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What New Delhi Needs to Stand Up to Beijing

The border clash hasn't gone China's way, but it's also revealed the weakness of the Indian economy.



By

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Indian and Chinese troops face off in the Galwan Valley on the disputed border between China and India, June 15, 2020.

PHOTO: ANONYMOUS/ASSOCIATED PRESS

India didn't roll over last year when China sent troops into disputed Himalayan territory. But it hasn't been able to repel Beijing's advances either, and things could get worse if New Delhi doesn't learn from its mistakes.

Since May 2020, Indian and Chinese troops have faced off in at least four places along their 2,200-mile boundary. In June 2020 the standoff was marked by the first loss of life on the boundary in 45 years, when 20 Indian soldiers and at least four Chinese died in hand-to-hand combat. The extent of Chinese incursions into territory India also claims remains unclear—in part because the two countries have conflicting and overlapping claims, and in part because the Indian government has not offered official clarification.

India's aggressive response probably caught China off guard. The Indian government struck back economically, banning Chinese apps, including TikTok and [WeChat](#). New Delhi also

restricted Chinese participation in public procurement contracts and barred Huawei and ZTE from Indian 5G trials. It curbed Chinese investment in India's technology industry and pushed harder to replace imports with domestic production, aiming in part to become less dependent on China. India also took a more oppositional diplomatic stance toward Beijing. New Delhi started working in closer concert with Washington and its allies in Tokyo and Canberra with the clear aim of combating the Chinese government's hegemonic ambitions.

"I do not think this is what Beijing wanted to see," says Li Mingjiang, an expert on Chinese foreign policy at Singapore's S. Rajaratnam School of International Studies, of India's deepening ties with the U.S. "People in the policy community in China would have had the opposite objective."

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But this hasn't changed the tactical situation: India has been unable to persuade China to return to the status quo. Chinese troops have forced India to end customary patrolling in at least four places along the contested boundary. China has also built military infrastructure—including roads and bunkers—and moved some 50,000 heavily armed troops to the region. In some places, most notably the Indian state of Arunachal Pradesh and India's ally Bhutan, the Chinese have built villages on disputed territory. A new Chinese law passed last month calls the country's borders "sacred" and "inviolable," signaling that Beijing is unlikely to return the territory it has taken by force.

In the words of retired Indian general H.S. Panag, a former commander of Indian troops in the contested region, India has been forced to swallow a "bitter pill" by ceding buffer zones to China.

The situation is in many ways attributable to India's failure to liberalize its economy quickly. As recently as 1990, Indian per capita gross domestic product was greater than China's (\$374 and \$347, respectively). Today China's \$12,000 per capita GDP is more than five times India's. Beginning in 1979, China began to allow market forces to play a larger role in its economy, which had been impoverished by communism. India also adopted

economic reforms, but only in 1991 and at a sclerotic pace after an initial burst of liberalization collapsed in 2004. Politicians from both major parties—Congress and the Bharatiya Janata Party—focused more on welfare schemes than on increasing economic productivity. The result is that today China's \$250 billion military budget is about 3.5 times India's.

Still, the border dispute hasn't gone well for Beijing. The full results of India's economic strategy aren't entirely evident. In the first 10 months of this year, bilateral trade—heavily skewed in China's favor—swelled to a record \$100 billion, up from \$70 billion in the same period last year. But there's no question that Chinese companies face far more forbidding terrain in India today than at any time since New Delhi began liberalizing its economy 30 years ago. Those in technology and telecom that looked to India's massive market as a way to help them become global leaders will likely now see those ambitions thwarted.

Most significantly, Xi Jinping's Himalayan misadventure has fundamentally altered Asian geopolitics in a way that's harmful to China. Two years ago, India was much more tentative about tightening its strategic ties with Washington. The Indian public paid more attention to its traditional adversary Pakistan than to China. It wasn't hard to find Indian pundits and retired diplomats who argued that it made sense to expand trade and cultural connections with China while keeping the border issue on the back burner. That feels like ancient history now.

Viewed from Washington, it looks as if the Chinese government shot itself in the foot. China has created new problems for itself on its sensitive Tibetan border and has given the U.S.-India relationship fresh impetus. The Quad—an informal grouping of America, India, Japan and Australia—has become a centerpiece of U.S. policy in the Indo-Pacific. All four countries' navies exercised together in the Bay of Bengal in October for the second consecutive year. In recent months, India has tested a nuclear-capable intercontinental ballistic missile able to hit Beijing and has conducted high-altitude paradrop exercises in Ladakh.

But from New Delhi's perspective, the border standoff is an unwelcome reality check. The country has stood up to China, but not nearly as well as it could have had its economy been remotely competitive. If India wants to end Chinese encroachment, it will need to invest much more in its military. For this it must bridge the gap with China's economic might.

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