

# **Xi Dreams: A Roadmap for Pax-Sinica**

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## ABSTRACT

This paper studies the motivations behind the Communist Party of China's decision to abolish presidential term limits and the implications of this decision not only for China, but for India and the world. The paper argues that this development stems from Xi's conviction that only a stable leadership can help achieve the "China dream". The contours of Xi's vision include the erosion of the erstwhile "collective leadership" that has traditionally managed the affairs of the party and state. It also involves a more prominent role for China in international affairs; and the Belt and Road Initiative (BRI) is a bold statement of Xi's attempt to reshape the global order. This will create new contradictions in China's domestic landscape and increasingly position the country against the US. Further, these shifts will create new anxieties in China's periphery, including with countries like India. 'Communism with nationalist characteristics' will now be pitted against the brand of nationalism that is sweeping across many parts of the liberal world.

## INTRODUCTION

Located at the western edge of Tiananmen square in the heart of Beijing, the Great Hall of the People is from where China shows itself to the world. The Great Hall is where the People's Republic of China government performs state functions, hosts foreign dignitaries, and organises various activities that project China's power. It is also where the National Party Congress takes place every five years. The Congress itself is about people and policy: it reviews the party's initiatives for the past term, outlines key priorities for the next five years, and appoints a new Central Committee. The 19th iteration of this event, held on 18 October 2017, may yet be the most important in the country's history. For the past five years, President Xi Jinping had sought to transform both the party and the state: he cemented his political power through an expansive and ruthless anti-corruption campaign; placed himself in key positions to influence the party, military and state; and extended the party's authority over every aspect of the country's governance. Xi is, without a doubt, China's most powerful leader since Mao. However, unlike Mao, who governed a poverty-stricken China, Xi commands an economy that is today a driver of global economic growth.

Xi has been instrumental in securing for China an increasingly influential position in the international community. At Davos in January 2017, Xi Jinping disavowed protectionism and championed free trade and globalisation. It did not escape observers that Xi's public pronouncements stood in sharp contrast to those of US President Donald Trump. On climate change, too, China has emerged as the most important actor — not only promising to cut down on emissions, but also investing in technologies, supply chains and markets that are critical for achieving the promises of the Paris Agreement. In Eurasia, the Belt and Road Initiative (BRI) is expanding Chinese influence through a series of infrastructure initiatives that Beijing claims will be

the engine of the next wave of globalisation and connectivity. Xi has also pursued a more nationalist foreign policy. One month after Xi took charge of the military in November 2012, Chinese aircraft encroached on Japanese airspace for the first time since 1958.<sup>1</sup> At the same time, the construction of artificial reefs and shoals in the South China Sea, along with the overall militarisation of the region, have received top priority under Xi. Indeed, President Xi appears to be stubbornly departing from Deng Xiaoping's maxim—"Observe calmly, secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership."<sup>2</sup>

Which is why all eyes were on President Xi last year, at the 19th National Congress of the Communist Party of China. Delivering a marathon three-and-a-half-hour speech, Xi was bullish about his country's future. "This is a new historic juncture in China's development," he declared, and the country must now "strive for the great success of socialism with Chinese characteristics for a new era, and work tirelessly to realize the Chinese Dream of national rejuvenation."<sup>3</sup> Xi undoubtedly saw himself as central to this effort. Having christened himself "core leader" in 2016, a designation first given to Chairman Mao, he inserted a new ideological guide to China's destiny: "Xi Jinping's thought on socialism with Chinese characteristics for the new age." This placed Xi in the pantheon of China's greatest leaders, adding to what was already a lengthy preamble which takes, as its guide to action, "Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping theory, Theory of the Three Represents, and the Scientific Development Outlook".

The 19th National Congress was also supposed to perform another function: that of elevating a successor. The 15th party congress in 1997, for example, named Hu Jintao and Wen Jiabao as successors to Jiang Zemin and Zhu Rongji, respectively. And Xi Jinping and Li Keqiang were

elevated at the 17th party congress in 2007. Therefore there was much anticipation, both within China and around the world, about who Xi would name as his successor at the 19th Congress. He would speak no words about any succession. Less than half a year later, Xi confirmed what many had already suspected. In March 2018, China's parliament overwhelmingly voted in favour of a proposal abolishing presidential term limits—essentially making Xi the chairman of everything on an open-ended basis, and entrusting him with the great concerns of party, military and state. Of the 2,964 votes that were cast, 2,958 were in favour of the amendment, one vote was invalidated, and “the identities of the five dissenters is—and will almost certainly remain—a mystery,”—as *The Guardian* puts it.<sup>4</sup>

Again, in doing this, Xi broke from convention that had been established by Deng, who prioritised economic development and warned against “the excessive concentration of power” of the kind China saw in the Mao era, and the violence of the cultural revolution that followed. The reaction from global audiences was immediate: “a new emperor” and “president for life” were common headlines across newspapers. Even in Beijing, the signs of discontent became immediately obvious. China's censors worked overtime as soon as the news broke out. An assortment of phrases such as “constitution amendment,” “re-elected,” “proclaim oneself as emperor,” and “two term limit,” were erased from Weibo—China's equivalent of Twitter.<sup>5</sup> All references to the popular Disney character Winnie the Pooh—to whom Xi bears a resemblance, according to Weibo users—were erased as well. In some universities abroad, posters with the phrase “Not my President” were plastered on campus walls by anonymous Chinese students.<sup>6</sup> Perhaps the one censored phrase which indicated both disgruntlement in China and paranoia of the authorities was: “I disagree.”<sup>7</sup>

Ironically enough, the only person who seems to have praised Xi Jinping was President Trump, who was quoted to have said “it was great” that Xi was now president for life. “We’ll want to give that a shot someday,” he added.<sup>8</sup> The key question, however, is if President Xi is just another power-hungry dictator. The answer is complex. It was not truly necessary for Xi to abolish constitutional term limits for the presidency; in fact, real power rests with the Party Secretary and the Chairman of the Central Military Commission, which have no limits in the first place,<sup>9</sup> although still largely subject to the informal 10-year transition rule that has been in place since Jiang Zemin’s regime. Instead, it would be correct to assume that Xi believes that predictability and stability are key for China’s emergence as a great power. Apart from rising domestic expectations, the international climate can be far more hostile to China’s growth.

This paper discerns the motivations and implications of ‘Emperor’ Xi in the context of China’s political economy, his ambitions for China’s place in the international system, and the Sino-Indian relationship. At home, Xi is aware that Chinese society is undergoing a significant transition. A prosperous middle class begets new expectations, and the Party must adapt to serving new demands. The statist nature of collective leadership in the Hu Jintao era must have weighed heavily on Xi, because he now believes that what China requires is a stronger Party, with himself at its core. Simultaneously, China’s economic rise and social stability must require it to play a greater role in international affairs—commensurate with its history and current heft. To achieve this, Xi will seek the erosion of the artificial borders of Asia, Europe and Africa, and intend for China to emerge as the sole arbiter of political, economic and security decisions in these regions. For India, Xi’s ambitions can only mean greater rivalry. As an emerging power that harbours its own global ambitions, India cannot constrain itself to playing second fiddle.



## THE PRINCIPAL CONTRADICTION

Xi Jinping has outlined the “China Dream” explicitly: a “moderately well-off society” by 2021 and a “democratic, civilised, harmonious, and modern socialist country” by 2049.<sup>10</sup> Central to achieving this vision, is what the Chinese understand as resolving the “principal contradictions” of a state. By identifying and resolving these contradictions, society is able to develop peacefully. This line of thinking formed the crux of Mao’s influential 1937 essay, “On contradictions”, where he identified an irreconcilable class war between the proletariat and the bourgeoisie as the two opposing social forces.<sup>11</sup> Intent on preventing the horrors of the cultural revolution that followed from this thought, as well as on generating wealth, Deng Xiaoping described the principal contradiction in 1981 as the one between “the ever-growing material and cultural needs of the people and backward social production.”<sup>12</sup> By framing the problem in this manner, Chinese leaders could justify market reforms and reconcile the tenets of socialism with those of a market economy, thus giving birth to what would be known as “socialism with Chinese characteristics.”

Nearly four decades later, the results are clear enough: with a Gross Domestic Product (GDP) of US\$11.2 trillion, China is today the world’s second largest economy and continues to climb up the industrial value chain;<sup>13</sup> ranked 22<sup>nd</sup> on the Global Innovation index, it is home to some of the world’s most competitive technology giants such as Alibaba and Tencent;<sup>14</sup> by 2014, China was trading nearly US\$4.3 trillion of goods and services, making it the world’s largest trading nation;<sup>15</sup> and it now boasts one of the world’s most advanced military, allotting nearly US\$175 billion on the forces’ modernisation in 2018.<sup>16</sup> This trailblazing economic growth, however, has come with social costs, such as huge inequity: as China boasts over a million millionaires, the richest one percent of households own one-third of the country’s wealth.<sup>17</sup>

Urbanisation is also taking its toll: nearly 200 million rural migrants travel across China in search of factory jobs that offer poor pay and hazardous working conditions; and many of China's major cities, most prominently Beijing, are enveloped in dense smog for many months of the year. There is also the problem of corruption, with Transparency International's Corruption Perceptions Index ranking China 77<sup>th</sup> out of 180 countries.<sup>18</sup>

A survey by the Pew Research Center in 2015 showed that the Chinese people viewed corruption, pollution, and inequality as their country's most pressing problems.<sup>19</sup> Unsurprisingly then, President Xi has reframed the principal contradiction as the tension between "unbalanced and inadequate development" and the "people's ever-growing needs for a better life." This includes, in Xi's words, "demands for democracy, the rule of law, fairness and justice, security, and a better environment." This is the crux of the "New Era" that President Xi promises. In essence, he recognises that economic growth alone is not enough; rather, the party must embrace "well-rounded human development and all-round social progress." While the idea of solving contradictions itself is ambiguous, the importance of this framework on both the direction of the state, and Xi's own personal ambitions, are momentous. What Xi is saying is that he alone can provide what China's increasingly ambitious middle class expects: clean governance, efficient provision of government services such as education and healthcare, affordable housing, and a cleaner environment. The text of his report at the 19th Party Congress is a key indicator of his intentions: the phrases "rural rejuvenation", "ecology", and "environment" were mentioned more times than "market" or "economy."<sup>20</sup> It is unsurprising, then, that Xi, who *The Economist* called "the world's most powerful man,"<sup>21</sup> spent the better part of 2017 talking about toilets, describing them as a "concrete part of advancing our country's revitalisation."<sup>22</sup>

This restatement of the Chinese society’s “principal contradiction” will have enormous implications: it signals Xi’s personal ambition of being the president that will turn China from a poor middle-class country, to a prosperous society that forms the backbone of a new great power. It also validates the criticism of former Premier Wen Jiabao, who warned in 2007 that the Chinese economy was increasingly becoming “unstable, unbalanced, uncoordinated, and [ultimately] unsustainable.”<sup>23</sup> Many believe that Xi now has the power and authority to correct this; according to Moody’s, Xi’s consolidation of power “could advance the process of economic reform and rebalancing, because one obstacle to reform has been the misalignment of incentives between the central leadership and other officials.”<sup>24</sup> Deng, who was the principal architect of China’s economic reforms beginning in the late 1970s, saw “the separation of the party and government” as key towards rejuvenating the economy. President Xi sees things differently. In an allusion to Chairman Mao, he had once said: “Party, government, military, society and education, east, west, south, north, the Party governs everything.”<sup>25</sup>

Xi now faces the enormous challenge of making the right choices for China’s economy. In 2013, Xi promised to give the market a “decisive role” in the economy. Five years later, it is apparent that Xi has done with the economy what he has done with the rest of China: he has elevated the role and power of the Communist party. As the goal of doubling the 2010 GDP of China by 2020 remains a policy priority, Xi has called on the “national champions”—or State Owned Enterprises of China—to fulfil this role. Xi has also mandated the presence of Party members in almost every commercial venture in China, giving them key management and investment decisionmaking powers. Moreover, its action plan for what it calls “Made in China 2025” puts to rest any notion that the country might now be looking at liberalising its economy. The plan envisions China emerging as the industry leader on high-

technology manufacturing and advance technologies such as robotics, artificial intelligence, and genomics. It seeks to indigenise and relocate global supply chains to the Chinese mainland with generous support from the state in the form of easy credit, domestic procurement clauses, and trade barriers. For now, Xi has made it clear that any real market reform that would reduce the Party's influence is undesirable.

This is hardly surprising. Whenever he speaks at home, he extolls absolute loyalty to the Party. The Party itself under Xi, however, has undergone a massive transformation. Since at least the 1990s the PRC has embraced the idea of “collective leadership”. In 2007, a communique issued by the Party Congress stated that collective leadership is “a system with a division of responsibilities among individual leaders in an effort to prevent arbitrary decision-making by a single top leader.”<sup>26</sup> Various analysts have said that the pillars of China's “authoritarian resilience” were “Intra-Party Democracy”, merit-based recruitment, delegation of power, and consultative decisionmaking. Deng Xiaoping himself once argued that “the key to China's stability lies in the collective leadership of the Politburo, especially its Standing Committee.”<sup>27</sup> Under Hu Jintao, however, this principle was severely tested. During a period referred to as “the lost decade”, Chinese society was marred by corruption and social unrest; it was when Chinese politics was at its factional worst between the elitist group who “generally represented the interests of entrepreneurs and the coastal region”, and populists who “represent the interests of the labouring classes and the inland region.”<sup>28</sup> At the same time, the same decentralisation that characterised the Deng era came to represent a disconnect between Beijing and local officials in the provinces—a divide captured aptly by the Chinese proverb: “The mountains are high and the emperor is far away.”<sup>29</sup>

Perhaps aware of this reality, Xi has eroded this consensus. According to a Party source interviewed by the *Nikkei Asian Review* in early 2018,

“Xi is now aiming to be free of China’s collective leadership system. His ideal is to have strong powers similar to those granted to a U.S. president.”<sup>30</sup> The complete centralisation of power under Xi bears testament to this desire: not only is he President, General Secretary of the Party, and Chairman of the Central Military Commission, but Xi also chairs the Central Leading Group for Comprehensively Deepening Reforms as well as the National Security Committee—two of the most important decisionmaking bodies in China. Simultaneously, he chairs several leading groups on internet governance, military reform, and foreign affairs, among other aspects of governance. Many of these leading groups are also staffed by Party officials who worked with him during his younger days in provinces such as Zhejiang and Fujian—in other words, their loyalty is beyond question.<sup>31</sup> What surprised many was Xi’s absolute control over the People’s Liberation Army (PLA). Writing for *The Wall Street Journal*, Andrew Erickson notes that Xi’s “ability to impose his will on the PLA... is a skill that his predecessor Hu Jintao lacked utterly and that Jiang Zemin wielded inconsistently.”<sup>32</sup> During a high-profile address to Chinese troops stationed in Hong Kong to mark the 20th anniversary of the British handover, Xi reportedly asked them to refer to him as “Chairman”—a break from the conventional “leader” that troops otherwise use, and a powerful indication of his domestic strength and complete control over China.<sup>33</sup>

At the heart of Xi’s so-called “new era” for both society and industry, then, appears to be more centralised Party control. Indeed, it does not seem likely that the intimidation of human rights activists, dissenters, and religious minorities will subside. At the same time, Xi will preside over the creation of the Orwellian social credit system, which will track citizens’ behaviour in astonishingly granular detail using artificial intelligence, Big Data, and the Internet of Things. As Elizabeth Economy writes in her new book, “The Third Revolution”, Xi Jinping’s call for the

“rejuvenation of the Chinese nation” is not entirely novel. Both Hu Jintao and Deng Xiaoping have in one way or another called for the “invigoration” of China. Xi, however, has “elected a way forward that largely rejects the previous path of reform and opening up: instead there is reform without opening up.”<sup>34</sup> It is this new framework that will guide China’s political economy. Over the past decade, Beijing has attempted to enact several reforms that would address its persistent domestic imbalances. Ultimately, Xi’s power grab alters the political ecosystem within which they will operate. This system is “party first”, with core leader Xi at the helm.

## EVERYTHING UNDER THE HEAVENS

Of course, China’s economic rise and stability will have major implications on how it reshapes the world order. “The great rejuvenation of China”— Xi’s nationalist calling card—is an appeal to the country’s historical place in world affairs. Ever since China’s last imperial dynasty was defeated by the British Navy in the mid-19th century, the quest for wealth, power and international prestige has preoccupied China’s elites. Indeed, *Xinhua* notes, “By 2050, two centuries after the Opium Wars, which plunged the ‘Middle Kingdom’ into a period of hurt and shame, China is set to regain its might and reascend to the top of the world.”<sup>35</sup> The sheer number of foreign trips that Xi Jinping has taken since becoming president is a testament to this belief: nearly 28, covering 56 countries across five continents—the highest number for any Chinese leader.<sup>36</sup> Xi is aware that China’s global power ambitions could not have come at a better time. Indeed, the 19th Party Congress report notes that “relative international forces are becoming more balanced.”

This was a slightly nuanced recognition of the perception that Western powers are unable to anchor the post-World War II

international order. The United States (US) and the European Union (EU) have both faced a succession of economic and social troubles over the past several years. For the first time since the end of the Cold War, an American president is speaking of economic protectionism, disavowing multilateral diplomacy, and demanding more from military alliances. The EU, on the other hand, is gripped by a crisis of identity as an inflexible Brussels struggles to manage economic inequality along with integrating the millions of migrants from the Middle East, thus putting to test the values of multiculturalism and liberalism that defined post-war Europe. These turmoils have left a leadership vacuum in terms of the global economy, epochal ecological change, and collective security. It is in this vacuum that President Xi sees opportunity: by the middle of the 21<sup>st</sup> century, Xi boasts, China would have become “a global leader in terms of comprehensive national power and international influence.”

Yet by any measure, China is already a global power. During Xi’s 2012 visit to Washington, D.C. as vice-president, he called for a “new type of great power relations” between the US and China. Elizabeth Economy writes that such ambitions reflect Xi’s confidence that China is in a position to shape the international order—or capable of “constructing international playgrounds” and “creating the rules” of the game, as he would later say in a speech in 2014.<sup>37</sup> China’s ambition, as journalist Howard French notes, is deeply historical. “For the better part of two millennia,” writes French, “the norm for China, from its own perspective, was a natural dominion over everything under the heaven, a concept known in the Chinese language as *tian xia*.”<sup>38</sup> Xi has been masterful in his employment of history to stoke nationalism among his people. “Only by having a correct recognition of history,” he once said, “can it be possible for us to open up a better future. Forgetting history signifies betrayal.”<sup>39</sup>

The first major flashpoints of this invigorated nationalism are likely to be the South China Sea (SCS), where “steady progress” in the



construction of islands and reefs has been highlighted as a major achievement by Xi; and Taiwan, which Xi claims must be reunited with the mainland to achieve the great rejuvenation of the Chinese nation. As French notes: “Everything about its diplomatic language says that it views the Western Pacific as it once did its ancient known world...and that it intends for this region to return to its status as a place where China’s paramount standing goes unchallenged.”<sup>40</sup> This is another key reason for Xi to remain in power: Since 2012, he has reformed and rationalised personnel management, reorganised the military into “theatre commands”, created new units to develop and deploy advanced technologies, and promoted a younger generation of military elite.<sup>41</sup> However, these upheavals have created certain efficiency problems, including the dislocation of units, anxiety amongst senior officers and unfamiliar organisational structures.<sup>42</sup> Xi intends to power through these reforms and oversee a streamlined military that will achieve full modernisation by 2035. He wants to ensure that the PLA becomes a global top-tier fighting force capable of winning wars by mid-century. In the SCS, China has adopted a strategy of “active defence”—otherwise referred to as anti-access/area denial (A2/AD), which involves utilising long-range precision missiles, active control over contested waters, and denial of navigation to preclude American intervention in the region.

Taking note of this, US Admiral Harry Harris has already called Beijing’s militarisation of the South China Sea “a coordinated, methodical and strategic” attempt to “erode the free and open international order;” he warned that “China’s impressive military build-up could soon challenge the United States across almost every domain.”<sup>43</sup> Further, the US National Security Strategy now refers to China as a “revisionist power”, and the US Senate recently passed the Taiwan Travel Act, clarifying that it “should be U.S. policy” to allow American and Taiwanese officials to meet for high-level talks.<sup>44</sup> On 16 April 2018,



President Xi sent a clear message to the US and the world by ordering live fire drills in the Taiwan Strait, only days after he presided over a large-scale naval display in the SCS that involved “more than 10,000 naval officers, 76 fighter jets, and a flotilla of 48 warships and submarines.”<sup>45</sup>

Nearly three years ago, Graham Allison wrote that when a rising power confronts an incumbent superpower, war ensues.<sup>46</sup> He titled the book “Thucydides trap” in memory of the Athenian historian who analysed this dynamic between Athens and Sparta nearly 2,400 years ago. Whether or not the Thucydides trap plays out in the SCS region may be uncertain, but the signs are ominous.

The real concern, however, is China’s Belt and Road Initiative (BRI). This dense network of infrastructure projects, energy lines, supply chains and trade routes, intends to erode the artificial political geography of Asia and Europe. Again, Xi has been masterful in employing history to court support for the BRI: “More than 2,100 years ago,” he said, “during the Han Dynasty a Chinese envoy named Zhang Qian was twice sent to Central Asia,” and journeys would “start the Silk Road linking the East and West, Asia and Europe.”<sup>47</sup> From railway lines in South-East Asia, to the comprehensive China Pakistan Economic Corridor (CPEC) in Central Asia, to a military base in Djibouti, Africa, and onwards to the Greek port of Piraeus—President Xi has staked his legacy on being able to integrate Asia, Africa and Europe into one overarching political, economic and military architecture with Beijing as its central node. Foreign Minister Wang called it “the largest international cooperation platform in the world and the most popular international public product.”<sup>48</sup> The word “cooperation,” however, is often loosely thrown about by Chinese officials. A recent review of eight countries that have signed on to the BRI revealed what countries like India already knew: the projects are financially unsustainable, the trade imbalance with Beijing is too high, environmental costs are ballooning,

and strategic assets are being collateralised for debt.<sup>49</sup> When asked why Sri Lanka had handed over the strategically located Hambantota port to China for a 99-year lease, Mahinda Samarasinghe, Sri Lanka’s ports and shipping minister, answered woefully: “We had to take a decision to get out of this debt trap.”<sup>50</sup>

China is now wary that a counter-mobilisation of other regional powers is taking place against the BRI. Beginning with a speech by former US Secretary of State Rex Tillerson in October 2017, who criticised the BRI for its “predatory economics”,<sup>51</sup> like-minded ‘Indo-Pacific’ democracies have begun to align their normative interests, economic statecraft and military postures to prevent Beijing from unilaterally shaping Asia’s governance architecture. While the US, Japan, India and Australia all have their own axe to grind with China for various political and military reasons, they are well aware that faulty economics could be the Achilles’ heel of the BRI. The signs of discontent are already apparent in many parts of the world—protests against Chinese investments have erupted from Kazakhstan in Central Asia, to Kenya in Africa, Bangladesh and Sri Lanka in South Asia, and in parts of South East Asia as well. Accordingly, members of the renewed Quadrilateral Initiative (i.e., India, Japan, Australia, the US) are creating new synergies in their economic statecraft: the US’ “free and open Indo-Pacific” strategy, the Indo-Japan Act East Forum, and the new Asia-Africa Growth Corridor. In each case, these states are raising capital to meet the connectivity requirements of developing countries and pushing for better qualitative economic frameworks and transparent investment standards.

To address these concerns, President Xi is placing his bets on a new agency for international development which will “give full play to foreign aid as a key means of major-country diplomacy,” enhance its coordination and “better serve the nation’s diplomatic strategy”

including the Belt and Road project, according to State Councillor Wang Yong.<sup>52</sup> This new agency is significant as it indicates that Beijing is aware that it must create a more equitable economic framework to manage its investments and quell the discontent in target regions. However, Beijing’s “major country diplomacy,” at least when it comes to those states that are hesitant about the BRI, often involves coercion. For the most part, Southeast Asia has had to bear the brunt of China’s heft. China has used its loose purse strings to effectively “divide and rule” the ASEAN. Despite having suffered the worst of Beijing’s land reclamation policies in the South China Sea, for example, Rodrigo Duterte of the Philippines is confident that he can come to an arrangement with China—a view undoubtedly buttressed by nearly US\$24 billion in investment proposals promised by China.<sup>53</sup> For the same reasons, successive ASEAN communiqués have failed to explicitly highlight Beijing’s militarisation of the SCS. Not that this behaviour is limited to Asia: In 2016, both Hungary and Greece—major beneficiaries of Chinese investments—refused to adopt an EU statement on the South China Sea, and have fought hard to prevent any major overhaul of investment policies that would limit Beijing’s financial offerings.<sup>54</sup> This, in fact, is a key overarching objective of the BRI: to erode the autonomous politics of various subregions around the world through economic statecraft, military coercion, or both. Only by ensuring that regional blocs do not cohesively act as one unit can the Belt and Road succeed. Xi has staked his personal legacy on this.

The BRI is also important to China because it ultimately paves the way for Xi’s institutional statecraft. President Xi wants China to emerge as the next driver of globalisation—however, he wants to do this in a manner that is distinct from the ‘Washington consensus’ that was based on transparent free markets. In its place, Xi will sell “socialism with Chinese characteristics”; a unique blend of state control over industry and capitalism—or what India’s former Foreign Secretary calls “non-

market economics”.<sup>55</sup> Today’s global institutions, such as the World Bank, are dominated by America’s economic model—and China seeks to supplant these institutions with those that support the ‘Beijing consensus’, such as the BRICS New Development Bank (NDB), the Regional Comprehensive Economic Partnership (RCEP) trade agreement, and the Asian Infrastructure Investment Bank (AIIB). China is even setting up new “international tribunals” to manage trade and investment disputes arising from the BRI. However, it is unclear what standards of dispute settlement will be employed, and which law will be given precedence. The most obvious implication of this new institution is to prevent disputes involving the BRI from being settled under the legal system of potential competitors. Ultimately, these institutions bolster Beijing’s influence in recipient countries; give China leverage over other multilateral institutions; and enhance Beijing’s global leadership status. If China succeeds in this endeavour, it will fundamentally alter the nature of global relations. For nearly 70 years, the combination of political liberalism and economic free markets succeeded in the global marketplace of ideas. As Wang Yi states, “...the most essential and meaningful results of China’s diplomacy as a major country with Chinese characteristics” is that China can now “provide a new path for all developing countries to modernization.”<sup>56</sup>

As Elizabeth Economy states bluntly: “China is essentially, an illiberal country claiming leadership in a liberal international order”<sup>57</sup>—another contradiction it undoubtedly seeks to resolve. And it has found a willing partner in Moscow. In 2016, former Chinese Vice Foreign Minister Fu Ying wrote in *Foreign Affairs*, that it would be incorrect to characterise the Sino-Russian relationship as one that is a “marriage of convenience”; instead, she writes, “changes in international relations since the end of the Cold War have only brought the two countries closer together.”<sup>58</sup> The official was essentially blaming

Washington’s unilateralism’s for bringing them together. Today, both Moscow and Beijing remain convinced that the centre of gravity in international politics is drifting from the Atlantic to the Eurasian system—a geography they are both particularly well-placed to influence. While ideologically and economically whittling away at the EU—through Russian support for far-right parties and China’s financial offerings, both these countries have enhanced economic cooperation through interaction between the BRI and the Eurasia Economic Union (EEAU); and are coordinating security and governance policy under the Shanghai Cooperation Organization (SCO). At the same time, both countries have often taken similar positions at the United Nations, such as on the Syria crisis, and have stepped up military exercises in disputed areas such as the South China Sea. Russia is merely China’s most influential partner in what is otherwise a concerted effort to build a coalition of states who are no longer willing to subscribe to the notion that domestic development and global governance is only achievable under the conditions of democracy and free markets.

In 1949, Mao achieved the goal of independence; in the 1980s Deng set China on a path that would make it wealthy; and Xi believes that the time has now come to build a “community with a shared destiny for mankind” and fulfil the objective of ensuring that “China will continue to play its part as a major and responsible country, take an active part in reforming and developing the global governance system, and keep contributing Chinese wisdom and strength to global governance.” Whether or not President Xi will say so explicitly, he intends to attempt what no modern Chinese leader has accomplished: the revival of the ancient Chinese system of Tian-Xia—a world view as old as the Han Dynasty that places China at the apex of a network of political, cultural, economic and military regimes—or as Xi notes, “ever closer to centre stage in global affairs.”

## FROM THE HIMALAYAS TO THE HIGH SEAS

To be sure, there are several irritants to Xi’s ambitions—and none more persistent than India. During the last five years under Xi, tensions between the two countries have only exacerbated. For example, China has repeatedly blocked efforts at the United Nations to list Pakistan-based Masood Azhar, mastermind of the Pathankhot attack, as a “global terrorist”. In June 2016, China vetoed India’s bid to become a full-fledged member of the Nuclear Suppliers Group (NSG). In April 2015, Beijing announced the China-Pakistan Economic Corridor, which passes through Pakistan Occupied Kashmir. China has also steadily increased its presence in India’s neighbourhood, both economically—through BRI projects in Bangladesh, Nepal, Bhutan, Sri Lanka and Afghanistan, as well as strategically—by increasing the number of military deployments in the Indian Ocean Region. Understanding why is not that difficult: India and China are now structurally set to collide. They are the world’s largest democracy and autocracy, respectively; they both are expected to become part of the three largest economies in the coming decades; they are home to a couple million of the world’s millionaires, and hundreds of millions of the world’s poor; they host two of the largest militaries in the world, and have two of the highest defence expenditures; and, most importantly, they both harbour ambitions of becoming a global leader. Indeed, the wealth and power of the world is inextricably moving eastwards towards Asia. India and China are in a race to define the contours of this region’s governance.

If China likes thinking of the world in contradictions, then it only needs to look at its relationship with India. The fundamental contradiction is how each nation views its role in Asia. Just like for China, India’s rapid economic rise will reshape the global balance of power in the coming decades. Unlike China, however, India is defined by a vibrant democratic political system, and an economy that largely relies

on private-sector entrepreneurial dynamism. Indeed, at the World Economic Forum in 2018, Indian Prime Minister Narendra Modi made it clear that India’s democracy is a “force for stability” in an otherwise global state of uncertainty and flux.<sup>59</sup> Just as China employs history in defining its relationships, India believes that “Asia’s re-emergence is the greatest phenomenon of our era”—as Modi declared at the 37<sup>th</sup> Singapore lecture in late 2015. India’s reintegration with a broader Asia, he said, was a “return to history,” announcing that India is “retracing our ancient maritime and land routes, with the natural instincts of an ancient relationship.”<sup>60</sup> China understands that if India can succeed in lifting millions of its people out of poverty, and emerges as a new engine of global economic growth, it will provide an alternative development model to the developing world—one that is completely different from Beijing’s preferences and equally attractive.

Perhaps the most obvious indication that India and China are on a collision course is New Delhi’s opposition to the Belt and Road Initiative—President Xi’s signature initiative. India has always been reluctant to remain a “passive recipient of outcomes”—as former Foreign Secretary Jaishankar said.<sup>61</sup> Following Modi’s state visit to Beijing in May 2015, where New Delhi expressed irritation that it was not privy to conversations on the “One Belt One Road” initiative (as it was known then), India has emerged as a forthright critic of the BRI, calling it Beijing’s attempt to “hardwire influence” in Asia.<sup>62</sup> At the same time, India is also ramping up its own connectivity projects, such as the India Myanmar Thailand Trilateral Highway; the Chabahar Port with Iran; along with the International North South Transportation corridor with Russia. Further, India is partnering with Japan to launch the Asia-Africa Growth Corridor (AAGC) which seeks to propel growth, investment and connectivity between the two regions. Similarly, In December 2017, India hosted the ASEAN-India Connectivity Summit in a bid to offer alternatives to Chinese investments in the region. In terms



of geography, these projects seek to connect the Indian Ocean, the Persian Gulf and Europe—almost exactly the regions that the BRI will target. However, India is decidedly a different power. By articulating its own norms, and aligning with like-minded partners under the Quadrilateral Dialogue, India is making it clear that it will not rely on “predatory economics,” and will instead attempt to foster a “rules-based order” that ensure financial sustainability and good governance in relation to connectivity initiatives.

Under Xi’s command, such disputes over economic relations and global leadership have also spilled over into military conflicts that now extends from the “Himalayas to the high seas.” Despite the fact that the Doklam standoff had ostensibly come to an end in August 2017 following a “mutual withdrawal” ahead of a BRICS summit a month later, Chinese forces remain in the region and do not appear ready to withdraw yet. In a series of reports for *The Print* that have caused embarrassment to New Delhi, retired Colonel Vinayak Bhat has used satellite imagery to detail the build-up of PLA forces in and around Doklam, including helipads, concrete fighting posts, and new trenches.<sup>63</sup> China’s Foreign Affairs spokesperson in fact made clear that China would “continue with its exercise of sovereign rights” in the disputed area.<sup>64</sup> At the same time, Maldives President Abdulla Yameen has declared a state of emergency in a country that is traditionally considered a part of “India’s backyard”, and has refused to yield to calls from the international community, including India, to restore democracy. His only friend so far has been China—and understandably so. Beijing has invested nearly US\$1 billion in investment projects in the island state; has obtained the lease of the “uninhabited island Feydhoo Finolhu for tourism use for 50 years”; and is now the Male’s largest creditor, accounting for nearly 70 percent of the state’s debt.<sup>65</sup> Ominously, even as the tropical island was under a state of emergency and India’s next moves were yet undecided, eleven Chinese warships



sailed into the East Indian Ocean early this year, in what was undoubtedly a form of soft signalling to New Delhi.<sup>66</sup> In a story that is now familiar across the South Asian subcontinent, China's hard economic power, coupled with its rising military profile, is eclipsing India's historical civilisational ties and its recent commercial outreach.

To quell some of these tensions, Modi and Xi met for an “informal summit” at Wuhan in the last week of April. Coming ahead of Modi's visit to China for the Shanghai Cooperation Summit in June, expectations were uncertain about the two-day meeting that would see both leaders “walk by a lake, visit museums, and even take a boat ride.”<sup>67</sup> The first sign of this rapprochement was Foreign Secretary Vijay Keshav Gokhale's note to the Cabinet Secretary that senior leaders from government must not attend a public event organised by Tibetan leaders to thank India for hosting them for nearly 50 years now.<sup>68</sup> That same month, India reportedly informed their Chinese counterparts that it will not intervene in the Maldives, and that it expects China to reciprocate this measure of “strategic trust” by not crossing certain “lines of legitimacy.”<sup>69</sup> Chinese Foreign Minister Wang Yi, for his part, has resorted to clichés, suggesting that “the Chinese dragon and the Indian elephant must not fight each other but dance with each other. If China and India are united, one plus one will not equal two but 11.”<sup>70</sup> The results, ultimately, were underwhelming: apart from calls to accelerate economic cooperation, and the possibility of exploring joint development partnerships in Afghanistan, neither country could agree on key bilateral irritants, such as the Belt and Road Initiative, Pakistan, or Indo-Pacific security. Rather than the results of the summit itself, the analysis around it gave far more illumination. Some believe that the summit was a product of “Asia's imbalance of power”—a weaker India seeking reprieve from a domineering Beijing.<sup>71</sup> Others believed that “Trump is driving Xi into Modi's arms”—alluding to global economic

tensions that have arisen as a result of Trump’s trade posture against China, and its consequent search for alternate partners.<sup>72</sup> In truth, both from India’s and China’s side, the overtures are temporary: New Delhi is gearing up for national elections in 2019, and Beijing is in the midst of a potentially costly “trade war” with the United States—and neither of them are keen to manage another flashpoint.

Prior to the visit, Modi tweeted in April that he would be visiting Xi to “discuss our respective visions and priorities for national development, particularly in the context of current and future international situation.”<sup>73</sup> Unfortunately, the fact remains that these visions are at odds with each other. In the long run, the India-China relationship runs on multiple faultlines: civilisational, historical, economic and military—and Xi Jinping intends to tip the scales in favour of China before India can catch up. The central problem is that Beijing refuses to recognise India’s influence, power or prerogatives, in its own neighbourhood and in the extended region. From claiming that India behaves as a hegemon in its region, and telling New Delhi that the Indian Ocean does not belong to India, Beijing is repeatedly dismissive of India’s great-power ambitions. The military and economic disparity between the two countries only bolsters Beijing’s confidence. Indians are acutely aware of this reality—in 2017, a survey by the Pew Research Centre found that only 21 percent of Indians surveyed had confidence in Chinese President Xi Jinping to “do the right thing.”<sup>74</sup> As China’s immediate neighbour, and a diverse and chaotic democracy with its own global ambitions, India is facing the obvious implications of Xi Jinping’s extended presidency: greater turbulence in the near future.

## **THE PARADOX OF POWER**


Clearly, the import of Xi Jinping’s power grab is enormous. In a world that is “in the midst of profound and complex changes,” as the 19th Party

Congress report notes, Xi now enjoys political stability to oversee China's rise as a global power, and by extension, emerge as the greatest Chinese leader in modern history. He must deal with a hostile United States, while managing complex social, economic and ecological problems at home. His decision to remain Party President beyond 2023 only serves to show that Xi believes in his own ability to steer China through these headwinds. For political systems with shorter timelines and democratic constraints, this is an impossible task. For Xi, it is within reach.

At home, it remains to be seen whether or not Xi can fundamentally alter China's social contract. A larger, more prosperous and more technology-savvy middle class will place new types of pressure on China's governance system. If Xi can successfully deliver on his "better life" agenda, he will truly have a new model for development. China will become the first high-income autocracy, an achievement many considered impossible. This will have tremendous spillover effects in the international system. Already, Xi has made it clear that the revival of the Middle Kingdom will be accompanied by the redrawing of geographical borders, a transformation of the global institutional landscape, and the death of diversity in China's periphery. If Beijing can provide an alternative to liberal democracy, the normative foundations of the international liberal order will stress considerably. For emerging democracies such as India, this is a fundamental challenge. Competition with China will not merely be geographical, or economical, but ultimately ideological, too—India must not only provide a bulwark against Beijing's militarisation, but should now prove to developing countries in Asia and Africa that liberal democracies is a fundamentally more utilitarian political model.

However, Xi must solve a paradox for himself. Without having a clear map for political succession, Xi risks facing the ire of not only China's ordinary citizens, if he fails to deliver on his promises, but also the

disenfranchised Chinese elites, of which there are many given his anti-corruption programme and consolidation of power. Indeed, under Xi, expenditure on domestic security has increased exponentially, touching nearly US\$200 billion in 2017 alone<sup>75</sup>—in what is perhaps an indication that he is concerned about unrest at home. On the international front, Xi’s renewed nationalism and assertiveness is facing resistance from a variety of fronts. As the implications of investments under the BRI become more apparent, developing states are becoming increasingly wary about political pressure from Beijing; if the economic premise behind these investments begin failing, Chinese firms have the most to lose. At the same time, the US is now preparing for great-power rivalry with China—breaking from nearly two decades of doctrinal emphasis on terrorism as the primary threat to American security. Both the United States’ National Security Strategy 2017 and the National Defence Strategy 2018 have singled out China (along with Russia) as “revisionist powers”, claiming that they seek to “shape a world consistent with their authoritarian model — gaining veto authority over other nations’ economic, diplomatic, and security decisions.”<sup>76</sup> In tandem, regional powers such as India, Japan and Australia are curtailing Beijing’s ability to act unilaterally, and are increasingly creating networks of partnerships that will increasingly coalesce with the objective of preventing the rise of a China-led order in Asia.

For now, Xi remains popular with the Chinese masses, and increasingly the most important actor in the international system. However, while autocratic politics may deliver some economic benefits and consistency in international relations, absent any checks and balances, the threat of overreach, conflict or collapse remains persistent. What tends to follow the collapse of these systems is a period of turmoil and conflict—something China and the world cannot afford. 

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