

# 10

## Xi Jinping's Diplomatic Strategy

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The key foreign policy theme of Xi Jinping's opening speech at the 19<sup>th</sup> Congress of the Chinese Communist Party was restoration of 'China's rightful place at the centre of the world'. First, recent Chinese foreign policy statements speak of 'great power diplomacy with Chinese characteristics' (*The Economist* 2017).<sup>1</sup> That great power status is a dominant preoccupation is demonstrated by Xi's use of the term 'great power' or 'strong power' some 26 times in his opening speech: 'China will continue to play its part as a major and responsible country', he asserted. This was a departure from the past when leaders in Beijing depicted their country as a poor, modest player abroad, in line with Deng Xiaoping's 1989 doctrine that China should 'hide its capacities, bide its time and never take the lead'. This posture evidently corresponds to both China's expanded capacity and the global environment, but the strident urgency is new. Second, few had anticipated the incorporation of 'One Belt, One Road' (OBOR), also called the 'Belt and Road Initiative (BRI), into the Party Constitution. It establishes OBOR's centrality to China's foreign and economic policy, albeit at the cost of flexibility. Third, moving further from the 'peaceful rise' doctrine of the mid-2000s, China now stresses its first class military capability: the PLA is 'built to fight'. How will China's neighbours take crude assertion of power? Overall, China places itself at equality with the US, i.e. a superpower in effect, even if that term is not its self-description. Four, a novel assertion: China's development presents a new choice for other countries; Xi spoke of 'blazing a trail for other developing countries...Chinese wisdom and a Chinese approach to solving problems' (Xi 2017). Is that the start of a 'Beijing consensus'? Finally, gone is Deng's notion of collective leadership, flowing from experience with Mao's dictatorship. Deng found place in the Party Constitution only after his death; Xi, raised to that status, is now given singular authority, and by inference, lifelong

leadership. Of course, the March 2018 National People's Congress (NPC) confirmed this.

Consider also what is missing. One of these is the notion of multipolarity. Asserting 'centre stage' role in world affairs, China no longer speaks of a consortium of global powers (Kantha 2017a). Those that have discussed Asian affairs with Chinese scholars confirm this; they have little interest in notions of a multi-power future for Asia. This has profound implications for Asia and the world. First, it throws a gauntlet, declaring Beijing's a putative primacy. That ill-suits the Asian reality, where Asian region powers, Australia, India, Indonesia, Japan, South Korea and Vietnam, jostle for their place in the sun, with the US and Russia playing the Asia game by right, as it were. Second, China simply fails to understand that the grand connectivity-plus-infrastructure project OBOR creates 'global public goods' which are of legitimate concern to many different states, even those not contributors or direct participants. Collegial consultation is the best assurance of full value from the OBOR investments, from Beijing's own perspective. Will China understand what its hubristic mindset portends? Third, globalisation, with all its flaws and caveats, has created an eco-political frame that runs counter to redox of pre-1990 two-power domination. Each superpower, actual or putative, confronts other contesting entities, especially when chains of alliances have weakened.

### The Chinese System

The opacity of the Chinese system, combined with the rapid transformation produced through the 1979 reforms, sometimes gives the country an aura of omniscience, i.e. its policy and actions are imbedded in a master schema that unrolls with precision. True, China has long applied strategic planning in foreign affairs. Its overarching Party system also endows it with a *unified decision system*, plus a *comprehensive policy implementation capacity* that is truly Leninist, more centralised perhaps than in any other country (Jakobson and Knox 2010). At the very apex of its national system, both these processes work well, but some – and often a great deal – of that unified force is dissipated by the time it reaches the nooks and crannies of the Provinces, counties and the sub-units. Ministries and agencies pull in different directions, especially on matters of detail. Another reality is that within the international system, China remains a normal country, subject to the same pressures and limitations as any other, even if its style and some actions reflect special characteristics. It is thus an error to endow China with a deeper governance capacity, or capabilities to produce outcomes radically different from what other states can accomplish.

In foreign affairs, as elsewhere, China's apex policy-making straddles two entities: the government system (headed by the State Council and Ministries),

and the Communist Party of China (CPC) Central Office. The Politburo, especially its seven-member Standing Committee, commands both. When it comes to international relations, the core agency is the 'Foreign Affairs Leading Small Group'. Similar 'Leading Small Groups' (LSGs) deal with a multitude of different subjects, including the one established in 2014 to deal with national security; another deals with Taiwan affairs, and perhaps Hong Kong and Macao as well. Neither their membership nor modes of functioning are public. We also do not know how an overlap between foreign policy and national security is handled. Small bits of information trickle out on occasion.<sup>2</sup> That adds to mystique.

Following the March 2018 NPC important changes have taken place. A new unification of foreign aid execution now comes through a new 'Department for Overseas Relations', under the joint control of the State Council and the Party, headed by State Councillor Yang Jiechi, now a Politburo member; this department takes charge of foreign aid, through the 'International Development Cooperation Agency', with the Ministries of Commerce and of Foreign Affairs harnessed into it.<sup>3</sup> Foreign Minister Wang Yi also rises in rank as State Councillor (*SCMP* 2018).

### **Key Issues**

Consider the likely impact of the 19<sup>th</sup> CPC on China's foreign affairs.

#### **First, what role is OBOR likely to play in China's relations with neighbouring countries and regions, and in its policy in Asia, Africa and Europe?**

An amendment to the Party Constitution now reads: 'The Congress agrees to include into the Party Constitution the following statements....[F]ollow the principle of achieving shared growth through discussion and collaboration; and pursue the Belt and Road Initiative' (*Xinhuanet* 2017). Despite its blandness, this is unique. In his 18 October 2017 speech at the opening session of the Congress, President Xi said:

We should pursue the Belt and Road Initiative as a priority, give equal emphasis to 'bringing in' and 'going global', follow the principle of achieving shared growth through discussion and collaboration, and increase openness and cooperation in building innovation capacity. With these efforts, we hope to make new ground in opening China further through links running eastward and westward, across land and over sea...China will actively promote international cooperation through the Belt and Road Initiative. In doing so, we hope to achieve policy, infrastructure, trade, financial, and people-to-people connectivity and thus build a new platform for international cooperation to create new drivers of shared development (Xi 2017).

OBOR is long on declaratory statements, principally from Chinese sources that furnish partial, fragmentary information. But OBOR activities at the ground level are short on data and details that might permit sustained analysis (Rana 2017a). For example, past experience has been that China's announced lines of credit and loans to foreign countries do not all translate into action; this happens with most aid providers, but with China the gaps are larger. Whether the eventual global figure of OBOR projects reaches \$900 billion or \$1.3 trillion (as per different guesstimates), or even half of such figures, it is a vast, multi-dimensional collection of projects that will take a decade and more to implement. Some have likened it to a new 'Marshall Plan', but it is too mercantile for that comparison. Sharp questions persist over the debts it will leave behind for China's partner countries, given the long gestation and very gradual profitability of all infrastructure investments. In 2017 Sri Lanka, converted 70 percent of its debt into a part-sale of Colombo port to a Chinese company. Will such actions be more palatable for the recipients than a debt overhang? OBOR is intended to be Xi's lasting legacy for China, but it can become a millstone.

OBOR will create a web of obligations and dependencies on China for the countries receiving loans and grants for infrastructure and other investments (Jacob 2017). That is to China's benefit. But the downside is the hard loan repayment obligations, on which most information is not in the public domain, though some bits seep out. For example, published information on the China-Pakistan Economic Corridor (CPEC), a centrepiece of OBOR, shows that loans carry an onerous return-on-investment commitment of 17 percent (rising to 25 percent if the concessions given to China are factored in), and payable in US dollars, as a former governor of the State Bank of Pakistan wrote recently (Kardar 2017). Have some leaders of the borrowing countries made these long-term commitments anticipating that they may not be around when payback is to be made to Beijing? Can China show flexibility when it faces a demand for loan write-offs or for easing of repayments? This has the potential of becoming a messy situation for China, the more so with its domestic public increasingly alert in demanding financial accountability. In the next five years, more Sri Lanka type of situations will arise, and China will confront borrower demands. Of course, some investments will become productive, enhancing China's image and influence.

There is another avenue for OBOR. Many projects will create 'global public goods', i.e. connectivity and other infrastructure usable by third countries, including ports, roads, rail-lines, and industrial estates. On 8 January 2018, French President Macron told an audience in Xi'an: 'The ancient Silk Roads were never only Chinese. By definition these roads can only be shared. If there are roads, they cannot be one way' (*Reuters* 2018). This is just one instance of

countries cautioning Beijing on the need for better transparency and openness towards putative OBOR beneficiaries (Rana 2017b).

Might China engage in wider 'OBOR Plus' consultation with third countries who, along with international financial institutions, can become potential investors? This seems unlikely at a time when China comes across as assertively autonomous in its management of OBOR actions, as we saw at the May 2017 OBOR Forum where the participating countries were cast in an applauding role, with no real consultation. But the possibility should not be excluded, especially if China really wants other agencies to finance some projects. Even the AIIB, based in Beijing (and the BRICS-run NDB), will seek participatory roles if they are to fund OBOR projects.

In the coming five years, before the 20<sup>th</sup> CPC in 2022, OBOR may show successes and failures; an overall achievement rate of 50 percent may qualify for success. Such an outcome might make China a better partner in the international community. Or, domestic discord might tempt Beijing to use the foreign theatre to shore up its domestic image. Both possibilities need to be considered.

### **Second, how might China handle transition to the status of a global power? What are the likely trends?**

Graham Allison's book, *Destined for War: Can America and China Escape Thucydides's Trap* (2017), has made it fashionable to speak of a Thucydides Trap, where an entrenched power lashes out against a competing, rising power. Arthur Waldron noted in an incisive review of this book that the dilemma is captured in one sentence of Thucydides's text: 'What made war inevitable was the growth of Athenian Power and the fear which this caused in Sparta.' Waldron argues:

Allison seems to have been impressed above all by Chinese numbers...if that sentence from Thucydides is correct, then China is clearly a rising power that will want her 'place in the sun' – which will lead ineluctably to a collision between rising China (Athens) instigated by the presumably setting U.S. (Sparta), which will see military pre-emption as the only recourse to avert a loss of power and a Chinese-dominated world. To escape this trap, Allison demands that we must find a way to give China what she wants and forget the lessons of so many previous wars....The reality, however, is that Allison's recipe is actually a recipe for war. Appeasement of aggressors is far more dangerous than measured confrontation....When it comes to China, we might want to be more mindful of the 'Chamberlain Trap' after the peace-loving prime minister of England, one of the authors of the disastrous 1938 Munich agreement that sought to avoid war by concessions, which in fact taught Hitler that the British were easily fooled. That is the trap we are in urgent need of avoiding.... [China's] slightly delusional view of her claims, first made explicit in ASEAN's winter meeting of 2010 in Hanoi, was that

'small' countries would all bow respectfully to China's new pre-eminence. This has failed to occur. All of China's neighbours are now building up strong military capabilities. Japanese and South Korean nuclear weapons are even a possibility. Over relying on their traditional concept of awesomeness (威 *wei*), the Chinese expected a cakewalk. They have got instead an arms race with neighbours including Japan and other American allies and India, too. With so much firepower now in place, the danger of accident, pilot error, faulty command and control, etc. must be considered. But I'd wager that the Chinese would smother an unintended conflict (2017).

The Doklam confrontation at the Bhutan-China-India border trijunction suddenly emerged on 16 June 2017. What did it show? China manufactured a crisis by building a road right up to that trijunction. India's robust response, sending troops and blocking construction activities, was followed by limited mutual ratcheting up of tension in this and other border areas. On 28 August the two sides announced, separately and with differing emphasis, an end to that crisis. Climbing down is always harder than the first push, but we also witnessed caution in actions – not in words – that has been a Chinese hallmark. One is reminded of the crosschecking Beijing carried out in mid-1962 with the US via the Warsaw channel (to gauge Taiwan's posture) before its hard military strike against India in October 1962 (Kissinger 2011).

Is China still a 'partial' or incomplete global power? China's positives, in military power, economic achievement, technological progress, and comprehensive new foreign policy engagement via OBOR, were trumpeted at the 19<sup>th</sup> CPC. But consider the negative side of the balance: First, a persisting, overriding concern over the long-term survival of the CPC, sharpened under the Xi regime. Witness also a sense of threat over foreign culture infusions, producing ever-tightening control over the internet and the media. Second, economic vulnerability persists, despite 30 years of rocketing GDP growth, the highest that the world has witnessed, giving China the status of the world's second largest economy. China depends on market access abroad, and harbours a domestic debt burden that approaches 300 percent of GDP, well over the recognised danger mark. Third, societal challenges persist, ranging from sharpening income inequalities, endemic corruption, eco-social industrial and agricultural labour unrest, and resistance from the Tibet and Xinjiang communities. Xi's anti-corruption campaign addresses political opponents, but not quite the system that engenders this pervasive corruption. Stronger authoritarianism in the near future, if it comes to pass, will accentuate these challenges (Shambaugh 2015).

Russia is a special enigma in world affairs. With its own relationship with the US and the EU having deteriorated in recent years, it is closer to China than before, but both remain wary. Their friction points, especially Beijing's

increasingly strong presence in Russian Siberia and OBOR's threat to Russia's position in Central Asia, have not gone away. The EU, focused mainly on its burgeoning economic relationship with China, seems to awake from time to time to the political challenge, but it is the US and the Asian states that must cope with this rising power.

For the next five years an ambitious set of leaders in Beijing are well entrenched in their positions – the 10-year leadership norm was discarded in March 2018. They can face domestic challenge through an economy that does not automatically deliver near-10 percent annual growth, and face societal resentment, of different kinds, from the bottom and the upper echelons, pushing them to greater authoritarianism, which may evoke deeper domestic resentment.

### **Third, how does China's neighbourhood and Asia policy support its power projection objectives?**

China wants acceptance as the dominant Asian and global power. Past rhetoric about never becoming a superpower is forgotten, or is framed in sophistry – 'they' have behaved in domineering fashion, but that is not China's way. The major catch is that, unlike the Americas where the US implemented a Monroe doctrine unchallenged by any 'local' power, Asia is home to other large powers that do not accept Beijing's hegemony. This rubs China continually against putative challengers – Australia, India, Indonesia, Japan, South Korea, Russia and Vietnam in particular – even while none of these states is not overtly anti-China, and frames its policy in a manner that allows it to work with China as much as is feasible, i.e. each practicing its own version of 'contestation, to coexist and cooperate' (might we call it 'C2CC?'). And let us not leave out of account ASEAN, a collective with a will of its own. China has its ASEAN proxy, in the shape of Cambodia; none of the other 'new' ASEAN members is a pushover.

Asia will witness stronger Chinese assertiveness, as in the South China Seas confrontation, and a pushy policy towards the entire region. It is this interplay of forces, interests and mutual C2CC activity, as also shifting arrangements resembling a three-dimension chess game, that make today's Asia Game volatile, unpredictable, complex and ambiguous – a metaphor for our 'VUCA world'.<sup>4</sup> Let us attempt some risky prognostication on what might emerge when China asserts itself further as a dominant Asian power, seeking to impose its will on the others.

- A. Replay of the 2014-16 South China Seas power grab? That occurred in a special situation, using a kind of window of opportunity that no one anticipated. Within two years Beijing created three permanent air-and-sea bases that bristle with firepower, to a point where China has gained *de facto* near-archipelago status, though this is denied to it under

UNCLOS. Only Japan acted with foresight, acquiring formal ownership of the Senkaku/Diaoyutai islands in 2012, swiftly incorporating them into Japanese territory. No similar opportunity is now visible.

- B. Might China marshal economic prowess to push Asian states to its will? This has happened earlier with Australia, which bent over backwards, treating China as a special, permanent customer for its minerals, based on locational advantage. Japan and South Korea are too astute to let the China market circumscribe their political options. Rather, we see from Tokyo robust mobilisation of its own levers of influence, in ASEAN, and across the region, and especially in the priority that Japan has given to expanding the eco-political relationship with India. Right up to the mid-1990s, Japan used to say that for it Asia ended at Myanmar: 'South Asia is too complicated for us'.<sup>5</sup> Today we witness an eco-political partnership moving to real actions.
- C. A putative, loose political coalition of states that will stand up to China is emerging, extending to Australia, India, Japan plus the US, possibly widening to Indonesia and Vietnam. ASEAN will surely sympathise with this. Will Beijing be adroit enough to block its emergence? India has joined Australia, Japan and the US in a new quadrilateral, blessed by the leaders of these countries at the November 2017 Manila EAS summit. Australia and India will strive to avoid overt positions against China, but it was a clear warning to China.
- D. The 'other' Asian power, the US, will play its cards partly openly and to a large extent behind the scene. What we witness goes beyond naval exercises and war games, i.e. political convergence and synchronisation.

China can opt for a softer, velvety posture in Asia. That is entirely feasible, but hubris, predicated on recent achievements may come in the way. A small example is the way China deals with its Mekong basin river partners. As an upper riparian, it acknowledges no limits on its own conduct, assuming a tough attitude in the sub-regional group, GMS. (Might we see this in the Brahmaputra basin too, as some predict?). This merits closer study. This owes to geography. China is not a major lower riparian to any country.

In Asia, China's near-superpower status produces neither subservience nor deep admiration – unlike, say, in Africa and Latin America; those at a distance are more captivated by its rise. But OBOR and its onerous financial terms are also hinting at pushback and disenchantment. Might that make China more unpredictable, or conversely, produce a course correction?



**Fourth, what trends are we likely to see in China's response to global issues, including trade and other economic flows, and its multilateral policy?**

Xi told the 19<sup>th</sup> CPC: '...[T]here has been a clear shift away from the tendency to neglect ecological and environmental protection....Taking a driving seat in international cooperation to respond to climate change, China has become an important participant, contributor, and torchbearer in the global endeavour for ecological civilisation' (Xi 2017). China raised support to the Paris Accord after President Trump's withdrawal.

As awareness of global warming and climate change prompted growing international criticism of China's activities, Beijing's initial reaction was a defensive one. The government...felt singled out. Chinese spokespersons routinely (and correctly) cited the fact that the per capita rate of emissions was still much lower than the U.S. and most European countries....This [realisation of their own environmental problems] prompted the most impressive reversal of environmental policy the world has yet witnessed (Fendos 2017).

China is also driven by its remarkable progress in developing environment technology, making it a long-term element in its economic policy.

President Xi told the Party Congress: China now leads the world in trade, outbound investment, and foreign exchange reserves...We will expand foreign trade, develop new models and new forms of trade, and turn China into a trader of quality. We will adopt policies to promote high-standard liberalisation and facilitation of trade and investment (Xi 2017).

But is not an easy ride. At WTO, China confronts a US-led blockage against the 'market economy status': The onus remains on China to prove that it is a 'market economy'. Indeed, the fact that China has been simply running out the clock on Article 15 could be taken as evidence in itself for the fact that China is not a 'market economy'.... Australia, for example, recognised China as 'market economy' as long ago as 2006, yet still applied anti-dumping measures on Chinese steel earlier this year' (Bulloch 2016).

India is publicly non-committal, but evidently unwilling to support market status. Interestingly, China does not openly campaign its case. Is this to avoid publicising an issue when it would lose face domestically, or does it prefer the tag that some give it, of a country that mostly plays by international rules?

Globally, China is a huge investor, even leaving out all the OBOR projects. China's acquisition of companies in the West, including Japan, under the rubric of M&A (merger and acquisition) activities, now runs at over \$200 billion per year, which is more than double the inflow of FDI. These figures need deflation, to eliminate the sums illegally taken out by super wealthy Chinese, i.e.,

representing capital flight, but what remains is still impressive.<sup>6</sup> What might be the outcome in terms of international economic arrangements over the next five years? Some experts are of the view that OBOR will reframe global supply chains in a radical manner.<sup>7</sup> Assuming that China may not gain market economy status at WTO for now, this will not greatly deter it when it is already the world's leading trading nation, with the clout to negotiate side deals and facilities. Its trump card is the attraction of its market, for the West, including Japan. That limits President Trump's cards, for all his social media fulminations. This assumes that the Chinese economy will continue to power ahead, without any stumble or setback. Is this over-optimistic?

**Fifth, are China's diplomatic structures and methods adequate for its quest for world status, and the management of complexity in bilateral, regional and global challenges?**

In *Asian Diplomacy*, I examined the structure and working of the Chinese Foreign Ministry; the final three chapters of the book compared the foreign ministries of China, India, Japan, Singapore and Thailand (Rana 2007: 17–45, 161–222). Updated, the following emerges: In 2016, China had the third largest diplomatic network (Embassies, Permanent Missions and Consulates), at 258; the US had 270, and France, 267 (Lowy Institute 2017).<sup>8</sup> Its diplomatic style is more confident and assertive than before, at all levels. But initiative by embassies is still relatively stunted, owing to risk-aversion mindsets. What is new is strong defense of the diaspora.<sup>9</sup> In multilateral diplomacy, China is active, showing flexible pragmatism, seldom taking a high profile, but demanding on issues considered vital to its interests. It is active at the UNSC, while conservative in the use of the veto. Its ambassadors mainly come from the career track.<sup>10</sup> With training being a key feature of China's Party system, this also means career-long professional diplomatic training.<sup>11</sup>

In net terms, Chinese diplomatic machinery is fit for purpose. But it is probably not as supple in its actions as it might be. In Central Asia, Myanmar, Pakistan and elsewhere, the scale of OBOR investments will now compel China's involvement in those countries' domestic politics to protect its interests. How adroitly it manages this is an open question.<sup>12</sup>

**Sixth, how might these 19<sup>th</sup> CPC events impact on India-China relations?**

Can a putative Athens (India) adroitly manage its relationship with a Sparta-that-is-also-Athens (China), in the midst of the latter's other, larger global ambitions, repeatedly evoked in Xi's speech and other documents, vis-à-vis the 'real' Sparta, the US? How should India deal with this centre-of-world-stage China?

Let us consider possible future trajectories for India. First, the option of deeper proximity to the US, e.g. a virtual 'alliance', ill-suits an India that has nailed its flag to the mast of strategic autonomy, i.e. judging issues on merits. That also holds for the 'quad' that is now in play. That is a useful hedging choice, but India is no way on par with the three allied states, the US, Japan and Australia. None is likely to really support India in a crisis. Second, Modi's 'Neighbourhood First' doctrine is especially apt for dealing with the long neglected smaller countries of our region. But its success hinges on rapid, efficacious execution of projects and bilateral commitments, a persistent Indian weakness (Rana 2017a, 2017c). Third, Japan (as also Indonesia, South Korea, and Vietnam, plus ASEAN), merit special attention from New Delhi. They widen India's options, bringing economic and other benefits; especially welcome was the January 2018 dictum for ASEAN – 'Commerce, connectivity, culture'.<sup>13</sup> Beyond this, laser-like focus on domestic stability and socio-economic growth remains the key to India's future, and for revitalising foreign policy actions.

The Modi-Xi Wuhan two-day 'informal summit' of April 2018 has been a game-changer. Without over-anticipating an outcome that is still under development, it marks a shift in the New Delhi-Beijing engagement, predicated on a reassessment by both sides of their potential for better direct cooperation, and need for mutual confidence building.<sup>14</sup>

India has long engaged in adroit policy management and agile diplomatic tactics. To implement this optimally, it needs stronger investment in its diplomatic system, across the board, in material and human resources, including training. That will not of itself resolve problems, but widens options and enables better foreign policy execution (Rana 2017b).

The political management of its China relationship is India's key international challenge. That subsumes and is shaped by all the principal connections, with the US, Pakistan, Japan and Russia, among others. Consider the complex India-China backdrop: a legacy border problem that is on-backburner-but-not-dormant; contested domestic politics in which the opposition traditionally frames foreign policy in the optic of short-term political advantage; a combative media, especially the 150-plus Indian news channels that project external issues through daily confrontational on-screen dramatisation, supported by a large cast of fractious talking heads. Just 26 percent of Indians hold a favourable view of China, one of the lowest figures in Asia (Japan, 13 percent; Vietnam, 10 percent) (Pew Research Center 2017). These factors shrink the space for New Delhi's calculated, strategic actions. It remains a paradox that non-adversarial historic and cultural connections between these two civilisational states have not translated into real proximity (Bhoothalingam 2017; Sen 2017). But the potential is alluring.

How might Beijing handle a rising India? ‘The footprints of the two re-emergent countries will increasingly overlap’ (Kantha 2017b). The Modi-Xi meeting on the margins of the September 2017 Xiamen summit showed a desire for mutual engagement; some positives are now visible (Luo 2017a).<sup>15</sup> But India knows that China, and the world, respect only its solid achievements, not premature assertions of Indian capabilities, as some Indians proclaim from time to time. Yet, even in the midst of sharp contestation, the logic of congruence persists; pragmatism demands that such opportunities not be neglected. The Chinese Ambassador to India recently described the two countries as ‘neighbours that cannot be moved away. We live under the same sky’. He described Modi’s New India initiative and Xi’s Chinese Dream as ‘closely connected’ and potentially ‘synergised as well’ (Luo 2017b). Beijing’s interest in India as a ‘swing’ state is undiminished.

Chinese investments in India have grown since 2014 when the two sides spoke of taking the total to US\$20 billion or more. The reality is modest, but holds promise. In 2011, the inflow of Chinese investments into India was \$102 million. In 2016, it rose to US\$1 billion. (Figures reported by the two sides usually vary, but the trend is clear). Some investments come *via* Hong Kong or other places. The Chinese Vice-Minister for finance, Shi Yaobin, was quoted as saying that ‘China has cumulatively invested \$4.07 billion in India, and India has invested \$650 million in China’ (*Hindustan Times* 2017). India is one of the few stable destinations that can absorb very sizable FDI, and give profitable returns. This exemplifies the possible.

India needs to work to this vision – alert in safeguarding its interests, not swayed by worst-case scenarios, confidently focused on realising its own potential. This also entails exerting itself through strategic and tactical actions, to proactively shape favourable outcomes, finding ways to deal with Xi’s China.

#### NOTES

1. In Xi’s CPC opening speech the term ‘great power’ or a ‘strong power’ was used 26 times, a departure from the past when leaders in Beijing depicted their country as a poor, modest player abroad. ‘China will continue to play its part as a major and responsible country’, he asserted.
2. A few years back I learnt *via* a chance remark by a Chinese interlocutor that the heads of the major official think-tanks have a monthly meeting with the Foreign Affairs LSG (or its alternate persona, the LSG dealing with security affairs).
3. In 2013 the Indian Ministry of External Affairs (MEA) created its ‘Development Partnership Administration’ presaging China’s action, but the comparison ends there. MEA’s action was delayed by two years as the Finance Ministry would not sanction additional posts for this unit, until it carried out internal adjustment to set up this agency. Whole of government actions remain a problem in India. See: Rana, India’s Aid Diplomacy’, *Business Standard*, 12 May 2013.
4. An acronym of the words ‘volatile, unpredictable, complex and ambiguous’.

5. Both these comments came from an unusually candid Japanese diplomat who knew India well. It is notable that in 1998–2000 Japan had funded several academic institutions to undertake a three year, interdisciplinary study of the politics, economics and social conditions of South. India's nuclear tests of 1998 produced a brief freeze, but within four years a strategic partnership was established. Under the post-2014 Modi government, this has been taken to an entirely new level.
6. The percentage that represents capital flight can only be guessed, but figures of property purchase in Western cities across the world show a high proportion of Chinese private buyers that snap up high value real estate. Chinese language billboards in Australian and Canadian cities advertising new top end housing projects tell the same story.
7. This was the broad conclusion of a discussion meeting on China's role in the WTO, held at the India International Centre, New Delhi, on 5 September 2017.
8. As with communist states in the Cold War era, China still does not appoint honorary consuls, but it has receives such appointments since the 2000s. Russia and other former socialist states now have their own honorary consuls.
9. See the *Reuters* report of 29 September 2015, 'China Defends Envoy to Malaysia after Comments on Racism'. The report said: 'China on Monday defended the actions of its ambassador to Malaysia after he was summoned to clarify his remarks criticising extremism and racism ahead of a planned pro-Malay rally in the capital, Kuala Lumpur' (*Reuters* 2015).
10. The only exceptions are some appointments from the heads of province level foreign affairs offices, sent to minor embassies and consulates; they are typically also appointed to the MFA at Beijing.
11. Example: each year 140 persons, at first secretary rank, after keenly contested selection go to major world universities for a year's sabbatical. No other country offers comparable mid-career training.
12. Foreign Minister Wang Yi's three-stage proposal, announced in November 2017 to help resolve the Rohingya issue in Myanmar while also invoking the help of Bangladesh, is a rare new instance of regional activism.
13. This regional diplomacy slogan is also a first for India.
14. This essay is written in mid-May 2018.
15. It appears, going by information available in June 2018, that the new Chinese representative at these talks is Foreign Minister Wang Yi (who also holds the rank of State Councillor), and that the talks are due to take place in Delhi shortly. It also appears that the long suspended foreign ministry level consultations are to go ahead.

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