when the international environment is in flux and the international agenda changing. There is a good level of congruence and room for both in the international system to pursue their goals. This can be built upon as the present environment offers greater strategic opportunities.

**INDIA-CHINA RELATIONS IN CONTEXT
1986-93**

	India-China	Domestic	Regional	Global
1986	Wangdung	Arunachal statehood; Hu Yaobang's fall	-	Gorachev's Vladivostok speech Gorka and Weinberger in India.
1987	RM Pant	Tibet riots	Brasstacks; Sri Lanka Agreement; PLAN into Nansha.	Rekijyavik Summit; Soviet pullout from Cam Ranh
1988	Rajiv Ganhdi visit	Tibet turmoil; hyper-inflation in China	B Bhutto as P PM	-
1989	JWG1	Tienanmen; Elections and JD govt in India; Zhao Zeyang's fall	China arms Nepal	Bush visits China ; Gorbachev visits China; Soviets quit Afghanistan
1990	JWG2	Mandal ; PLA budget up 10%; India forex crisis	Democracy in Nepal	Berlin Wall falls; Nobel Dalai Lama
1991	JWG3; Li Peng visit	Deng visits South China: Cong (I) govt; eco reform India	NC govt in Nepal	Soviet Union disintegrates; Gulf War; US quits Subic
1992	Venkataraman visit ; RM Sharad Pawar visits; JWG4 and 5	Ayodhya : PLA MR Cdrs reshuffle	China transfers M-11s to Pak	UNSG's Agenda for Peace; Clinton elected
1993	PM's visit; BPTA ; Xu Huize visits; P L A N ship visits; JWG6; Li Ruihuan visit	Cong(I) majority parliament	Rafsanjani Xinjiang ; Kashmir at UNGA	China joins A P E C ; "constructive engagement" ; Yeltsin visits China
1994	CDM visits; CFM visits; JWG7	4th Plenum	CFM in Dhaka and Islamabad; Li Peng to Vietnam	Yeltsin to ARF formed; Perry visits China; Jiang Zemin to Russia ; Li Peng to C Asia

SESSION - III

THE EMERGING CHINA : ECONOMIC AND
POLITICAL IMPLICATIONS

Chairman : Shri R. D. Sathe

Main Speaker : Prof G. P. Deshpande

PAPER PRESENTED BY PROF G.P. DESHPANDE

Thank you Mr. Chairman for your flattering introduction. I am grateful to the Centre for Advanced Strategic Studies for all they have done for me and for inviting me and giving me this opportunity to share some thoughts on the political and economic processes within China, and what China from within possibly looks like. I am reminded of a small comment, which Bernard Shaw made a hundred years ago. He said, my speech on this subject can be briefest, in fact only of three words, "I don't know." My predicament can be described in these words. When it comes to foreign societies, we are at best speculating, making some calculations, some reckoning of one kind or the other. They can be as wrong as right. Only the post facto vision gives the correct picture. In international politics, one has no option but to indulge in such speculative exercises. Therefore today I am going to talk about what China looks like to me.

All countries have some mythology built around them, But China has been particularly lucky in terms of three sets of myths built around China over last 150 years. The first set of myths came up when Americans patronised China. The Americans as patrons have a tendency to build myths about their clients. Therefore there was a set of myths of China of Confucian tradition, of Taoist tradition and so on, ending ultimately with Pearl Buck's novelist's vision. The second set of myths was a product of cold war period, so much so that we almost took it for granted that China had become irretrievably communist. It is worth while enquiring into the question, what do we really mean when we say that a particular country went communist. Is it the case that Confucius was completely forgotten in China? Is it the case that Tao also was completely forgotten in China? When the Great Leap Forward was launched in 1958, there was a description of an ideal society. In standard English translations, it was called the great togetherness, a concept taken from traditional

Chinese thought. This survived upto 1958. But because of colonialism, so much of breast beating has been built into the Indian psyche, that we sometimes tend to ignore the continuities of tradition. We seem to forget these out right. But there is always a built in dialectic in a national psyche, the continuities and ruptures together at the same time.

The latest of the many myths built about modern day China is that economics has come to the fore and politics has taken the back seat there. There is a very famous oftquoted statement of Deng Xiaoping that it is perfectly legitimate for every person to be rich. There is another statement of his, made about the same time that the aim of socialism is to make nation prosperous and strong, not an individual prosperous and strong. Politics is about nation and nation states. That is why, I say that politics has not taken back seat. Nearly a hundred years ago, one of the Chinese authors had said some thing very similar. George Bernard Shaw, once attempted to define socialism in terms of prosperity and raising of the production forces, as did Deng Xiaoping. Lenin said that politics takes precedence over economics, and whosoever does not understand this, does not understand ABC of Marxism. Since Lenin is now discredited, one can slightly alter his statement and say that anybody who does not understand this, does not understand anything of functional politics, or politics for that matter. It (politics) always takes precedence over economics. I think, we shall not understand contemporary China, if we simply overlook this.

It is generally thought that there is a way of liberalisation in China, and there is a way of liberalisation in India. Being no expert on Indian economy, I cannot really see what is exactly happening in India. What is happening in China is fairly clear. The Americans are no great friends of socialism. There has been one recent study by an American economist which discusses the question of liberalisation in China. It raises the question whether there is economic liberalisation in China at all. The thrust of the book is that economic strategy in China is really going towards neo-mercantilism. In the current context, ultimately it amounts to saying that politics takes command because neo-mercantilism is an economic name for essentially a political phenomenon. Basically it is protectionist. In other words, there would be only a few protectionist powers. These would be for example, the United States, Japan and China. It would be interesting to make a comparative survey of the import policies of India and China. Being

only a political analyst, I am not expressing my view about the rightness or wrongness of liberalisation, for that would not carry us far. The fact of the matter is that certain sets of policies are being implemented in China. What are its possible implications? That is where argument of neo-mercantilism becomes important. The kind of economic thrust that the Chinese are developing is actually going towards neo-mercantilism, you cannot really call this liberalisation. There is a very famous statement of Deng Xiaoping. He says "When you throw open the windows, all kinds of insects will come in." One might usefully add, when you open the doors, monsters walk in. It is easier to deal with insects than to deal with monsters. You will see the differences between China and several other states of the developing world, who are opening their doors.

This kind of distinction would not have been there, had the Chinese not given prominence to politics. It essentially is a political phenomenon and has to be understood as such. In 1982 there was much theorising in China. On 24 Sep. 82, The official publication declared that the Communist stance today is certainly not to realise the communist social system, but to continue to improve and consolidate the socialist social system. Essentially, they are trying to say, consolidation of the political system. That is how I interpret it. Theirs is political language and not economic language, which is particularly relevant in our context. There is certain elite consensus in terms of the economic and political policies and foreign policies and defence policies.

What is happening in quite a few developing countries is that this consensus is collapsing or is breaking up. For example, there would be many responsible people in this country who would be uncertain if the Kashmir valley should stay with India or not. There is a lack of consensus as far as this is concerned, atleast the kind of consensus that existed, shall we say in the beginning of the Nehru era, or even as late as the beginning of the Indira Gandhi era. Even that kind of simple and strait forward consensus is breaking down. We have got to consolidate this consensus, both in terms of economic policies and also in terms of political policies. In our country where liberalisation policies are being adopted, it is only the finance minister talking about the policy and defending it whereas the rest of the cabinet remains unconcerned. Rarely does one see the cabinet as a whole or a political party as a whole talking about liberalization. Some other parties think populism is good economics. In China, call it liberalization,

call it new-mercantilism the entire party is talking about that policy. In other words, there is a certain political thrust to it. It is not simple calculations which come out, for example in our country as Economic Survey, published three weeks before the budget giving data. It goes beyond that. It is taken as a twelve months project every year by the entire party, by the entire leadership. And basically it is taken as an act of political mobilization.

I am emphasising this factor because some times I get a little impatient about talk of economy taking front seat and politics taking back seat. Ultimately you conduct your economy well only if your politics is sensible and correct. That is why the Chinese are doing so well. That is why you see things like the Tiananmen Square not making much difference. There is a certain irony built into Tiananmen, which means the gate of heavenly peace. And there was, if anything, heavenly peace in a very metaphysical sense. Anyway those who thought that if Tiananmen Square incidence would prove the undoing of the credibility of the Chinese regime turned out to be wrong. I refer here to the distinction which Agnes Heller, a Hungarian philosopher has made between system legitimacy and regime legitimacy.

As long as the regime, inspite of the system retains certain legitimacy, Governments can get a bit or whole lot of operation and reoperation going. Some times we take a very simplified view of things. We think that the moment there is repression, people will burst out. This is not how it happens. Otherwise, where there is economic backwardness, people will rebel. In that case, Bihar should have become independent long ago, much before Punjabi or Kashmir militants started asking for freedom. Bihar should have asked for it first. So, it has very little to do with economic backwardness per se, nor is it for that matter directly related to repression per se. Heller's argument is that as long as regime retains its legitimacy, even if system loses its legitimacy, it can get away with it. And that is why the Chinese regime manages to get away with the Tiananmen Square incident. But everyone around the world changed the tune on what happened on the Tiananmen Square.

The Institute for Asiankunde in Hamburg, the Institute for Asian Affairs has come out with its 600 page volume on the Tiananmen Square itself month by month, week by week, day by day, hour by hour, a blow by blow account of what happened at the Tiananmen Square in June 1989. The conclusion that it comes to is that probably

the western media exaggerated the loss of life involved in the Tiananmen Square. Of course, all our democrats and liberals here will pick up this trail and talk about it in four years time, the time it takes the information and western opinion to percolate. If the West is now saying that Tiananmen was alright, I am reasonably certain that every liberal in this country will start telling you and me that Tiananmen was perfectly alright. Why, because the Germans say so, the Americans say so. Let me make it clear that though I am not here to defend Tiananmen.

In India, strangely, it is the system legitimacy which is not in question, it is the regime legitimacy, which is. In China, the story goes the other way round. The regime legitimacy was never in question, but the system legitimacy was. That is how the transformation from a Mao's scene to a post Mao's scene really has to be understood. So the problem in China is not whether there is liberalisation per se, but whether the Mao's "avatar" of Stalinist socialism in the economic terms was really the strategy for China. In other words, a system taken as a whole, ie. more of production, more of governments and political manipulation, three things put together, all these three came under question, and that is what we witness. And that is what brought about the 1978 change. The four modernisations therefore are not only those four. They are the tips of the iceberg so to speak. What was attempted to be done was to seek legitimacy of the new system which was to replace the earlier system which had outgrown. Regime legitimacy remained intact, and that is why the centrality of the Communist Party.

In spite of all that has happened in Eastern Europe and the Soviet Union people seem to be rather afraid of the word "Communist", afraid of the not-existent monster called "Communism". It does not exist anywhere. I doubt whether it will exist even in Nepal. The Taiwanese too, like some of us Indians are still afraid of communism for some reason, and only compile data and documents, to sustain their fear. In a speech delivered in 1992, a provincial party secretary in China compared the difference between the Russian situation and the situation in China. He said that the Chinese succeeded whereas the Russians failed because the Chinese did not disown their history and earlier leaders. Reference clearly was to the much maligned and misquoted Mr. Lenin. Mr. Mao, though silently maligned, is given full credit for putting China on the world map. The party secretary argued that the Chinese will always follow him. Mr. I G Patel, in his keynote

address in an international conference gave part of the reason for China's success. He said that the economic reforms worked in China because Mao's policies had worked earlier, and created a base, whereas the Russians seem to take the view of history which can be described in the words of Walter Benjamin, the famous German philosopher. He had, in a very different context, said that history was itself a mourning play, for history with its uncompromising negativity conforms to only as a staging of a steady process of loss and decay. Broadly speaking, Gorbachev took this view of history. The Chinese took a different view from the people who try and build economics without reference to history and politics.

That economics now takes the front seat will always meet with some kind of problem or the other. The West has started selling the idea as trans-national. The World has become a global village, essentially that is the idea. Chicago has never become a village and is unlikely to become one. Bombay will. Delhi will. That is the implication of global village as far as I can see. The Chinese seem to have understood this. Therefore, they are trying to tell you, national sovereignty is very much alive, and as far as they are concerned, China would and should remain a nation state, with national sovereignty intact. This is their bottom line. Consider this first and then we can talk of human rights, but the destruction of the nation state is not acceptable to us. This is the Chinese argument. By implication, it means that the Third World nation state is not basically anti-human. That if we are raising the standard of living of the people. we are serving human rights. Who are you to tell us as to what are the human rights? These people massacred the entire Red Indian population to make the ideal democracy in the United States of America, and tell us of human rights. Being naturally very diplomatic, they refer to them only as some major powers.

The Americans have consistently articulated the view that the happening of the end of the cold war was rather happy, because cold war was the bad thing and its end was all for the good. Interestingly, Chinese avoid the expression the end of cold war (not that they never use it). They call it end of bipolarity. Such expression and outlooks sink down and permeate collective consciousness of the people. It is this collective public consciousness which ultimately makes or destroys a country. When you say end of bipolarity, it becomes a statement of a possibility, a statement of progression. The end of bipolarity means the possibility of multi-polarity, a possibility of China being a pole.

The World Bank has said that by 2010, China would be a global power of economic importance. The Chinese are conservative and modest, and have put the year as 2020. China is opening up. It is not only becoming a world power, it is also integrating outlying areas in the economy. In other words, it is going to be Germany of Asia in many ways. North Korea too would have changed by then. Hong Kong would be absorbed by 1997, certainly as a different social system than you have at Singapore, and Taiwan. If you take the two Koreas, come down to Hong Kong, China will become both the country and a concept.

It was said of a philosopher that he was turning men into concepts. Marx was working hard at making concept back into men. That is how the progression of thoughts and ideas in Europe was analysed. Some thing similar is happening in East Asia. With the Chinese control of the Spratlys, South China Sea has already become a domestic take for China, or it is about to become. In Mandalay, the language in the market place is already Chinese. North of Mandalay, no body seems to know, who is governing there, but the Chinese are present everywhere. Nobody seems to be afraid of it and thinks that it is bound to happen. One has therefore to deal with the situation. Sulking does not help. The problem with the Indians is that of tremendous national sulking. This may result in misreading of intentions of situations and can lead to wrong deductions and policy options. Recently, the Peking Review carried an article stating that they were building two airports in Yunnan and roads to be connected to the Irawaddi river that will provide access to the Indian Ocean.

A lot about Centre - State relations in China has been talked about. There are two points which we can tend some times to misread due to lack of political awareness. This is about the prevailing discontent in China. Every prosperous province in China knows that it owes its prosperity to the bigness of China. Bigness of China as a factor in politics is something which even the smallest province in China is aware of. Wherever I had opportunity to talk to the social scientists and political scientists and the party people in China I found that every body admits that there are Centre State problems, but everybody is aware that it is China's bigness that gives them the advantages. That bigness they are not going to sacrifice. In India, interrelationship between cohesion and prosperity and clout multiplier value of bigness of the country are not properly understood. Fortunately it is not so in China. Therefore many liberals in India are likely to misread the

situation in China. The other problem is that some times we overlay provincial personalities and problems in India. There are as many provincial problems in China as in India. The other difference is again a political factor. The Chinese leadership has developed imaginative techniques of loosening ; putting things on a leash and loosening them occasionally. They anticipate potential problems. They do not dismiss a problem because it is a provincial problem. Denial and denegration of provincial personalities is the only way of ensuring Central control is something which the Chinese do not accept. This is how they have been dealing with the provinces even during the last ten, fifteen years. The other day, in Japan, during the Asian games, Shantoon province sent a team of fifty people to cheer their sportsmen all the way to Japan. The provincial government paid for it. If this were to happen in India, there will be atleast three editorials criticising and wondering as to what is happening to the country. Chinese don't bother about these things, because they can afford such exuberance. These are the problems in secondary areas like sports, language, theatre etc. You can't give freedom when it comes to politics. Mr. Deng Xiaoping and Mr. Li Peng will say with Mr. Kissinger that this way is for soft headed liberals ; that is the expression which Kissinger used. Soft headed liberals is a problem. Li Peng, this year on first January in his speech said, the only problem that will shatter China is not the Centre - State relationship, but economic disparities, and if this is not controlled, then there would be a problem. The identification of the problem is provincial disparities and economic disparities.

I feel a little hesitant and even a bit nervous to talk about defence forces particulary in this company, because I do not know much about it. In June, 1993, the International Institute of Strategic Studies, (IISS) London and the Centre for Asia, pacific Studies held a conference in Hong Kong. It was said there that as far as Central control is concerned, the Air Force, Navy and the Nuclear Forces are firmly under Central control. It is the Army which is not, and they identified this as a major problem for China. Last year too some one in authority said that many armies in China have lost their fighting capacity and have been defeated by peace or by themselves. The Army is creating a problem of accounting and accountability.

The thrust of my analysis, if right, is this question as to what will happen after Deng Xiaoping disappears from scene is irrelevant. Actually this question need not have been asked. When it comes to Asian leadership, Western analysts ask this question. You will recall

those books on After Nehru - What ? So now a new question has begun to be asked - After Deng Xiaoping what ? This is because, nobody likes big countries and big States. There is almost a desire in the Western World that some how or the other, these big countries should collapse under their own weight and God willing, China will do the same. It seems unlikely that the Western desire would be granted in the foreseeable future.

SESSION - IV**CHINA'S MILITARY POSTURE BY 2010 AD**

Chairman : Admiral J. G. Nadkarni

Main Speaker : Maj. Gen. Dipankar Banerjee

PAPER PRESENTED BY MAJ. GEN. DIPANKAR BANERJEE

The end of the Cold War has transformed the global security environment. Though its impact is felt more in the western hemisphere where the termination of the bipolar confrontation brought about a more radical reorientation in international security relations, the rest of the world too has been affected by this new reality. But for Asia, a more significant development is the sudden growth of Chinese power. Since November 1978, when Deng Xiaoping initiated economic reforms in China, it has experienced an average growth in its GNP of about 9 per cent. In recent years this rate has been near 13 percent. Such high economic growth in a major country, that too one encompassing 1.2 billion people, is unprecedented in world history. While there are evidently many distortions as a consequence its overall impact on Asia and the world must not be underestimated.

Whenever there has been a rapid rise in the power of a country in the past it has usually led to expansionism, tension, conflict and finally to war. In today's world the inevitability of war may not be a sustainable proposition. Yet, the reality of growing Chinese power will profoundly affect developments in Asia. With the Asia-Pacific region emerging as the major power-house of the next century, the consequences of this capability will be felt around the globe. Brzezinsky has suggested that this phenomenon will affect Asia-Pacific security in a more profound manner than the disintegration of the Soviet Empire. In the remaining years of this Century and well into the next millenia this will remain the most important strategic question confronting the world.

The policy adopted by the countries in Asia to deal with this situation is to 'engage' China, to encourage it to open up to the world, to democratise its political apparatus, to make its governmental functioning more transparent and to resolve outstanding issues through dialogue and discussion. This strategy has largely succeeded so far.

Yet, in the case of China there are always questions of discontinuity as well as uncertainties and imponderables in a post-Deng transition. Major changes have come about in the past, one every decade in Communist China. The Great Leap Forward 1957-59, the Cultural Revolution 1966-69, the rule of the Gang of Four and their radicalism and finally the changeover to "socialist market economy" in 1978. But these remained internalised in a largely insular China. In today's interdependent world and Beijing's own larger power accretion by then these developments will be of greater consequence for the world. It is important then to understand China, its emerging policies, power and capability. This paper attempts to analyse China's security policy and military capability in a 15 year framework.

China's Strategic View

Under Mao Zedong China's view of its strategic environment was one of impending conflict. This perception persisted till the 1970s and was characterised by popular slogans such as "be prepared against war", "be prepared for an early strike, a major strike, and a nuclear strike". With normalisation of relations with the USA this perception underwent a major change, but the Soviet threat continued to loom large. The Four modernisations recommended by Zhou Enlai in the mid 1970's put military modernisation at third place. This changed in the early 1980's. China was amongst the first countries to detect Soviet weakness much earlier than these were apparent. Its world view was now ripe for change.

The security dimension of this was discussed in a prolonged Central Military Commission in May and June of 1985. The outcome was summarised in a report called, "Strategic Changes to the Guiding Thoughts on National Defence Construction and Army Building". In China's view the characteristics of the new era may be summed up from this report to be :-

- The old international strategic structure has changed, but a new structure was yet to take shape.
- The new period was one of disarray and there were many un-predictable factors.
- A world war was unlikely to break out for a fairly long period, but minor wars and local conflicts will continue.

- The main issues confronting the world were East-West and North-South. While in the past East-West contradictions dominated, now both North-South and East-West questions will arise.
- Development of the economy was emerging as the fundamental problem in all countries of the world. Peace and development were the major contemporary topics.
- On the basis of this realistic assessment time was opportunity to develop the 'comprehensive national strength' (CNS) of China.

This new doctrine of CNS was to be the basis for the build up of the People's Liberation Army (PLA) and China's security policy for the future. According to this formulation, military power is considered to be but one component of overall national power. Other and equally important components are, political stability, ideological purity, cultural prosperity, educational, scientific and technological achievements and economic growth. The finalisation of this concept now enabled a proper perspective of China's military preparedness and help establish priorities for the future. It justified postponing military modernisation. It had already been put last amongst the Four Modernisations of Deng, but the new document now provided the ideological underpinnings. As a consequence Chinese official defence budget not only did not grow during the 1980s but when the high inflation is taken into account, it may be considered to have declined substantially. It declined greatly in terms of percentage of GNP.

China's security environment presently is the best that the country has had atleast in the last 150 years. All its land borders are either settled or in a state of tranquillity. In the region around Beijing perceives the following positive developments over the last decade :-

- Normalisation of Sino-Russian and Sion-Japanese relations.
- Improvement in Russia-Japan relations despite the problem of the Northern Territories.
- Normalisation of Sino-Vietnamese relations.
- Decrease in tensions on the Korean peninsula.

Since 1991 there has been a slight modification in this overall strategic view. This resulted because of three developments. One, was the Gulf war 1990-91. China's analysis revealed the enormous strides made in the sphere of high-tech weaponry and especially USA's great lead in it. Second, was the question of the ownership of the Spratly's Islands and China's assessment of its enormous oil and mineral deposits in its Extended Economic Zone. To sustain China's economic development and the need to dominate its immediate environment, Spratlys Islands play an important strategic role. Third, was a reassessment of the strategic environment in the early 1990s where a great deal of turbulence and uncertainty are perceived in China's periphery. This has been articulated regularly at intervals by Qian Qichen (Vice Premier and Foreign Minister), Li Peng (Prime Minister) and by Jiang Zemin (President).

What is the Chinese preception of threat to its national security? More than any other factor it is this visualisation that will determine China's military preparations especially over the next 15 years. This threat perception is seen in two dimensions. One is an immediate tactical threat. Though there is none at present, but dealing with the Spratly's question as well as sudden unfavourable developments in its border areas may be considered to need a certain level of military capability.

The second is at the strategic level which involve long term perspectives. In broad terms these may be divided into two schools. One is the Former Soviet Union (FSU)/Russia School which sees future military threats arising from the East. Over one and a half million square kilometers of territory are considered to have been ceded through unequal treaties. The western region consists of sparsely populated border regions inhabited by ethnic minorities and has a lack of any major obstacle systems. These highlight a threat from this direction. At the same time Russia and the FSU's continued economic decline and total disarray in its armed forces diminish the potential of this threat in the near future. The second is the east and Southeast School. Threat perceived is from the USA, Japan, Unified Korea and Southeast Asia in various combinations. This may be a more realistic threat given the greater capabilities of many of these countries. The key country of course is the USA. In the global race for power, the USA is seen as the likely long term strategic adversary. In both these perceptions India does not feature as a threat.

A clearer thinking of China's PLA has emerged in a 77 page book discovered by a foreign diplomat in Beijing in mid 1993 titled, "Can China's Armed Forces Win the Next War ?" Its authorship, though unacknowledged, is undoubtedly military and probably senior naval officers. The Book's authenticity and value was seriously downplayed by China, which may in turn give it greater legitimacy. The Book classifies likely adversaries in the following terms and order of importance :-

- (a) An Open Adversary - USA the No 1 Military Power in the World.
- (b) A Powerful Resurgent Adversary - Japan.
- (c) Unpredictable Ace Hitman - Vietnam.
- (d) The Potential Large Threat - India. It accepts Indian Army's qualitative superiority. It also suggests that the Indians are obviously superior to the Chinese in Naval, and Air-force hardware, blue water fighting capabilities and in border military fortifications.

Factors That Will Affect China's Military Capability

The above analysis of China's world view and its strategic environment would tend to suggest that Beijing is likely to develop its military capability only steadily and keeping in mind long term considerations. But this too could change at short notice. Some factors that may affect a decision are the following :-

- A post Deng transition where the PLA has a major role. Even though the Army would be under the Party, its role in national decision making would be enhanced. This may generate greater pressures towards increased defence expenditure and quicker military modernisation.
- A possible weakening of the periphery as a consequence of economic decentralisation. This in turn may call for a higher defence preparedness on the borders and a hardening of the political stance. In turn it could lead to tensions and a higher priority to defence.

- External pressures that may affect China adversely may lead to a more hostile approach. Exclusion from the World Trade Organisation, restrictions on exports and technology transfer, and pressures on political issues may well contribute to this.
- Finally, is the question of instability after Deng. It may take many forms. In many such scenarios the PLAs power as well as the need for dealing with internal instability may give rise to a xenophobic China.

Many of the above factors may be worst case scenarios without a high degree of probability. Four indicators would really provide a clue to China's military capability in the near future. One is defence expenditure. Clearly this has risen in recent years. In 1988 China official military expenditure was 21.5 billion Renminbee. In 1994 it was estimated at 52.4 billion. This is a substantial increase well ahead of inflation as well as a percentage of GNP. The 1994 defence budget shows an increase of 21.9 per cent over 1993, the largest budget increase of any Armed Forces in the world and the largest in Chinese history except in 1979. Of course these figures though indicating a trend are largely notional. China spends at least 3-4 times the official declared expenditure on defence. In purchasing power parity terms the actual defence expenditure would be over US \$ 100 billion. This would make China the second largest spender on defence. Yet, should the need arise it can even be increased. Current official defence expenditure is only 9.6 per cent of national expenditure.

The second indicator is military doctrine and strategy. Mao's concept of People's war was given up in the late 1970s. In 1985 the new doctrine was given official sanction and was called People's War Under Modern Conditions (PWUMC). This is a radical departure from the past and is actually an Air-Land Battle doctrine as in the West. It stresses integrated all arms and services, armies' mobility, and deep strike capability. While almost all the 24 Armies have been reorganised for this role, their equipment are still woefully inadequate. In terms of military strategy the doctrine is one of 'Active defence'. This envisions three kinds of war in which China may be involved. One, a World War. Two a large scale war of aggression against China. Finally, border conflicts or limited war - a much more likely eventuality in today's world. This last component will incorporate 'self defence counter-attack', a strategy followed against Vietnam in 1978 and India in 1962.

Third indicator is the thrust in acquisition of scientific and technological capability. Already China claims to have made major achievements in four key technologies. These are; lasers and optics, biotechnology, superconductors and carbon isotopes. Seven strategic technologies have been indentified on which major efforts will be devoted to catch up with the West by 2000 AD. These are; biotechnology, energy, new materials, information technology, automation, lasers, space and telecommunication. Many of these have an important dual capability that can directly enhance defence capability. Implications of this on defence preparedness will be significant.

The fourth indicator will be arms acquisition. It is true that China's present military equipment is largely of 1950s vintage. Only in selected areas these have been upgraded with modern technologies, such as avionics for combat aircraft, guided missile systems and electronics. However, the vast quantity of military hardware that would be required to be updated would need greater effort than even what its large defence industry is presently capable of doing. Besides a very large section of this industry, perhaps 60 per cent, now produces commercial items for the market.

From a careful analysis of the above indicators it is presently apparent that China is still some way short of having a modern army with an adequate force projection capability. To assess its military potential for the present and into the future, it would be necessary to study each component of its military in more detail.

The People's Liberation Army Ground Forces

The ground forces of the PLA consist of 2,300,000 soldiers which is more than twice as large as the second largest army in the world. Another one million soldiers of the Peoples Armed Police, meant for internal security tasks, but trained to undertake a variety of other military roles, come directly under the PLA.HQ. There is no sign of any reduction in this capability though this was considered in end 1993. The forces are organised into 24 Integrated Group Armies. These encompass 84 infantry divisions, 10 armoured divisions, 7 field artillery divisions and 4 Air Defence Divisions. The Army has 7,500 to 8,000 medium and 1,200 light tanks. Towed artillery guns number 14,500. The Army is equipped with self propelled artillery, surface to air missiles and armed helicopters. The Army is planning to acquire T-80 tanks and SA-300 Air Defence missiles (Patriot equivalent) from Russia.

Force strength is quite obviously well in excess of China's current security requirements. In the present environment there are few reasons to deploy such a large manpower intensive military force. One reason is to be ready to deal with unforeseen eventualities in a post Deng transition. Another may be that demobilisation on a large scale will result in great upheaval in the nation already beset with numerous other problems. This was the experience of the last restructuring when about one million soldiers were reduced in 1986-87. Another possible reason may be that given the comparatively limited expenditure on manpower, the size of the armed forces can be kept large without really great hardship.

The modernisation programme is continuing. At present there are some weaknesses in the Army. It is also called as the largest junkyard army in the world. However, there are significant areas where it has modern capability. There is massive corruption in the Army, which probably is a carry over of the KMT era of the thirties to fifties. Orders emanating from the Centre are not necessarily obeyed any more. The industrial conglomerates, under the PLA control produce from 20 to 40 percent for the army needs and upto 60 percent for the civilian needs. This has bred much corruption. Due to comparatively lower pay scales and perks vis a vis those obtaining in the civil sector, the quality of recruits for the Army has deteriorated. The pay scales of the Army have recently been improved. A noted Chinese scholar, Elley Yophee, specialist on China's PLA, mentioned during a seminar held in Hong Kong in June, 1994 that judging by the study and analysis of the prevailing trends, Chinese military cannot be a functional army. This may be because one third of the army is engaged in business activities, enterprises and non-military activities, another one third is engaged in other development and political support action and only one third constitutes the regular professional army.

The PLA Air Force

Of all the Services the Air Force is probably the most antiquated. It has a total of 4,970 aircraft divided into 7 military Air Regions. Its bomber aircrafts are 120 Hong 6 (TU-16 equivalent - medium) and 350 Hong 5 (IL - 28, light). Though other types of combat aircraft, fighters, fighter ground attack and helicopters are in large numbers, their average age is around 30 years and more.

Efforts have been continuously underway to modify these forces. The fighter aircrafts are being provided upgraded avionics by

Grumman Aircraft Corporation of USA. The Transport aircraft are being given latest jet engines as a spin-off from its expanding civil aircraft industry. Israel is supposed to have provided air refuelling capability.

A major upgradation of Air Forces capability is planned through collaboration with Russia. Twenty six SU-27 aircraft were purchased from the Soviet Union as part of a US \$ 1.8 billion arms deal signed in 1992. All indications suggest that some more are likely to be purchased in the near future. The SU-27M is capable of landing on a jump deck of a medium sized aircraft carrier. Talks are going on for the purchase of MIG - 31 aircraft. This is likely to be a collaborative project with production undertaken in China. Upto 100 aircraft a year are planned to be built by the end of the century.

A special characteristic of the PLA Air Forces is that it has its own Airborne Force. 15th Airborne Army of three divisions are available to it. This was a recent expansion in line with the principle of 'rapid reaction capability' developed to deal with situation on China's periphery.

The PLA Navy (PLAN)

Of all the services the Navy has the highest priority, next only to the Second Artillery (the missile command). Building a quality navy is an important national concern, in keeping with the perceived threats in the South China Sea and Taiwan. The major naval bases and fleet deployments are given below :-

MAJOR NAVAL BASES AND FLEET DEPLOYMENTS

North Sea Fleet

Bases :	Qingdao (HQ)	Forces :	2 Submarine Sqns
	Jiaonan		Escort Sqns
	Dalian		1 Mine Warfare Sqn
	Huludao		1 Amphibious Sqn
	Weihai		Bohai Gulf Training Flotilla
	Chengshan		Approx 325 Patrol and Coastal Combatants
	9 Coastal Defence Districts		

East Sea Fleet

Bases :	Shanghai (HQ)	Forces :	2 Submarine Sqns
	Wusong		2 Escort Sqns
	Dinghai		1 Mine Warfare Sqn
	Hangzhou		1 Amphibious Sqn
	7 Coastal Defence Districts		Approx 270 Patrol and
	Coastal Combatants		
		Marines :	1 Cadre
			Division

South Sea Fleet

Bases :	Zhanjiang (HQ)	Forces :	2 Submarine Sqns
	Shantou		2 Escort Sqns
	Guangzhou		1 Mine Warfare Sqn
	Haikou		1 Amphibious Sqn
	Yulin/Beihai		Approx 320 Patrol and
			Coastal Combatants
	Huangpu		Marines : 1 Brigade
	Outposts on Paracels and		
	Spartlys		
	9 Coastal Defence Districts		

Just like India, China has an ambivalent approach towards the sea. Attention was paid to developing a navy only sporadically, most notably in the 15th Century. Instead China thought in terms of defence mainly from the West along its vast land borders. It too was later subjugated from the sea by the newly emerged European naval powers. Ever since 1949, when the PLA Navy came into existence it received little priority in Mao's strategic thinking.

It was only when the Paracel Islands were siezed in January 1974 that the Navy received priority. Deng Xiaoping was the Director, General staff Department of the PLA at the time and personally supervised the operations. He became aware of the weaknesses in the navy and in 1979 called for "building up a powerful navy that has modern combat capabilities". He also redefined the Navy's mission from primarily coastal defence to a blue water navy. Since then the

PLAN has steadily modernised to fulfil this role. The question is how far it has succeeded and what are likely to be its future plans.

The PLAN has passed through four stages till 1990 and these can be explained broadly as follows :-

- (a) Assembly stage 1950s. : From a ragtag force of 183 minor craft of a total of around 43,000 tons, it increased its capability during this period through Soviet technology.
- (b) Copying Stage - till late 1960s. : It continued to copy earlier soviet design ships.
- (c) Design and Trial - Building Stage- late 1960 to early 1980s. : The Chinese now began to design and develop their own ships. This included guided missile destroyers, frigates, submarines chasers, conventional and nuclear submarines, and logistics as well as communication ships.
- (d) Upgradation of Combat Capability 1986 - 2000 : The aim is no longer to increase the numbers of ships but to improve electronics, weapon systems mainly guided missiles, communication and nuclear propulsion. The overall emphasis, "will be on the development of sea combat forces, including warships, submarines and aircraft."

Admiral Liu Huaqing was the first naval chief in the early 1980s and is the father of the modern Chinese navy. It is perhaps no coincidence that today he is the seniormost PLA officer and a key individual in charge of military modernisation as the First Vice Chairman of the Central Military Commission.

In strategic terms the Navy has moved from a coastal defence strategy termed as "Peoples War at Sea" to a more comprehensive all round strategy. Initially it is one of offshore defence to defend the country's coastal waters. At the same time a more comprehensive blue water strategy is beginning to form. To be able to accomplish this task both doctrinal modernisation and extensive naval construction is envisaged. Extensive naval voyages well out to the Pacific Ocean were conducted throughout the 1980s. In the 1990s the emphasis is on joint excercises alongwith the Army and the Air Forces.

Two stages are visualised in naval modernisation well into the next Century. In Stage 1, between 2001 and 2020 several light aircraft carriers in the 20,000 to 30,000 ton range is considered. Equipped with vertical and short take-off capability aircraft this will allow its navy to project power well into the Pacific and Indian Ocean regions. Stage 2 from 2021 to 2040 aims at a navy that can match the US Navy and project power around the globe. Whether this actually materialises will depend upon many factors and imponderables that cannot be predicted as yet. However several steps taken recently clearly points in this direction. A few of these are considered subsequently.

A Maritime Territories Act was passed by the Chinese Government on 25 March 1992. This openly lays claim to not only the entire South China Sea including the Paracel and Spratlys Islands, but right up to the coastal waters of the South-East Asian nations and to the Senkaku Islands in the east China Sea. This goes beyond the Law of the Sea Convention and China coined new terms such as "historical claims", "neighbourhood sea", and a concept of a strategic zone encompassing space and oceanic areas around the country as its natural territories.

There are clear plans for acquiring aircraft carriers. HMS Melbourne was earlier bought for scrap to familiarise naval personnel. Three sets of naval crew have been under training for the last few years. A naval aviation wing has been in existence for some time. They have been practising take-off and landing from simulated aircraft carriers on land. The first aircraft carrier will have to be acquired from abroad, perhaps from Russia. It is unlikely to be a large ship (unlike the 67,000 ton Varyag that was mentioned in earlier reports). Most probably it will be around 30,000 tons. The actual timing for acquisition will be determined entirely by political considerations.

China's Strategic Missile Forces

China's Strategic Missile Forces consist of 90,000 soldiers divided into offensive and defensive troops. Offensive capability is divided into air, missile and naval forces, thus providing it with a triad capability. Defensive forces consist of tracking station units in the Western sector and a ballistic missile early warning system based on phased array radar. Current state of China's nuclear delivery capability is shown below :-

China's Nuclear-Delivery Capabilities

	Payload/Yield	Range(km)	Status
Land-based Missiles			
DF-5A (ICBM)	4-5 MT warhead	12,500-15,000	4-10 deployed
DF-4 (IRBM/ICBM)	3.3 MT warhead	4,750 +	20 deployed
DF-3A (IRBM)	3.3 MT warhead	2,600 - 2,800	70-125 deployed
DF-21 (IRBM)	200-300 MT warhead	1,800	36 deployed
DF-31 (ICBM)	200-300 MT warhead	8,000	Being developed
DF-41 (ICBM)	MIRVed	12,000	Being developed
Sea-launched Ballistic Missiles			
JL-1	0.5-1 MT	1,700	24 deployed
JL-2	0.5-1 MT	8,000	Likely to be deployed by end 1990's
Tactical missiles and nuclear-configured bombers			
DF-15 (M-9)	500 kg payload	600	Deployed
DF-11 (M-11)	800-1000 kg payload	300	Deployed
H-7, H-6, H-5, Q-5 bombers	20kt-3Mt single bomb	400-3,500	180-200 bombers deployed
HY-2, HY-1, HY-4, anti-ship cruise missiles	400-500 kg payload	40-150	Deployed
HY-3, C-101	400-500 kg payload	45-130	Being developed

The above is a formidable capability that puts China as the third largest nuclear force in the world, after the USA and Russia, even though in terms of numbers it is still way behind. But trends are more disquieting. China continues to upgrade its missile capability and carry on nuclear testing, the only nation to do so today. Though it supports a comprehensive nuclear test ban treaty (CTBT) it is unlikely to enter into one before 1996 and that too probably with conditions. China has propagated in the past that its policy on nuclear weapons is "whatever they have, we must have". That is why it has consistently believed in not participating in nuclear arms control dialogues till other nations, notably the USA, the FSU and now Russia reduce their capabilities.

The modernisation plans incorporate four major projects. These are likely to be completed only by the year 2010 and incorporate solid state fuels, MIRVed (multiple independently targeted reentry vehicles) warheads, enhancing submarine launched ballistic missile capability and more reliable deployment for its land based strategic forces will be able to match those of the USA and Russia in quality and capability, if not in numbers.

Exercises

Large scale exercises carried out by the PLA since the early 1980s are the clearest indications of its potential and strategy. Exercises in the early 1980s catered primarily to a land based threat from Russia. The operations envisaged were large conventional defence in depth leading to a final nuclear exchange to stop the onslaught. Subsequent years saw the adoption of Air Land Battle concepts, rapid reaction force operations on the periphery and naval exercises. Chemical defence warfare, use of tactical nuclear weapons and airborne landings were also practised.

In recent years the emphasis seems to have shifted to joint exercises including forces of the three services both in defence of coastal areas as well as in offensive operations. A recent larger scale series of exercises conducted by the Jinan MR continued throughout 1994. The object was Taiwan and the aim largely political, to thwart Taipei's tendency towards independence. At the same time it was a clear demonstration of the capability of a more confident PLA.

An Assessment

To make an assessment of China's military potential and posture well into the future is fraught with a number of uncertainties. These have been discussed earlier in the Paper. Yet, should there be a continuity in China's economic growth at near current rates and political stability, the outlines of its future potential and direction are sufficiently clear. In outline these may be summarised as discussed later.

The Army would have reduced its strength probably to around 1.5 million. At the same time about 10 Integrated Group Armies are likely to have been substantially modernised. Its artillery systems would have been upgraded and its electronic warfare capability

would have been greatly enhanced. The Air Force is likely to have around 3000 modern aircraft most likely based on MIG 29 and 31 and SU 27 and 35. Older aircraft would have had their avionics significantly improved. The Navy is likely to have acquired one or two medium aircraft carriers while indigenous production would be well on its way. Emphasis will be on improving weapon systems based on guided missiles, air defence capability and surveillance. The Navy would have a more complete blue water capability and cruise well into the Pacific. Its dominance of the South China Sea and East China Sea would be near total. No dispute might arise over the Spratlys. China's defacto control over the area would have been tacitly acknowledged by the Southeast Asian countries though probably with some adjustments. The PLAN is also likely to cruise into the Indian Ocean region.

There is unlikely to be any change in China's nuclear capability and policy from what has been described earlier in brief. Its strategic deterrent capability would be assured against all threats.

By 2010 China is likely to emerge as a leading world economic power, with enormous political influence in the Asia-Pacific region and the second most powerful armed forces in the world. Its military power may be challenged but unlikely to be matched in the Asia-Pacific region except by the USA. Both Asia and the world will have to adjust to this new reality.

Conclusion

The possibility of discontinuity in China is always very large. No doubt this will impinge on China's future plans and capabilities. But whatever happens or the nature of change that takes place, it will be in a nation that is already a major power in Asia and the world. For good or bad it will affect the world and transcend purely national concerns.

The world has quite appropriately adopted an approach of dialogue and engagement with China. India too has followed a similar strategy based on its own perceived national interests. We have evolved cooperative relations in a wide range of activities including security issues. Our bilateral talks on border question have made good progress. We need to continue on this path. At the same time we need to factor in China's growing military capability in our strategic plans.

Relations between our two countries need not necessarily be conflictual; actually there are growing areas of convergence. There are overwhelmingly more issues of cooperation than those that may lead to tension. But to prepare for this and to develop a more meaningful relationship we need to be aware of China in all its manifestations.

J. G. Nadkarni : Closing Remarks

Admiral J.G. Nadkarni, Director of the Centre for Advanced Strategic Studies thanked the main speakers, the discussants and all the participants of the seminar, which generated very lively discussions. The world is passing through a very difficult period. We are witnessing rapid mind boggling advancement in science and technology, in electronics, in communications and other technologies. China appears destined to be a very major actor on the regional and the world scene in the twenty first century. To outsiders it still remains an enigma. A deeper understanding of China is essential for shaping our China policy. India has the potential to claim its rightful place in the world affairs. The strength has to be found and built up from within on the social, political, economic, industrial, technological, commercial as well as cultural fronts. Weakness is universally despised. Strength respects strength. These aspects should be fully taken into account in formulating and shaping our strategy, and our China policy. The emerging areas of congruity of interests between the two should be fully utilised without sacrificing our national interests. Our security guard should not be lowered. India needs to factor in China's growing military capability in its strategic plans. It should fully take into account the capabilities of the potential adversaries instead of being carried away by their declaration of friendly intentions. Lack of proper strategy and inaction at this juncture would prove very damaging in the long run. The country could get marginalised. He expressed the hope that the seminar deliberations will prove useful for a better understanding of the emerging China and to the policy makers in formulating the country's internal policies, as well its China policy.

He thanked the Ministry of External Affairs for their financial support and the University of Pune, specially the Department of Defence and Strategic Studies for their valuable support to the Centre in organising this seminar and declared the seminar closed.

SUMMARY OF DISCUSSIONS

With one fifth of World's population, a pulsating economy, third most powerful nuclear weapon state, veto-wielding permanent member of the UN Security Council, China carries tremendous clout. China was self sufficient and highly industrialised, but the nineteenth century reduced it to colonial status. It is now emerging as a major power. It sees the post cold war world as multipolar, and China as a pole.

The pace of economic growth in China has been phenomenal, current annual GNP growth rate being 13 percent. By 2010 AD China is likely to emerge as a leading world economic power with enormous, political influence in the Asia-Pacific region and the world's second most military power. It conducts a vigorous, dynamic and successful export (including arms export) as well as development drive, establishing structural and investment linkages with neighbouring countries on coprosperity principle. It thus actively promotes the growth of Natural Economic Territories (NETs). It has opted for Comprehensive National Strength (CNS). It considers economic and technological advancement, political stability and ideological purity as integral components of national strength. Rapidly growing GNP also means more funds for defence and stronger military muscle. To ensure its rapid economic growth China will seek a stable and peaceful environment, atleast till it reaches a stage of being able to flex its muscles without fear of retaliation.

The Chinese leaders have displayed a remarkable foresight in their strategic perceptions and in safe guarding and promoting national security interests. They have mastered the art of "real politics" and handled foreign relations including those with Super Powers with great skill. The outstanding and consistent element in their policy has been never to bargain from a position of weakness and never to resolve an issue to their disadvantage.

Chinese economic success is exerting a magnetic influence on the Chinese communities residing in neighbouring countries. The Chinese stake in economic growth has facilitated stability in relations between China and her South-East Asian neighbours. There is an acknowledgement that the way to prosperity lies in collaboration between states. Within, it has knitted communities together and reinforced the conviction that it is the bigness of China, the great

"togetherness", that is primarily responsible for the prosperity of the individual states and of the whole country. Regional imbalances in economic growth and seeping corruption are posing serious problems. These are being addressed.

China is already a mini Super Power. It is determined to acquire an effective military retaliatory deterrent against the US and Russia which will be credible in the twenty first century. It is trying to build up a blue water Navy and modernise its Air Force. Its army has problems of corruption and professionalism.

Through the enactment of the Law of the Peoples Republic of China on its Territorial Waters and Their Contiguous Areas" and claims on vast areas including many islands it has declared its geo-strategic intentions. These can be activated at will, at a time convenient to China and inconvenient to others.

Sardar Vallabh Bhai Patel had given sound advice and timely and repeated warnings in 1949 to safeguard India's national security interests, vis a vis China but these were ignored. China is said to be a riddle wrapped in an enigma. Many myths have been built around China, and at any given time it may appear to be subject to many contrasting cross currents. This often leads to misreading by outsiders. Yet, there is certain elite consensus in China in terms of economic and political policies and foreign and defence policies. In the Tiananmen incident it was the system legitimacy that was questioned and not the regime legitimacy. The concept of "great togetherness" and the power and prestige seen flowing from it is deep rooted. Every prosperous province in China knows that it owes its prosperity to the bigness of China.

The seminar has been very timely. It addressed itself to examining the emergence of China on the regional and global scene and deliberated on its political, economic and military impact on India. A general consensus emerged on the following lines :-

- China will be a major actor on the regional as well as the global scene in the next century.
- The regime in China appears to have firm and deep roots. This enables it to tinker with its economic system and successfully experiment in combining economic deregulation and political regimentation.

- The contrasting cross currents prevailing within China most of the times can lead to misreading of the situation by outsiders.
- China has mastered the art of real politics. It is ruthless in the pursuit of national interests. It has never bargained from a position of weakness and never resolved an issue to its disadvantage.
- China is successfully integrating the economies of the neighbouring regions on the principle of coprosperity. This is bound to result in political spin-offs in China's favour.
- The Indian provinces bordering China unless economically and politically integrated in the main stream are likely to become vulnerable to Chinese influence. This holds good also in respect of the Himalayan Kingdoms.
- The climate for improving Sino-Indian relations has become congenial since late eighties. From an examination of the major events in India-China relations after 1986 onwards it seems that these are largely sui generis and have a dynamic of their own.
- There is a good level of congruence and room for both in the international system to pursue their goals. This can be built upon as the present environment offers greater strategic opportunities.
- India and China both have considerable amount of continuity, unlike "modern" societies and have their different ways of assimilating the process of change, essentially aimed at modernisation of the economic structure. This is bound to have an impact on social and political structure.
- India like China is very large, but even more than China has variegated, multi-lingual, multi-ethnic society - a pluralistic society, by tradition, working in a democracy.
- Weakness is universally despised. Strength respects strength. India needs to become strong.

- To meet the Chinese challenge on the economic, political and diplomatic front, India needs to have a politically stable and sustainable sound government with a credible economic development programme and necessary drive to implement it.
- India needs to establish closer and stronger economic links with the SAARC and neighbouring countries.
- India needs to become economically and commercially more competitive in the international market to be able to hold its own in the fiercely competitive and predatory world where the emerging China would be a formidable competitor.
- India has the potential to become a major power to be counted. This is an opportune time to identify and correctly assess our reservoir of strength and make headway. Mere indulgence in self denegration and unjust self criticism, a habit with some of the elite, would prove damaging.
- India must ensure that its security guard is in place. India needs to factor in China's growing military capability in its strategic plans.
- There is a need for greater transparency in the government. There is excessive and self defeating obsession with secrecy in government affairs. This militates against working out sound strategic plans. The Hendersen Brooke Committee's report is yet to be made public.

"THE EMERGING CHINA : POLITICAL, ECONOMIC AND MILITARY IMPLICATIONS FOR INDIA"

SEMINAR : 22nd & 23rd NOVEMBER, 1994

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CENTRE FOR ADVANCED STRATEGIC STUDIES

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