

Beijing's APEC Call on India: A New Twist in India-China Power Politics?



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Summary

In Brazil, on the sidelines of the BRICS summit in July 2014, China's President Xi Jinping invited India's new Prime Minister Narendra Modi to participate in the 2014 APEC meeting, scheduled to be held in Beijing in November 2014. The two leaders discussed a range of issues that are of bilateral and global concern. The invitation to India is seen as a huge "political statement" by the Chinese leadership. For India, the strategic implications of this invitation are far-ranging. While New Delhi needs to vigorously pursue its endeavour for APEC membership, it is crucial for the policymakers to comprehend the geo-political allusions of this Chinese invitation, which is linked with India-China ties as well as their balance-of-power politics in Asia-Pacific.

A New Beginning?

Are India-China relations in Asia-Pacific entering a new level of engagement and power politics? China's recent invitation to the new Indian Prime Minister, inviting India to attend the Asia-Pacific Economic Cooperation (APEC) summit meeting in Beijing, scheduled for November 2014, suggests so. This was the first meeting between President Xi Jinping and Prime Minister Narendra Modi in Brazil, on the sidelines of the 6th BRICS summit, 14-16 July 2014. The statement resulting from the meeting offered new nuances not only to India-China ties but also for broader regional politics. To top it all, Xi Jinping invited Modi to partake in the upcoming APEC ministerial summit.¹ *Does this Chinese invitation signify a new level of regional engagement in India-China ties or are there supplementary matters attached to this offer that facilitate China's greater interests in Asia-Pacific?* Beijing aims to attach multiple objectives with this invitation, largely over the USA and other economies in this Pacific economic grouping.

Highlights of the Meeting

Media reports suggest that Xi-Modi meeting on the sidelines of the BRICS summit stretched well beyond the scheduled time, a clear pointer to the strategic importance of the relationship.² This meeting carried certain "political momentum", which was advanced with India's Vice-President Hamid Ansari's earlier visit to China and Foreign Minister Wang Yi's visit to India.

Stressing on the importance of strengthening "mutual trust and confidence", the Indian Prime Minister raised the boundary issue and urged the need to find a solution to the dispute. He called for opening an additional route for the Kailash-Manosarovar Yatra for the Indian pilgrims.³ He proposed greater Chinese investment in India to boost the

¹ Indrani Bagchi, "Xi calls Modi to Apec meeting, scores over US", *Times of India*, July 16, 2014, at <http://timesofindia.indiatimes.com/india/Xi-calls-Modi-to-Apec-meeting-scores-over-US/articleshow/38448569.cms> (accessed July 22, 2014); also see "Xi invites India to APEC meet", *Shanghai Daily*, July 16, 2014, at <http://mobile.shanghaidaily.com/article.aspx?i=564350> (accessed July 22, 2014).

² Media reports suggest that the meeting lasted for 80 minutes; originally it was scheduled to last 40 minutes. See "PM meets Chinese President Xi Jinping in Fortaleza"; also see "PM meets Chinese President Xi Jinping in Fortaleza", *Prime Minister's Office: National Informatics Centre*, Government of India, July 14, 2014, at <http://pmindia.nic.in/details153.php> (accessed July 22, 2014). "PM Narendra Modi meets Chinese President Xi Jinping; presses for solution to boundary issue", *Economic Times*, July 15, 2014, at http://articles.economictimes.indiatimes.com/2014-07-15/news/51542334_1_prime-minister-narendra-modi-boundary-issue-president-xi-jinping (accessed July 22, 2014).

³ The Kailash Mansarovar Yatra is a holy trip for Hindus. India's Ministry of External Affairs (MEA) organizes this Yatra every year. The approximate distance between New Delhi and Kailash-Manosarovar via Uttarakhand is 865 km. The route passes through mountainous and hilly roads with tough climate conditions. At present, the Lipulekh pass is used for this yatra. India wants an alternate touring route, in the interests of pilgrims' safety and convenience from Shipki La region, possibly using Reckong Peo in Kinnaur. See Anand Bodh, "Kailash Mansarovar yatra could get quicker Kinnaur route", *Times of India*, July 16, 2014, at <http://timesofindia.indiatimes.com/india/Kailash-Mansarovar-yatra-could-get-quicker-Kinnaur-route/articleshow/38458445.cms> (accessed July 26, 2014).

infrastructure sector and also raised the issue of trade imbalance that exists between the two countries.

President Xi on his part acknowledged that the boundary dispute needed an early solution and proposed improved services exports from India to China as a remedy for the trade imbalance. He invited India to attend the APEC summit meeting in November and urged for a greater role for New Delhi in the Shanghai Cooperation Organization (SCO). He also invited India to become a founding member of the Asian Infrastructure Investment Bank (AIIB), which China is currently proposing to establish.⁴ Both the leaders also discussed terrorism as a common concern.⁵ In general, the two sides acknowledged that both India and China not only have enormous prospects to forge “beneficial partnerships” but must aim to execute this relationship as “catalytic agents of Asian and global prosperity”.⁶

The Indian side viewed the Chinese invitation to attend APEC meeting as a “significant gesture”.⁷ Collating APEC membership may not be a difficult exercise for India in the coming times. The politics in Asia-Pacific is evolving rapidly and India may eventually make it with the support of other big powers like the USA and Japan.⁸ However, it needs to be understood why Beijing extended this invitation to India without prior consultation of other APEC economies.

Why Did Beijing Invite India?

The following may explain the reasons why China invited India to attend the APEC meeting.

First, President Xi Jinping in his interaction with Prime Minister Modi clearly wanted to impress him about his world view and vision of Asia. He said, ‘as two leading emerging

⁴ “Xi invites India to APEC meet”, n. 1.

⁵ Transcript of Media Briefing by Official Spokesperson in Fortaleza on Prime Minister’s ongoing visit, MEA, July 15, 2015, at <http://mea.gov.in/in-focus-article.htm?23630/Transcript+of+Media+ Briefing +by+Official+Spokesperson+in+Fortaleza+on+Prime+Ministers+ongoing+visit> (accessed July 26, 2014).

⁶ “PM meets Chinese President Xi Jinping in Fortaleza”, n. 2.

⁷ Transcript of Media Briefing ..., n. 5.

⁸ When India requested membership in APEC, it received support from Australia, Japan and USA. But these countries did not pursue India’s case further. Mainly it was cited that India was not a Pacific economy and India’s economy was not well integrated with the Asia-Pacific economies. Besides, APEC decided not to admit new members till 2010. Later, India was invited to become an observer in November 2011. See “Workshop”: GNSS Application for Seamless Transport Supply Chain Connectivity in APEC; *Asia Pacific Economic Cooperation*, at <http://www.nis-ghonass.ru/apec/Member.php> (accessed July 28, 2014).

countries, if China and India voice a common position, the whole world would listen', and that 'China and India could be partners instead of competitors'.⁹ Xi Jinping's expression was a political and strategic one, aiming to convey that China wants to collaborate with India at bilateral as well as regional and global levels. The same tenor was also noticed on the issue of permanent membership for India in the SCO. Without committing himself, Xi Jinping stated that India must be prepared to accept greater responsibility in the SCO. The Chinese offer especially on APEC was a deliberate one, keeping in mind that India has a strong and stable government as Prime Minister Modi was elected recently and New Delhi has got a stable government after some time, which was noted by the broader Chinese strategic and public circles quite seriously.¹⁰ In short, the attempt was to win some level of trust and confidence at political as well as diplomatic levels that China wants a "cooperative" partnership with India at regional or global levels.¹¹

Second, Beijing's invitation was a "political statement", which expounded a "leadership position" that China aims to carry forward with regard to Asia-Pacific. This has to be understood in the broader context of Chinese foreign policy, which is flexible, multipurpose and measured today. It is not for the first time that China surprised many countries, including India, through this kind of open invitation. Beijing today is known to take a 'unilateral' call on many global affairs, which can sometimes be quite startling. A prominent example of this was China's lobbying and eventual induction of South Africa during the 2011 Sanya BRICS leadership summit. That allowed Beijing to display a "leadership" position in BRICS. Beijing's constant support to Russia's entry into the WTO, is another example. Besides, China today is a seemingly ardent advocate of a world order that is non-western dictated, one where it can have a major say and leadership position. Despite bilateral problems with India, Beijing finds it convenient to position India within its broader geo-strategic plans. It is connected with India in BRICS, BASIC climate grouping and in the Russia-India-China (RIC) "trilateral" grouping. China applies the logic of developing-world parameter or emerging-powers rationality to situate India and China on the same scale, which was noticed during the Xi-Modi meeting.

⁹ Wu Jiao, "China's Xi, India's Modi meet with upbeat tone", *China Daily* (online), July 15, 2014, at http://usa.chinadaily.com.cn/epaper/2014-07/15/content_17782213.htm (accessed July 26, 2014)

¹⁰ Ibid. Similar news items may be noticed where the Chinese media and strategic circles have followed Modi as India's new Prime Minister. See Zhao Shengnan and Zhao Yanrong, "India's Modi to boost China ties", *China Daily* (online), May 27, 2014, at http://www.chinadaily.com.cn/world/2014-05/27/content_17542344.htm (accessed July 28, 2014); Zhang Yunbi, "Sino-Indian ties on smooth track", *China Daily* (online), June 9, 2014, at http://www.chinadaily.com.cn/world/2014-06/09/content_17571199.htm (accessed July 28, 2014).

¹¹ Author's impression from an interaction with a few well-known Chinese experts on India in Shanghai. The author thanks the experts in the Shanghai Institute for International Studies (SIIS) and Shanghai Academy of Social Science (SASS) for sharing their insights on the subject. The author met them during his trip to Shanghai from 21-23 July 2014.

Third, China's invitation is linked with China's regional foreign policy strategy where both "connectivity" and "partnership" are important themes.¹² In fact, the official Chinese-proposed APEC theme for the November meeting is: *Shaping the future through Asia-Pacific Partnership*.¹³ Regional economic integration, innovative growth and connectivity and infrastructure development are some of the overarching themes of the summit.¹⁴ On most of these issues, India factors in China's Asia-Pacific as well as its regional stratagem. Through the "partnership" theme China factors India as a developing country as well as an emerging economy within a variety of global politics that includes Asia-Pacific as well. In Beijing's regional Economic Corridor projects and Maritime Silk Route projects India is an important factor. China is engaged with India in the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) project. Beijing has also invited India to join in its Maritime Silk Route strategy, which associates broadly a range of Southeast as well as Asia-Pacific countries to promote China's maritime policy. This strategy broadly extends from China's eastern coastal region to the disputed South China Sea region, the Indian Ocean region and West Asia and aspires to encompass the continent of Africa. Building good and stable understanding with neighbours and valuing neighbourhood, for commercial and practical reasons, is a classic strategy in Chinese foreign policy.¹⁵ India may not eventually agree with most of the Maritime Silk Route proposal; yet it is vital for China to connect with India, as it is a neighbouring country and shares a common long border and maritime zone with China.

Fourth, China's invitation was to advocate that India must review its Western orientation and 'anti-China' mindset. The Obama administration has constantly seen India as a "potential ally" in the US' "pivot Asia" policy. The Chinese offer came just before the next round of the India-US strategic dialogue. It is well known that Modi has had problematic relations with the US while he was Chief Minister of Gujarat. It is also well known that Modi will visit Japan soon.

¹² See, for example, Yang Jiechi, "China's New Foreign Relations for a Complex World", *China International Studies*, January/February 2014, pp. 5-17; Feng Zhongping and Huang Jing, "China's strategic partnership diplomacy: engaging with a changing diplomacy", *Working Paper 8*, EGMONT, FRIDE, European Strategic Partnership Observatory, June 2014, pp. 1-19.

¹³ APEC announces 2014 theme: "Shaping the Future through Asia-Pacific Partnership", Issued by the APEC Informal Senior Officials' Meeting, Asia-Pacific Economic Cooperation, Beijing, China, December 13, 2013, at http://www.apec.org/Press/News-Releases/2013/1213_theme.aspx (accessed July 28, 2014). APEC CEO Summit meeting is planned from 8-10 November 2014 in Beijing. This is a summit meeting where the business executives engage themselves for talks, dialogues and interactions with Presidents, Prime Ministers or other higher level ministers of the representative countries to discover business opportunities and aim for further trade and economies relations. See, "National Centre for APEC", *The Voice of U.S. Business in the Asia-Pacific*, at <http://www.ncapec.org/events/> (accessed July 30, 2014)

¹⁴ Ibid.

¹⁵ Read for instance, Ruan Zongze, "What Kind of Neighborhood Will China Build?", *China International Studies*, volume 45, March/April 2014, pp. 26-50.

Fifth, the Trans-Pacific Partnership (TPP) issue may have also driven China to invite India for the APEC meeting. The meeting will discuss regional economic integration, where much of the focus will be on TPP.¹⁶ The TPP negotiation is currently stalled, to the delight of the Chinese leadership. Even though the Chinese strategic circles see the TPP as being linked with the US' "pivot Asia" or "rebalancing" strategy to counter China in some way, they are open to China joining TPP if the trade rules and negotiation styles are relaxed in favour of emerging economies. In this context, the Chinese leaders may hope to associate with India, which is an emerging economy. Recently, some experts and groups in the US have pushed ahead the dialogue of India's possible APEC membership:¹⁷ that India's inclusion in APEC will not only enhance the current Asia-Pacific economic integration process but will simplify India-US economic dealings where the American companies' market access concerns can be addressed.¹⁸ It is argued, in addition, that Asia's second-fastest growing economy and the third-largest economy in the world (in PPP terms) must be included in APEC to augment the Asia-Pacific economic integration process.¹⁹ For China, a better understanding with India on this issue may eventually compel the APEC economies, especially the US, to relax the norms and make the TPP negotiations flexible in favour of the developing economies. China has also pushed forward the idea of the Regional Comprehensive Economic Partnership (RCEP), mostly in response to TPP, where India factors under ASEN+6 mechanism.²⁰

In 2001, China hosted the first APEC meeting in Shanghai. Over the years, China's perspective and approach towards APEC has evolved to a great extent. Beijing has now emerged as a stronger and confident power in Asia-Pacific. China may continue to remain a conservative power when it comes to issues of national sovereignty or land and maritime territorial security issues. However, Beijing is a different power when it comes to economic issues or foreign economic relations strategy. Compared to the USA, China is still the

¹⁶ Tang Guoqiang and Wang Zhenyu, "Prospects for Asia Pacific Economic Integration", *China International Studies*, January-February 2014, pp. 64-87.

¹⁷ Alyssa Ayres, "Bringing India Inside the Asian Trade Tent", *Council on Foreign Relations, Policy Innovation Memorandum*, no.46, June 2014, at <http://www.cfr.org/india/brining-india-asian-trade-tent/p33173> (accessed on July 30, 2014); also see, "US urged to support India's inclusion in APEC forum", *mydigitalfc.com*, June 26, 2014, at <http://www.mydigitalfc.com/print/336385> (accessed July 26, 2014).

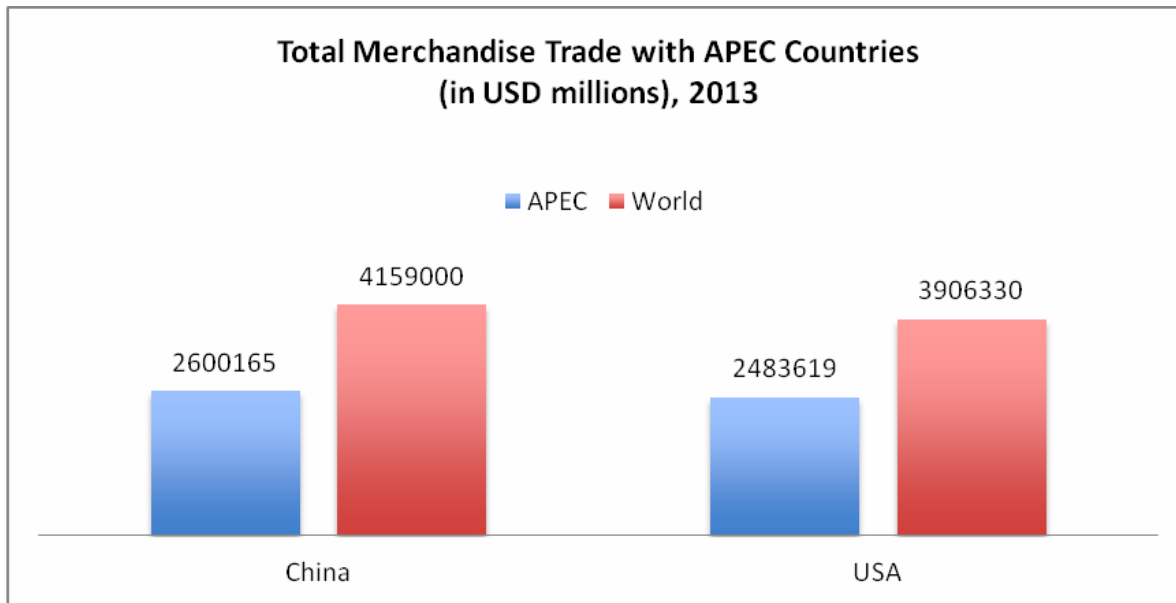
¹⁸ Ibid.

¹⁹ Alyssa Ayres, "Bringing India Inside the Asian Trade Tent", *Council on Foreign Relations, Policy Innovation Memorandum*, no.46, June 2014, at <http://www.cfr.org/india/brining-india-asian-trade-tent/p33173> (accessed on July 30, 2014)

²⁰ For more on the debate on the Chinese perspectives on RCEP and TPP and how India factors in this formulation, see Jagannath P. Panda, "Factoring the RCEP and the TPP: China, India and the Politics of Regional Integration", *Strategic Analysis* (Routledge), vol. 38, no. 1, January-February 2014, pp. 49-67.

most influential economic power both within and outside APEC (see Chart 1). India must take these factors into account before deciding to attend the APEC summit. Attending APEC meeting in Beijing must be accepted and India must send one of its senior level ministers to attend the meeting, if not at the Prime Minister level.

Chart 1: China, USA Trade Comparative Status with APEC and the World



Source: StatsAPEC, Asia-Pacific Economic Cooperation, http://statistics.apec.org/index.php/bilateral_linkage/index (accessed July 28, 2014).

India and APEC: Does China's Support Really Matter?

India's tryst with APEC has been a two decades-long struggle so far. In 1997, India was not inducted when the issue of inducting new members in APEC was in its prime debate. India repeated its membership request in 2007, which is still pending. APEC membership basically requires a consensus on the application by all existing members. The Seoul APEC Declaration notes: "Participation in APEC will be open, in principle, to those economies in the Asia-Pacific region which: (a) have strong economic linkages in the Asia-Pacific region; and (b) accept the objectives and principles of APEC as embodied in this Declaration". Further, "Decisions regarding future participation in APEC will be made on the basis of a consensus of all existing participants".²¹ India was mainly denied APEC admission on the ground that its economy was not integrated into the global system and India was unable to gain confidence among APEC members. It has been further argued that with frequent government changes in India in the late 1990s, the coalition governments

²¹ Joint Statement, Third APEC Ministerial Meeting, Seoul, Korea, 12-14 November 1991, at http://www.apec.org/~media/Files/MinisterialStatements/Annual/1991/91_amm_jms.pdf (accessed July 26, 2014).

did not pursue the matter seriously.²² In later years, there was even a membership freeze within APEC.

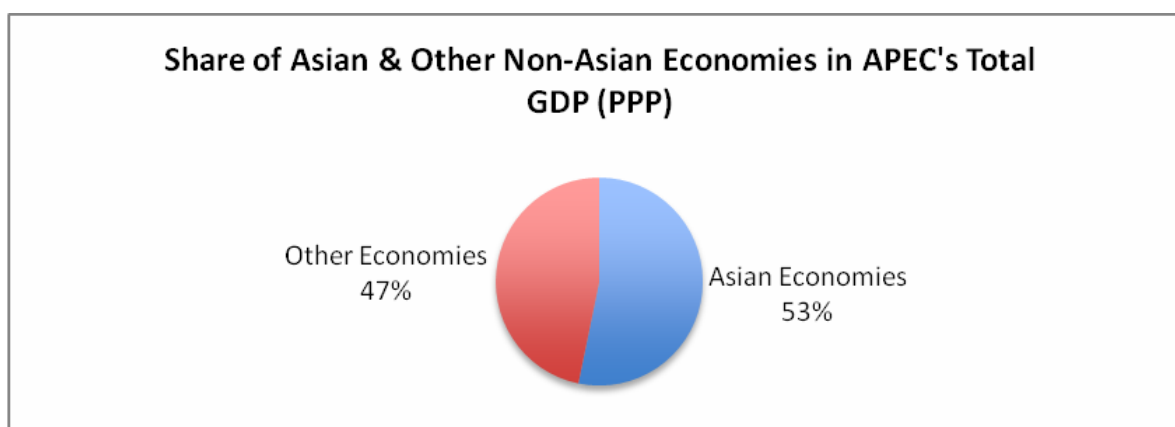
Currently, India's chance for APEC membership has amplified substantially. The new Indian government aims to carry forward trade, investment and infrastructure development as its major goals. In last few years, despite slow growth, the Indian economy has become more translucent, open and free for trade and investment, which is one of the main goals of APEC.²³ Besides, India's economic ties with APEC members have been growing. In addition, India's Look East policy has become more institutionalized now, where it has gained more conviction as an economic power among the key APEC members. With Singapore, Thailand, Indonesia and Malaysia, India today is engaged more deliberately bilaterally as well as institutionally through ASEAN, the East Asian Summit (EAS) and Regional Comprehensive Economic Partnership (RCEP) mechanisms. India's engagement with the US and Japan, the two leading economies, has also deepened economically and strategically. India has participated in RCEP negotiations since the beginning and has shown a lot of promise for economic integration at the regional level. Also, India's engagements with regional and global economic regimes have improved, where the country is known as a promising developing economy as a BRICS member.

In short, India today stands with greater confidence and has become an established economy to be considered for entry into APEC. India's quest for APEC membership may not, therefore, be anymore a subject matter of 'why', but perhaps of 'when'. Given this, Beijing may not oppose India's bid for APEC membership for a variety of reasons. *First*, there will be a galloping set of support for India on present conditions, including from the USA, Japan and other Southeast Asian countries. *Second*, India has developed a good chain of contacts with most APEC members. And *third*, APEC membership criteria are based on consensus mode, far from any technical or "enforcement mechanisms" to which China can resort to oppose India's case.

²² Tridib Chakraborti and Mohor Chakraborty, "India and the Asia Pacific Region: Dilemma of a Changing APEC Mindset", *Asia-Pacific Journal of Social Sciences*, Special Issue, no. 1, December 2010, p. 8.

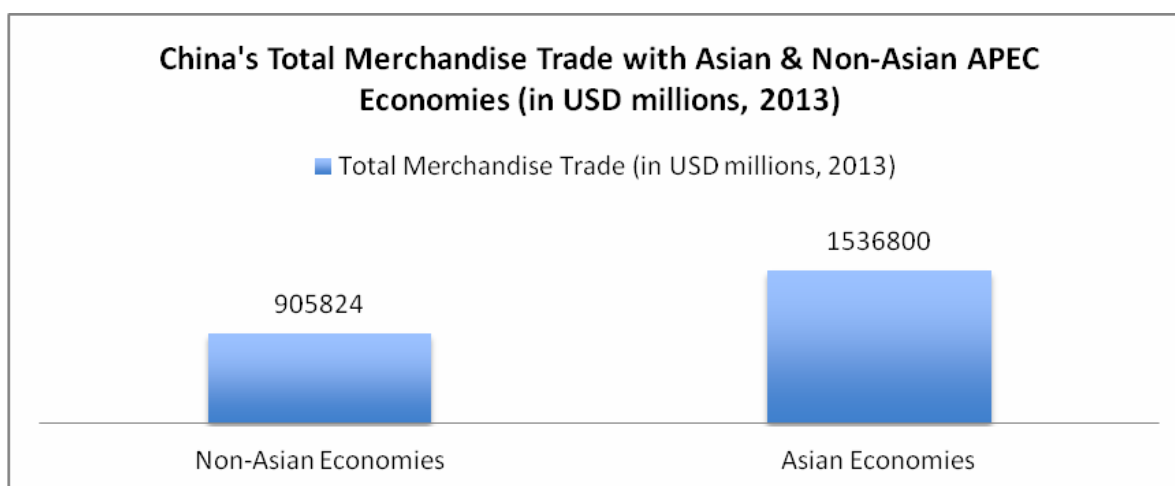
²³ Chris Devonshire-Ellis, "India Appeals for APEC Membership", *Asia Briefing*, October 6, 2013, at <http://www.asiabriefing.com/news/2013/10/india-appeals-apec-membership/> (accessed July 26, 2014); Amitendu Palit, "Cooperation 2.0: India and APEC are getting closer", *Market Express*, July 24, 2014, at <http://www.marketexpress.in/2014/07/cooperation-2-0-india-and-apec-are-getting-closer.html> (accessed July 26, 2014).

Chart 2



Source: *World Development Indicators*, World Bank Data. Retrieved from <http://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD> (accessed July 27, 2014).

Chart 3



Source: *StatsAPEC*, Asia-Pacific Economic Cooperation. Retrieved from http://statistics.apec.org/index.php/bilateral_linkage/index (accessed July 28, 2014).

What India Must Note

India needs China's support along with that of the US and Japan to win consensus in its favour for APEC entry. *Two* realities need noting: *first*, the importance that China holds with regard to APEC and *second*, China's leadership position in Asia, which includes most of the APEC members.

APEC's importance in Chinese foreign policy has grown substantially over the years. From the inception of APEC in 1989, Beijing has actively participated in APEC and has

pushed forward many new ideas and initiatives as a leading economy.²⁴ Chinese leaders have used APEC as an effective channel to promote foreign economic relations. Most APEC dealings are based on building consensus, and in this arrangement, a peer group networking is most important. Chinese leaders have used this to their advantage for policy consensus, trade as well as economic expansion. Not only it is a leading economy of APEC but also is the biggest trading partner, largest export market and a major source of investment for many APEC economies.²⁵ Reports suggest that nine out of the top ten trading partners of China are APEC members.²⁶ Also, in aggregate, APEC members account for almost 70 per cent of FDI in China today.²⁷ Given these facts, China's opinion will matter for most of the APEC dealings no matter how much the US and other Pacific economies dominate APEC.

Even though APEC is mostly about the Pacific economies, it is the "Asian notion" and China's engagement with Asian countries that is one of the principal aspects of APEC. Collectively, the total volume of Asian economies constitutes a higher proportion than the non-Asian economies within APEC (*see Chart 2*), in which China has a better share with the Asian economies than the non-Asian economies (*Chart 3*). Beijing continues to bring an Asian identity to APEC, and the Chinese leadership has promoted the "Asian spirit" within APEC.²⁸ In his speech to the APEC CEO Summit in 2013, Xi Jinping offered to establish the AIIB, to be aimed at creating infrastructure growth to augment the economic

²⁴ In keeping with the criterion for APEC membership that the applicant country must be a "separate economy" rather than a "separate state", officially, APEC members are known as member economies rather than member countries. Taiwan's entry to APEC was made possible by this criterion: it was termed as "Chinese Taipei". In November 1991, the People's Republic of China (PRC), Hong Kong (China) and "Chinese Taipei" were inducted as three new member economies. The entry of Hong Kong, which is now a Special Administrative Region of the PRC, to APEC was made possible as a "British colony". India was invited to attend as an observer at the APEC meeting in November 2011. Currently, a number of economies like Pakistan, Cambodia, Costa Rica, Colombia, Panama, Ecuador, Bangladesh, Macau, Sri Lanka, Mongolia and Laos are looking for APEC membership along with India. Information collected and extracted from various sources, such as "History and Membership of APEC", *Foreign Affairs, Trade and Development Canada*, Government of Canada, <http://www.international.gc.ca/apec/map-carte.aspx> (accessed July 26, 2014); "Member Economies", Asia-Pacific Economic Cooperation (APEC), at <http://www.apec.org/About-Us/About-APEC/Member-Economies.aspx> (accessed July 28, 2014).

²⁵ "Deepen Reform and Opening up and Work Together for a Better Asia Pacific", *Address by H.E. Xi Jinping, President of the People's Republic of China to the APEC CEO Summit*, October 9, 2013, at <http://www.fmccprc.gov.hk/eng/xwdt/zt/xzxcxytjh/t1088517.htm> (accessed July 26, 2014).

²⁶ Kai Zhou, "Integration into the APEC Region", *Importance of APEC to China*, APEC 2011, University of Hawaii System, UNERO, at uhero.hawaii.edu/74.

²⁷ Ibid.

²⁸ Liu Zhenmin, "Insisting on Win-Win Cooperation and Forging the Asian Community of Common Destiny Together", *China International Studies*, vol. 45, March-April 2014, pp. 5-25.

development of the ASEAN countries as well as developing countries of Asia.²⁹ China has invited India to join the AIIB as a founding member. This suggests the economic authority that China today holds with APEC. Reports indicate that China alone accounted for more than 50 per cent of Asia's economic growth in 2012.³⁰ As an Asian country and a neighbour of China, India needs to realize the importance of these tidings.

To sum up, Beijing's invitation to India merits contemplation. It has implications for Asia-Pacific as well as for India-China bilateral ties. China's invitation to India is a "forwarding" approach that is deliberate and a potent one. India will be continually tested with this kind of "economic proposals" in coming times, as Beijing pursues an active, assertive and forward-looking foreign policy. India must also capitalize on its own campaigning to promote its bid in this Asia-Pacific economic grouping with other bigger and smaller countries in the APEC, including the US and other Pacific economies.

²⁹ "Deepen Reform and Opening up and Work Together for a Better Asia Pacific", *Address by H.E. Xi Jinping, President of the People's Republic of China to the APEC CEO Summit*, October 9, 2013, at <http://www.fmcopec.gov.hk/eng/xwdt/zt/xzxcxytjh/t1088517.htm> (accessed July 26, 2014).

³⁰ Ibid.