

MMA – KAS – CHENNAI CENTRE FOR CHINA STUDIES – CENTRE FOR CONTEMPORARY CHINA STUDIES

Conclave on Dealing with CHINA- Strategic, Political & Economic Dimensions

Thursday, 19 August 2021

Peter Rimmele

**Ambassador (Retd)
Gautam Bambawale**

**Lt. Gen. SL Narasimhan,
PVSM, AVSM, VSM**

Santhosh Pai

Rajaram Muthukrishnan

**Commodore R Seshadri
Vasan, (Retd)**

Mr Pankaj Madan

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**CONCLAVE ON DEALING WITH
CHINA
STRATEGIC, POLITICAL & ECONOMIC DIMENSIONS**

**THURSDAY, AUGUST 19, 2021
5:30 PM-7:30 PM
MMA MANAGEMENT CENTRE**

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Conclave on
**Dealing with CHINA- Strategic, Political &
Economic Dimensions**

Speakers

Mr Peter Rimmele

Ambassador Gautam Bambawale

Lt Gen SL Narasimhan, PVSM, AVSM, VSM

Mr Santhosh Pai

Mr Rajaram Muthukrishnan

Commodore R Seshadri Vasam

Mr Pankaj Madan

Held on Thursday, 19 August 2021

5.30 pm – 7.45 pm

Conclave on Dealing with CHINA- Strategic, Political & Economic Dimensions

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THE CONTEXT

Violent clashes on June 15, 2020 between the Indian and Chinese troops left twenty Indian soldiers dead while causing an unspecified number of Chinese casualties. After over a year, the stand-off between Indian and Chinese troops in eastern Ladakh still continues. Disengagement is still not complete and China continues to reinforce its troops. The India-China bilateral relationship has nosedived to an all-time low and is marked by rising hostility and distrust. The needle of suspicion on the origin of the Covid virus increasingly points towards China's complicity. The wolf warrior diplomacy adopted by an aggressive China has unnerved its neighbours. There is a greater synergy amongst the like-minded nations to collectively deal with the challenges posed post Covid.

For many decades, China convinced the Indian strategic community to decouple border dispute from economic cooperation. This saw both the countries concentrating on economic development and increased engagements in trade and commerce. This suited China which kept the border settlement on the back-burner. The Wuhan virus coupled with China's unprovoked aggression at India's border has brought out the irrelevance of this policy framework. There is now a growing need to adopt a multi-pronged approach in dealing with China. This includes a carefully crafted strategic framework inculcating political, economic and strategic components into India's foreign policy matrix to deal with the challenges in the coming decades.

PROGRAMME OVERVIEW

Madras Management Association (MMA) in partnership with the India Office of the **Konrad-Adenauer-Stiftung** (KAS), Centre for Contemporary China Studies (**C3S**) and Chennai Centre for China Studies (**CCCS**) organised a hybrid Conclave on the theme "**Dealing with China - Strategic, Political and Economic Dimensions**" on Thursday, **19 August 2021**. The event was held following all Covid protocols, at MMA Management Centre, for the benefit of MMA members, management professionals and national level policy makers.

The distinguished speakers who spoke in the conclave were:

- **Mr Peter Rimmele**, Resident Representative to India, Konrad-Adenauer-Stiftung
- **Ambassador Gautam Bambawale**, Former Indian Ambassador to China
- **Lt Gen SL Narasimhan**, PVSM, AVSM, VSM, Member of the National Security Advisory Board, India
- **Mr Santhosh Pai**, Partner, Link Legal
- **Mr Rajaram Muthukrishnan**, Director, Voice Snap Services Pvt Ltd
- **Mr Pankaj Madan**, Deputy Head-India Office & Head-Programmes, Konrad-Adenauer-Stiftung

Group Captain Dr R Venkatraman (Retd), General Manager, MMA anchored the proceedings and introduced the speakers. **Mr Ravichandran Purushothaman**, Chairman, MMA delivered the welcome address. **Mr Peter Rimmele** delivered the Introductory remarks.

The panel discussions were moderated by **Commodore R Seshadri Vasan**, Director, Chennai Centre for China Studies. He also anchored a Q&A session with the panellists. **Mr Pankaj Madan**, Deputy-Head, India Office & Head-Programmes, KAS delivered the concluding remarks.

Group Captain R Vijayakumar (Retd) VSM, Executive Director of MMA proposed a vote of thanks. The session was followed by dinner. A total of 874 participants watched the programme live on various social media platforms and 100 participants attended offline, in MMA.

PROFILE OF THE SPEAKERS

Mr Peter Rimmele

Mr Peter Rimmele is currently the Resident Representative to India of Konrad-Adenauer-Stiftung.

He has a First Law Degree from Freiburg University, as well as a Second Law Degree from the Ministry of Justice Baden-Württemberg, Germany and a M.A. in Geography.



After working as, a jurist, judge and lecturer, he took public office as Ministerialrat, Head of Division at the State Ministry of the Interior in Saxony, Germany, from November 1991 on until 2000. There he first served in the Police and Security and later in the Local Government Department. On behalf of the German Foreign Ministry he served in East Timor as Registrar General, Head of Civil Registry and Notary Services (UNTAET), and became later the principal Advisor for Governance Reform for GIZ (German International Cooperation) to the Ministry of Administrative Reform and the Anti-Corruption-Commission of the Republic of Indonesia, where he served for 7 years. He then moved to Rwanda, also as Principal Advisor Good Governance/Justice Program. Earlier he was Resident Representative Lebanon, Director of Rule of Law Program Middle East North Africa, Konrad-Adenauer-Stiftung.

Ambassador Gautam Bambawale

Ambassador (Retd) Gautam Bambawale was a member of the Indian Foreign Service from 1984 to 2018. He was India's Ambassador to Bhutan, Pakistan and China.

Bambawale was stationed in Washington DC in 2004-07 during the Indo-US nuclear deal which transformed ties between the two countries. He has been India's first Consul General in Guangzhou (China) 2007-09. He was Director of the Indian Cultural Centre, Berlin 1994-98.



Ambassador Bambawale worked in the Prime Minister's Office 2002-04. At the Ministry of External Affairs, he was Joint Secretary for East Asia from 2009-2014. Bambawale has dealt with China for 15 years of his 34 year diplomatic career.

Ambassador Bambawale is currently Distinguished Professor, Faculty of Humanities and Social Sciences, Symbiosis International University, Pune.

Lt. Gen. SL Narasimhan, PVSM, AVSM, VSM

Lt. Gen. SL Narasimhan, PVSM, AVSM, VSM is an Infantry Officer commissioned in 1977. He has done graduation in Mathematics, Post-Graduation in Defence Studies and PhD in India China Relations. He has been awarded four times for his outstanding contribution to the Indian Army by the President of India. He served as the Defence Attaché in the Embassy of India in China for three years. He is qualified in Chinese language and has been a keen observer of China for the past 18 years.



His expertise spans international relations and internal issues, economy and defence related subjects of China. He has taken part in many Track 2 dialogues both in India and abroad. Lt. Gen. SL Narasimhan has authored many articles in various journals and magazines. He is, presently, Member of the National Security Advisory Board, India and Director General, Centre for Contemporary China Studies. He is also a Distinguished Fellow with Centre for Air Power Studies, India.

Mr Santhosh Pai

Santosh Pai is an international corporate lawyer with over 17 years of work experience gained in India, China, UK and Thailand. His areas of interest include cross-border investments, comparative law and policy, cross-cultural negotiations, board governance and public speaking.



Mr Pai has been offering legal services to clients in the India-China corridor since 2010. His areas of interest include Chinese investments in India, India-China comparative law and policy, cross-cultural negotiations and board governance. He holds a B.A., LL.B. (Hons.) degree from NLSIU, Bangalore, LL.M. (Chinese law) from Tsinghua University, Beijing and an MBA from Vlerick University, Belgium (Peking University campus).

His manuscript "Practical Guide on Investing in India for Chinese investors" has been translated into Chinese and published by China Law Press. Santosh is currently a partner at Link Legal, an Indian law firm, and an Honorary Fellow at the Institute of Chinese Studies, New Delhi.

Mr Rajaram Muthukrishnan

Mr Rajaram Muthukrishnan is the Director of Voice Snap Services Pvt Ltd, a Chennai based IT Solutions Company that specialises in developing innovative voice-based solutions. He is a Chartered Insurer from Chartered Insurance Institute UK and also holds an MBA degree.

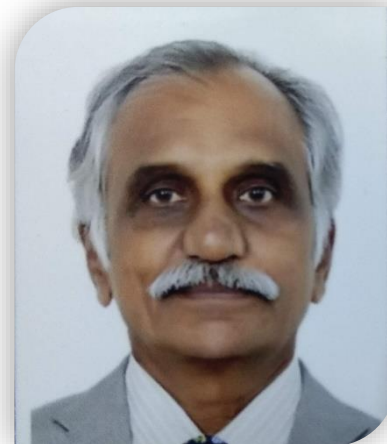


Rajaram started his career in 1989 in Hong Kong with the then Commission for India (Indian Consulate) in Hong Kong and later held the position of Assistant Secretary General of the Indian Chamber of Commerce, Hong Kong. He returned to India, in 2002 and entered the IT industry as the Head of Insurance Business and Consulting for Polaris Software Lab where he set up their insurance vertical including a joint venture with AIG. He later became the Head of Insurance Practice for India/South Asia region in IBM's Global Business Consulting business and then became one of eight persons designated as Global Subject Matter Expert for Insurance and a member of the Insurance Academy of IBM that worked on the forecasting of technology enabled changes that will impact the industry at a Global scale.

He is also a passionate researcher and Defence enthusiast and has written on matters related to International Strategic Affairs and spoken on National Security issues to create awareness about these subjects.

Commodore R Seshadri Vasan, (Retd)

An alumnus of the Defence Services Staff College, the Naval War College and the International Visitor Leadership Programme, USA, Commodore (Retd) Seshadri Vasan has a distinguished career spanning over 34 years in the Indian Navy & Indian Coast Guard. His wide ranging appointments since commissioning in 1969, both at sea and ashore include Command of warships, appointment in carrier borne wing of INS Vikrant, Command of long-range Maritime Reconnaissance/ASW squadron, member examiner of the Aircrew Categorisation and Standardisation Board (AIRCATS), Chief Staff Officer (Operations) at Southern Naval Command the premier training command of the Indian Navy. He has participated both in 1971 operations and also IPKF operations. His last assignment was Regional Commander, Coast Guard Region (East).



Since his retirement, he has been writing regularly for various magazines, newspapers and websites. He has been conducting workshops and delivering talks for international delegates in many parts of the world on maritime issues, military diplomacy, strategy, security and aviation issues, China related strategy and security issues.

He is presently the Director of the Chennai Centre for China Studies, Regional Director of the National Maritime Foundation, Chennai Chapter and Head Strategy and Security Studies at the Center for Asia Studies.

Mr. Pankaj Madan

Mr Pankaj Madan has been active with KAS since February 1991. He is now Deputy Head of KAS- India Office while leading the programme team. During his long experience with KAS, he has been responsible for building, maintaining and enhancing old partnerships while forming new ones with political parties, think tanks, institutions and personages of repute.



All these partnerships are based on joint programmes which are identified, conceptualized and executed jointly with partner organizations and manifest themselves in the form of inbound and outbound delegations (of MPs and experts), conferences, seminars, studies etc.

Conclave on “Dealing with CHINA Strategic, Political & Economic Dimensions”

KEY STATEMENTS



- We should never fall into the trap of acting more benevolently towards China, merely out of economic interests. - **Mr Peter Rimmel, KAS**



- India must speed up its reforms process. The government must move away from micromanagement of the economy. There must be more governance and less government. - **Ambassador Gautam Bambawale**



- China deals with different groups of countries using different strategies for each group.- **Lt Gen SL Narasimhan, PVSM, AVSM, VSM**



- To counter the China challenge, we need to follow not just a ‘whole-of-government’ approach but a unified ‘whole-of-country’ approach. - **Mr Santhosh Pai**



- They say that war is another version of diplomacy. Economic and trade policy is also a version of war. China is approaching it like a war, to gain economic superiority. - **Mr Rajaram Muthukrishnan**



- India is blessed with geographical advantages like the Andaman & Nicobar islands and the Himalayas. The question is -are we making good use of this advantage? - **Commodore R Seshadri Vasani**



- The world has at last woken up to China’s designs of placing its people in key positions in multilateral platforms to subvert the systems and institutions to its advantage.-**Mr Pankaj Madan**

KEY TAKEAWAYS

From Mr Peter Rimmele's Introductory Remarks:



- The challenge posed by China is more daunting than Covid crisis which is the greatest global health crisis of our lifetime.
- The CCP poses the greatest threat to all our democratically governed nations, as well as to our rules-based international system, since the end of the Second World War.
- China has experienced remarkable economic growth. The past expectations of former Western leaders that such an economic development would lead to political liberalisation, a more cooperative Chinese foreign policy and China becoming a responsible stakeholder in a rules-based system have been belied.
- Under the leadership of Xi Jinping, China has taken an increasingly confrontational course, manipulating the global economic system for its own benefit and implementing a wolf warrior foreign policy.
- The CCP's grand plan until 2049 appears to be that of transforming China into the world's sole superpower and ensuring that the CCP's repressive autocratic system prevails globally.
- Beijing is leveraging its economic power to adopt unfair trade practices, make infrastructure investments that do not meet international standards, and exert widespread economic coercion. In the economic sphere, China employs a strategy of co-opt, coerce and conceal.

- This tactic became quite evident in the case of Beijing's attempt to economically arm-twist Australia to withdraw its demand for an independent investigation into the origins of COVID-19.
- Every investment from a Chinese state-owned enterprise should be viewed with suspicion.
- India faces a China challenge, just as Germany and other countries face but India has more at stake since it shares 3400 kms long border with China.
- As China has become an economic power, its political influence has also increased. China presents a political challenge to global good governance.
- China has sought to disrupt democracies with disinformation and shape narratives about the CCP. Moreover, it exports technology that autocrats use to control their populations, thereby helping the CCP to create a world safe for autocracy.
- The CCP is not only weakening the existing rules-based system, but also building new multilateral bodies to circumvent it. One recent example of this is the Eurasian Shanghai Cooperation Organisation, which China is using as a forum to challenge global norms of freedom such as the openness of the internet.
- Liberal and open societies must remain vigilant and combat China's illiberal threats by exposing them. They must use the tools of international law, free and independent media and counterintelligence to debunk the CCP's disinformation war and influence campaign.
- China is deeply contemptuous of human rights, democratic values and freedom.
- The current Executive Director of UN Women, Mlambo-Ngcuka, strikes a deep chord with us when she says: "Our hopes for a more just, safe, and peaceful world can only be achieved when there is universal respect for the inherent dignity and equal rights of all members of the human family."

Panel Discussions: Commodore R Seshadri Vasan's Opening Remarks:



- Wherever there is a vacuum, China fills up that space – be it the Taipei Treaty (TPT), the South China Sea or the WHO funding. Then they begin to dictate terms.
- PM Modi in his Independence Day speech talked about the need to counter terrorism and expansionism. He was indirectly referring to Pakistan for terrorism and China for expansionism.
- Thanks to the diplomatic and military level talks between India and China, after the 12th round of talks, some de-escalation along the LAC has taken place. Lot more progress has to be achieved and this is work-in-progress.
- Some of India's strategic signals sent to the adversaries are: active participation in QUAD; the vaccine diplomacy; resilient supply chain initiatives and India's efforts to expand its footprint in the Indo-Pacific.
- India's election with a majority to the UN Councils has given us some options.
- Though we talk of decoupling with China, we must understand that what has been built in decades cannot be undone overnight. It is a gradual process. We have given clear signals looking for alternate supply chain systems that look at not only China but in addition to China, other countries as well. But, things cannot be at China's terms.
- Excluding China from 5G spectrum, banning several Chinese apps and closely reviewing investments and funding given by China to SMEs and MSMEs have given a clear signal that it cannot be business as usual.
- Indian economy (Less than 3T\$) is small compared to China's 15Tn\$ and to reach 5 to 10Tn\$, economy, it will take time. In the meantime, we have to follow the Chinese diktat, which is, bide the time and strike when it is convenient.

- Indian economy has been sluggish post Covid. China, which recently celebrated the hundredth anniversary of the Communist Party of China, has made its mission and vision very clear. President Xi has espoused their diplomatic channels to spread everywhere the Chinese success story and about their positives.
- Researchers and analysts have said that it is not going to be a cake walk for China, as the negative impression about China, especially in liberal democracies, has gone up phenomenally.
- When Lithuania tried to engage with Taiwan, China recalled its ambassador. Palau, which is a very small country with a population of about 21,000 stood up to the mighty China, refusing to switch allegiance from Taiwan to China. This is the sort of sentiment that prevails when China wants to execute its wolf war diplomacy.
- China, therefore would like to apply some course correction which is important for the global order, security and peace.
- China is very clear about its defence policies and what they want to achieve in the South China Sea, Tibet or Taiwan; they have come out with eleven to twelve white papers on their defence policies.
- In contrast, India has been floundering in its policies. We do not have a clear white paper on our security objectives. There is some course correction, though and a task force was set up in 2018 to come out with a national security doctrine.
- China will continue to be our adversary and India's options are limited. We cannot act alone, as the comprehensive national power has its limitations, especially with respect to the economic prowess, while the geography is in our favour.
- India is blessed geographically with the Andaman & Nicobar islands, the Himalayas and other places that we can get access to. The question is: are we making good use of this geographic advantage?

From Ambassador Gautam Bambawale's Address:



- April 2020 was an inflection point in Indo-China relations. By moving more than 50,000 troops along with equipments, big guns and tanks into eastern Ladakh, China gave three important messages, namely
 - China will determine its boundary by force.
 - It will knowingly violate and shred many Indo-China agreements that were made to ensure peace between the two countries.
 - China establish itself as a pre-eminent power.
- India did not accept any of these propositions and made a matching build-up of troops and tanks. India also sent strong messages that if peace does not prevail on the border, then the rest of the Indo-China relations will also be impacted.
- Indo-China relations will continue to deteriorate till it finds an equilibrium, at a much lower level.
- Though China has pulled its troops from some places in the Leh-Ladakh area, the Chinese threats at the border are far from being over.
- India has made the QUAD stronger. We are working with democracies across the world including Germany, France, the UK, USA, Japan and Australia.
- In October 2020, there was a physical meeting of QUAD in Tokyo. In March 2021, despite a change of government in the US, there was a virtual meeting of the QUAD countries comprising India, US, Japan and Australia.
- Asymmetry between India and China in economy, military power and technology has increased a lot and this is a major reason for China's dominance and its military adventurism.

- India needs to focus on maintaining 8% GDP growth year-on-year for the next 20 to 25 years to reduce the asymmetry. This can be achieved by three ways:
 - India must speed up its reforms process. The government must move away from micromanagement of the economy. There must be more governance and less government.
 - India must reform the expanding administrative state. We must reduce the number of public sector enterprises. Sale of Life Insurance Corporation to private hands, as proposed by the government, is a right move.
 - Over the last few decades, there has been erosion in the rule of law. This has to be reformed. We cannot have just one or two companies getting closer to the government and becoming bigger and stronger. All companies, irrespective of their relations with the government of the day, must have a level-playing field.
- The focus of the reforms is to free the Indian individuals so that they can show what they are capable of in terms of their skills, efforts and enterprise. In that way, we can grow our economy by 8 to 9% per year.

From Lt Gen S L Narasimhan's address:



- China's geopolitical construct has evolved in a particular fashion. It deals with different groups of countries using different strategies for each group.
 - **South Asia:** It initially started with Covid diplomacy in Nepal, Afghanistan, Pakistan and extended it to Bangladesh and Sri Lanka. Apart from Covid diplomacy, it relies on plurilateral meetings, visits, OBOR (One Belt, One Road) and influencing internal affairs.
 - **ASEAN:** China and ASEAN have closer relationship. They are trying to draft a CoC (Code of Conduct for South China Sea) for a while now; it also plays on the differences and increased dependency of the countries on China.
 - **C + C5** (China + Central Asian Republic). The initial meetings started with Covid diplomacy and now they are covering other aspects as well.
 - **West Asia:** When Mr Wang Yi visited Saudi in March 21, he proposed a Five Point initiative on achieving security and stability in the Middle East. The five points are advocating mutual respect, upholding equity and justice, achieving non-proliferation, jointly fostering collective security and accelerating development cooperation)
 - **EU** (European Union): China is focusing on Central and East European nations and Western Europe. Strategy is acquisition of technology companies and by controlling of ports as well as driving a wedge between the member countries.
 - **USA:** By developing bipartisan view, increasing assets in supply chain and by trade.

- **Russia:** China has developed closer relations with Russia. As both are termed revisionist powers, they have come together.
- **China spreads its global influence in various ways as stated below:**
 - By establishing bases, controlling ports and airports. It has a base only in Djibouti. However it has acquired many ports and terminals. Recently, it has acquired control in 12 ports. The concentration seems to be in Mediterranean and Europe. Across the world, they have interests in 95 ports and terminals. At the moment, it has just commercial value. At a later stage, it can be used for dual purpose.
 - By occupying key positions in the United Nations. They lead 4 out of 15 UN agencies; they have deputies in 9 out of 15 agencies. They also influence through their proxies and by signing MOUs with UN agencies for their joining China's OBOR initiative.
 - As an alternative to the Bretton Wood system of currency exchange, they are developing a new development bank called AIB, also known as the BRICS Bank. They have got into currency swap agreements with a number of countries to bypass the dollar.
 - By using OBOR
 - Through Digital Silk Road: In future, chances are that west of Atlantic will follow the US system and east of Atlantic will follow the Chinese system technologically.
 - Using the Health Silk Road: This came into existence after the pandemic broke out. They used the diplomacy to supply masks, PPEs, vaccines, syringes, etc. There are not many takers for this concept, though and the Chinese are pushing it.
 - By Standards Setting: Setting 5G standards, internet standards like the Global Internet Data Security (GIDS) standards which came as an alternative to the clean network initiative of the US.
- In the first quarter of this year, China's GDP has grown by 12.7% compared to previous year; unemployment rate has come down by 0.7% and foreign exchange reserves have gone up by 100B\$. FDI has increased by 28.7% compared to the corresponding period of the previous year. China's trade surplus has gone up by 50%. We talk about decoupling and countries moving

out of China. But this is the on-ground fact in numbers. This is an eye opener for us.

- **How can we deal with China effectively?**

- By engaging with the countries that China is trying to influence
- Assessing the global foot print of China and its acquisitions; and taking counter measures. It is difficult to match China's money power. So we must offer more value for less money.
- Playing an active role in the UN
- The R&D budget of companies in China is approximately 450 B\$. We also need to focus on innovation and R&D, increase our risk taking approach and have a long term view. Our PM Mr Modi is also concentrating on R&D. However, Xi Jinping is constantly talking about innovation.
- We cannot separate the border and future ties.
- As Dr S Jaishankar, India's External Affairs Minister has written in his book, "The India Way," the key to a more settled Sino-Indian relationship is greater acceptance by both countries of multi-polarity and mutuality, building on our larger foundation of global rebalancing.
- This is easier said than done. Work is in progress in this direction but a lot more needs to be done.

From Mr Santhosh Pai's Address:



- The driving forces of China's Xi era have been:
 - Personalisation of power
 - Centralization of economic institutions,
 - Doing away with the Politics-Economics divide and
 - Data emerging as a power differentiator.
- On the external front, the US-China tensions have been institutionalised; anti-China backlash has gone viral; and, China's OBOR initiative is faltering.
- China's domestic priorities are dual circulation, to boost domestic consumption; three child policy; and avoiding the middle income trap. Chinese economy is not geared towards domestic consumption and for over 30 years, it has been export-oriented. The three-child policy has not resonated with the public. So there are challenges.
- In the post-Covid economy:
 - China has come out with a five year plan to regulate data.
 - There has been a blood bath on stock markets and Chinese companies have lost millions of market capitalization.
 - Chinese private industries have been cut to size.
 - The two big capital markets –US and China have become insular. It is now almost impossible for a Chinese company to list in the US.

- The trust the nations had in China has decreased while the risks of dealing with it have increased. Due to this, the global supply chains are trying to move away from China towards intermediates.
- In April 2019, it was reported that in 300 product categories, India imports 80% of its demand from China. We need to closely look at these products and work on reducing dependency on China. There are 11 or 12 sectors under production linked incentive (PLI) scheme. We need to map it to these 300 products.
- Thanks to Government restrictions, Chinese investment in Indian technology companies has stopped now. However, we have to screen Chinese investments in manufacturing.
- India needs to set standards for Technology to avoid ending up accepting Chinese standards.
- To counter the China challenge, we need to follow not just a 'whole-of-government' approach but a unified 'whole-of-country' approach.

From Mr Rajaram Muthukrishnan's address:



- The economic challenges India currently faces in dealing with China can be dealt with, under three broad areas:
 - A qualitative look into the China-India bilateral trade trend.
 - The strategic intent in the Chinese investment strategies in India and its neighbourhood.
 - The economic options available to India and ones that are now being currently pursued.
- Technology, Black Swan events and challenges to the Bretton Wood system have been some of the major disruptors. Covid has shown us the extent of damage, a black swan event can inflict on the humans, and also the speed with which we can respond – coming out with vaccines, in this case.
- Bilateral trade between India and China has steadily increased over the last five or six years, though with some minor dips in between, touching a peak of 80 to 90 B\$, with a huge trade deficit favouring China.
- Are both India and China trading in areas that are potentially advantageous to them? Not so much. A deep analysis is not done. For instance, China is one of the biggest importers of agricultural products and yet, we have not been able to crack their market with our export potential in this category.
- India heavily depends on China for API in pharma production, electronic hardware and devices where we can store data. China's intent was to create a strategic dependency on them. Thanks to Covid, India is trying to catch up and

looking at making them in India. Post Galwan, India is trying to keep China out of critical areas like 5G.

- India must focus on manufacturing, modernising agriculture using AI, improving the startup ecosystem and investing massively in infrastructure. These will reduce the economic gap between India and China.
- They say that war is another version of diplomacy. Economic and trade policy is also a version of war. China is approaching it like a war, to gain economic superiority apart from military dominance, to replace the Bretton Wood system with a system that they can dominate and challenge the US with.
- China has clear and long term objectives in military, geo-political and economic spheres and that is why they move ahead of others.
- India must realise its economic and technology borders as much as we understand LAC.
- We do not understand our fintech boundaries and our domination in unicorns. Many of the successful tech-driven unicorns like Paytm, Zomato and Swiggy have already attracted Chinese investments.
- China is approaching its India investments with a geographic focus on the south and east of India where innovation happens and the startup ecosystem is thriving. They want to get into areas where innovation happens.
- Chinese are inveterate gamblers. They put their bets on innovation outside China, as they have constraints in China due to the communist culture that prohibits creative thinking.
- China also has investment interests in the areas of deep tech, life sciences, health, aero-space, alternate energy vehicles and automotive sector.
- India's qualitative responses have included the following:
 - Nation Mission on Cyber Physical Systems which aims to integrate the cyber and physical world. IIT Madras is the focal point for this and it is developing our national capability.
 - There is a push on increasing agricultural productivity using technology, and dry land farming.
 - India's focus on startup ecosystem, incentive schemes for manufacturing and focus on investments in infrastructure.

- Prime Minister Modi's announcement in the Independence Day speech that the government will invest about 15 B\$ in infrastructure projects is a welcome move.

EXTRACT OF THE DISCUSSIONS

Mr Peter Rimmele, Resident Representative to India of Konrad-Adenauer-Stiftung (KAS)



Mr Peter Rimmele, Resident Representative to India, KAS delivered the Introductory remarks in which he emphatically brought out the grave dangers that China is posing to the rest of the world and more so, to the democratically governed nations, by flouting all rules of the game, in its march to become an economic super power, and coercing other nations that dare to question its practices.

He pointed out that China also poses a political challenge to global good governance. He highlighted the need for liberal democracies to recognise the scale of threat posed by China and to counter it. “The best countermeasure available to our liberal and open societies is to be vigilant and to combat China’s illiberal threats by exposing them,” he said and noted that media and counterintelligence have a big role to play in debunking the CCP’s disinformation war and influence campaign.

India, he said, has a major role to play in countering China as it shares a long border with China. He was optimistic that liberal democracies have the necessary tools to deal with the China challenge. However, he felt, that they

have to strengthen the instruments and be conscious of the enormity of the challenge.

Commodore R Seshadri Vasan, Director, Chennai Centre for China Studies.



Initiating the panel discussion, **Commodore Vasan** drew the attention of the audience to Prime Minister Modi's Independence Day speech about the need to counter terrorism and expansionism, the latter alluding to China's strong-arm tactics.

India, he said, has sent strong signals to its adversaries by its active participation in QUAD, resilient supply chain initiatives, vaccine diplomacy and its Indo-Pacific approach.

According to Commodore Vasan, decoupling with China is a gradual process and it cannot happen overnight. While China has come out with many white papers on its defence policies, India has been floundering in coming out with such papers on its security objectives, he regretted.

He remarked that the negative impression about China among liberal democracies has increased phenomenally and China may do a course correction, which will have global implications.

He observed that India enjoys a big advantage in terms of its natural geography but wondered if it was making the right use of the geographical factors, to become a dominant player.

Ambassador Gautam Bambawale, Former Indian Ambassador to China



Ambassador Gautam Bambawale stated that April 2020 was an inflection point in Indo-China relations. By using force, China gave three signals, he pointed and listed them out:

- To establish China as a pre-eminent power.
- To knowingly violate many Indo-China agreements aimed at ensuring peace between the two countries.
- China will determine its boundary by force and not through negotiations.

Though China has pulled its troops from some places in the Leh-Ladakh area, the Chinese threats at the border are far from being over. Asymmetry between India and China in economy, military power and technology has increased a lot, he said and ascribed this to China's dominance.

He recommended that India needs to focus on maintaining 8% GDP growth year-on-year for the next 20 to 25 years to bridge the GDP gap. To achieve this, he suggested, that India must speed up its reforms process in three major areas namely, moving away from micromanagement of economy; reducing the number of public enterprises; and, checking the erosion of the process of the rule of law such that all companies will have a level-playing field, irrespective of their relationship with the government of the day.

Such a process, Bambawale argued, will free up the Indian individuals and enable them to perform to the best of their abilities and enterprise. Through their efforts, India can easily achieve 8 to 9% GDP growth per annum, he said.

Lt Gen SL Narasimhan, PVSM, AVSM, VSM, Member of the National Security Advisory Board, India



Lt Gen SL Narasimhan spoke about how China deals with different groups of countries and adopts a different strategy for each group; and, about how China increases its global influence through various ways. China influences by acquiring commercial interests in global ports and terminals; occupying positions of influence in the United Nations; through OBOR, digital silk road and health silk roads and by setting global standards in 5G and Internet standards.

Though there is a hue and cry for decoupling from China and there is lot of talk about companies trying to exit China, the ground reality, in numbers, is quite contrary to this. During the first quarter of this year, China's GDP has increased sharply, unemployment rate has come down, forex reserves have gone up and trade surplus has gone up substantially, compared to the corresponding period of the previous year. This is an eye opener and we need to take note of this, cautioned Lt Gen Narasimhan.

On dealing with China effectively, he suggested that India must actively engage with friendly countries and the countries with which China is engaging, focus on innovation and R&D, increase its risk taking approach and have a long term view.

Mr Santhosh Pai, Partner, Link Legal



Mr Santhosh Pai gave an overview of the driving forces of China's Xi era, its external forces and domestic priorities- political, economic and strategic. Personalisation of power, centralization of institutions, doing away with the Politics-Economics divide and data emerging as a power differentiator have marked the Xi-era, he explained and added that the private industry has been cut to size in China.

Dual circulation, three child policy and avoiding the middle income trap have become China's top domestic priorities, he pointed out. The trust the nations had in China has decreased, while the risks of dealing with it have increased. Due to this, the global supply chains are trying to move away from China towards intermediates.

To counter the China challenge, he recommended, not just a 'whole-of-government' approach but a unified 'whole-of-country' approach.

Mr Rajaram Muthukrishnan, Director, Voice Snap Services Pvt Ltd



Mr Rajaram Muthukrishnan spoke about the economic challenges India currently faces in dealing with China. He dealt with three broad areas:

- A qualitative look into the China-India bilateral trade trend.
- The strategic intent in the Chinese investment strategies in India and its neighbourhood.
- The economic options available to India.

He commented that though the Indo-China bilateral trade has steadily increased over the past five to six years, there has been a massive trade deficit in favour of China. “There is scope for both India and China to focus on areas of trade that will be really beneficial to both the countries,” he said. For instance, China imports agricultural products heavily. India has vast export potential in this category. However, India has been unable to crack the Chinese market.

According to Mr Rajaram, China is concentrating on the east and south parts of India where innovation is happening and the startup ecosystem is thriving. While India does not have big money to back our unicorns, China rushes to fund them, he observed and gave the examples of Paytm, Zomato and Swiggy where Chinese have investments.

He suggested that India must focus on manufacturing, modernising agriculture using AI, improving the startup ecosystem and investing massively in infrastructure.

Q&A

There was a Q&A session in which the members who attended the session in MMA and online posed various questions and the panellists answered them. **Insights from the Q&A Session:**

Q: How should India react to China's grand strategy?

Gautam Bambawale: Analysts of China suggest that India should be doing what China is doing. I don't agree to this view because India is a very different country with a different polity, different economy and different society. The key to our success is to make it easy to do business in India. To counter China's grand strategy, we need to look inwards and get our GDP moving at 8 to 10% per annum over an extended period of time.

Q: How has India fared in chairing UN Security Council during its turn on rotation basis?

Gautam Bambawale: I was extremely impressed by the UN Security Council meeting chaired by India in August 2021 on the issue of maritime security. India has done extremely well and if it utilises the opportunities in future also when we will be chairing the UN Security Council, we can stamp our place amongst the comity of nations.

Q: Sri Lanka has given access to China to develop its port. What makes China a great negotiator? Are we losing the plot?

Gautam Bambawale: A number of countries have pointed to Sri Lanka about the pitfalls of the deal with China but we can only take the horse to the water. We cannot force it to drink. If Sri Lanka wants to take more debts from China, there is very little others can do about it. India is working closely with Japan in doing projects in Sri Lanka and other third world countries. In a similar manner, we should also work with Germany and other countries across the world.

Q: How does the leadership of EU counter the challenges posed by China to western nations?

Peter Rimmele: The EU member countries try to combine their strength and come out with a common view of things but the foreign policy is decided by each nation and it is not outsourced to the EU. It is difficult to arrive at a common point of view among member states. Of course, all of them, to a more or lesser degree, will fear the influence of China, especially those who are part of China's OBOR initiative. The EU considers China as a very important trading partner and at the same time, a systemic rival too.

Q: Will the Afghan developments be exploited by China? What should India do to counter this?

Lt Gen SL Narasimhan: We need to wait and watch as to how the situation develops. It is still evolving and we do not know who will come to power. China will prefer a neutral, if not a favourable, government. They also have a proxy in Pakistan through which it can influence the Taliban. A year and half-ago, China asked Afghanistan to join the China-Pakistan economic corridor. Chinese are wise people and they may not put boots on the ground.

India adopted a two-pronged approach- to develop the infrastructure by participating in projects and to develop the capability and capacity of the Afghan forces and the nation. Though there is a temporary setback, I don't think that the Indians have lost the goodwill of the Afghans.

Q: How significant is PM Modi's Presidential address at the UN Security Council meeting on maritime security and what message has this conveyed to China?

Lt Gen SL Narasimhan: We have been insisting on the rule of law, freedom of navigation of the seas and freedom of over-flight throughout. To that extent, the Prime Minister's message has gone across very well. QUAD countries also can help in exerting pressure on China.

Q: Should we engage with China at all, given their games of deceipts?

Lt Gen SL Narasimhan: We cannot wish away our neighbours. They are there because of the geography. In the Asian region, both India and China are vying for strategic space. We can engage with our neighbours provided the pre-requisite of peace along LAC exists.

Q: In a climate of distrust, how can we bring China back to the table and restore diplomatic relations?

Lt Gen SL Narasimhan: We have to go back to 1986 when a military standoff took place between India and China in the Sumdorong Chu valley. It took us seven years to resolve that issue and get back to normalcy. We need to persevere in what we want to do. We have given a clear message that on territorial sovereignty and integrity, there will not be any compromise.

Q: Is democracy a weakness for India since China has shown what it can achieve with autocracy?

Lt Gen SL Narasimhan: This discourse has gained currency in recent years as China is spreading the message that they can handle things better (for example, Covid management) with the system they have. On the other hand, countries like the US and UK have progressed very well with democracy. So this is the dichotomy. Democracy is not at all a weakness as citizens enjoy freedom.

Q: Has India failed to capitalise economically on the anti-China backlash?

Santhosh Pai: China has built its economy over a period of 30 years. Also, it follows a multitude of strategies for different countries to attract FDI. India has to have its own strategy and we cannot replicate China's. We are still in the early stages of this journey and I see a lot of positives.

Q: Between Indian and Chinese companies, which are more compliant?

Santhosh Pai: Compliance is a function of enforcement. It depends on the nations rather than the companies. Indian enforcement is extremely lax. In China, enforcement comes with a huge force and therefore, compliance becomes a 'must.'

Q: Will Germany be a major player in global security?

Peter Rimmele: Germany participates in international missions as this is allowed under the constitution. But on its own, it will not put boots on the ground. Frankly, they do not have the capacity to do so. After the World War II, investment in the defence forces was not a priority for Germany. However, Germany will exert its influence by staying relevant in various international fora. Germany sent a ship to the Indo-Pacific to send a message that it will do something to defend a global, rules-based order.

Q: What stops India from manufacturing cheaper products to take on China?

Rajaram Muthukrishnan: China's approach towards manufacturing is to work on skill, scale and speed. We do not have the ability to build to scale in view of our systemic problems. With scale, we can get economics of scale which lead to cheaper costs.

China also adopts a predatory pricing policy to clean up competition and to dominate later. The speed at which China launches its products in the market is also very high. Our judicial, environmental and other ecosystems hold us back, unlike China. We need to have more skilled manpower, produce at scale and operate with speed. If we do that, we can replace our Chinese imports gradually. We are already working in this direction and over the next 5 years, we may replace many Chinese imports.

Q: What will happen to the future of Hong Kong and how will the rest of the world be affected by the developments there? Has the one nation, two systems concept failed there?

Rajaram Muthukrishnan: Politically, the concept of one country, two systems has ended in Hong Kong. Its political future is under the control of China. Hong Kong's economic value for China is increasing and it will continue to be so. There is a systemic change in its economic power houses. Chinese MNCs have replaced multinational and European companies. China will route some of their investments through Hong Kong's open borders. Over a 30 year period, the economic value addition of Hong Kong to China and to the world will come down. But at the moment, Hong Kong will continue to be relevant.

CONCLUDING REMARKS



In his concluding remarks, **Mr Pankaj Madan**, Deputy-Head, India Office & Head-Programmes, KAS summed up the views shared by all the panellists. He was of the opinion that the Afghan crisis will have a major impact on India. He said that the world has at last woken up to China's designs of placing its people in key positions in multilateral platforms to subvert the systems and institutions to its advantage.

He quoted Chinese philosopher Hu Shih who said that India conquered China culturally for twenty centuries without sending a soldier across the border.

He appealed that India must follow the 'whole-of-country' approach as advocated in the panel discussions, and leverage its culture to take on the China challenge and spread its influence.

VOTE OF THANKS

Group Captain R Vijayakumar (Retd) VSM, Executive Director, MMA



Group Captain R Vijayakumar proposed the vote of thanks. He thanked **Mr Peter Rimmele**, Resident Representative to India of Konrad-Adenauer-Stiftung for delivering the introductory remarks and for being a pillar of support to MMA.

He thanked **Commodore R Seshadri Vasan**, Director, Chennai Centre for China Studies for moderating the panel discussion and the Q&A session.

He also thanked the panellists- **Ambassador Gautam Bambawale, Lt Gen SL Narasimhan, Mr Santhosh Pai and Mr Rajaram Muthukrishnan**.

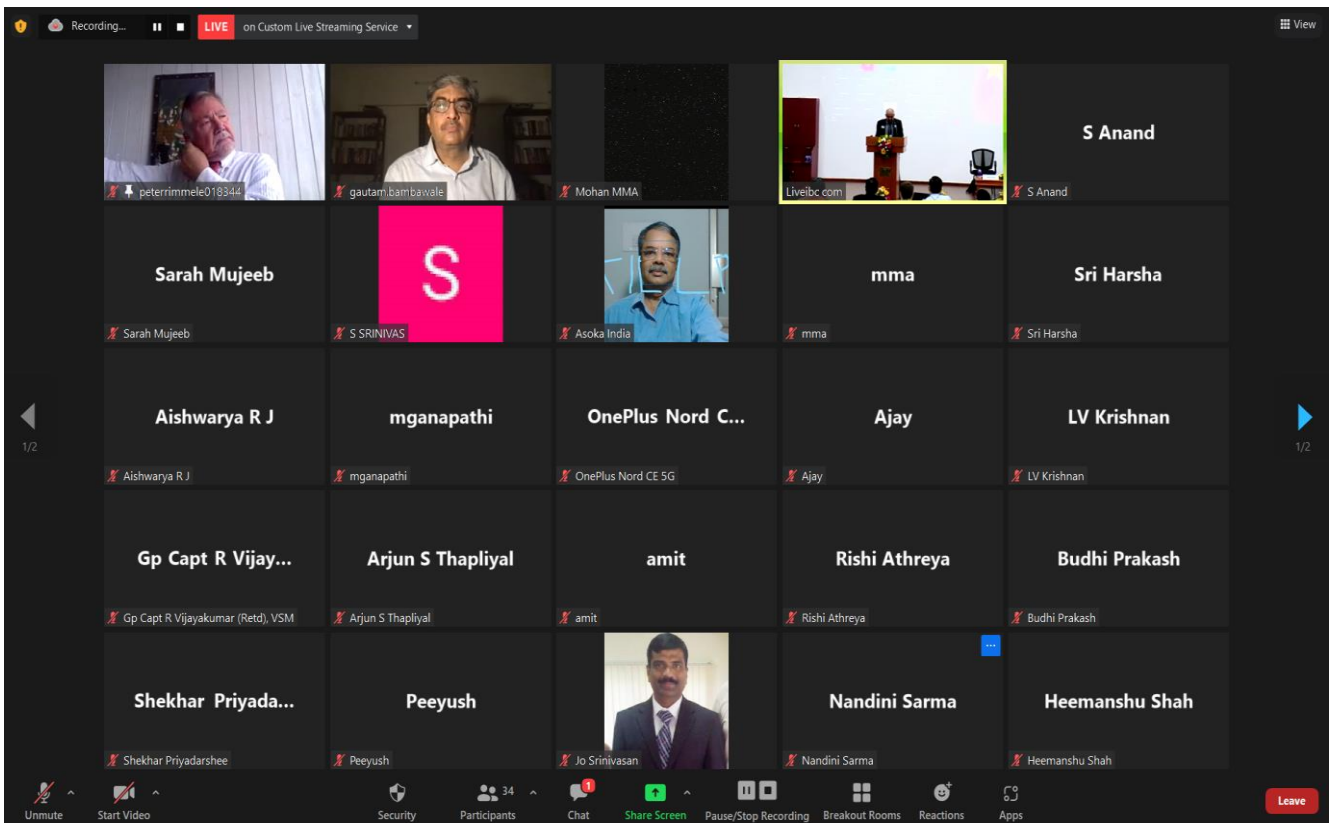
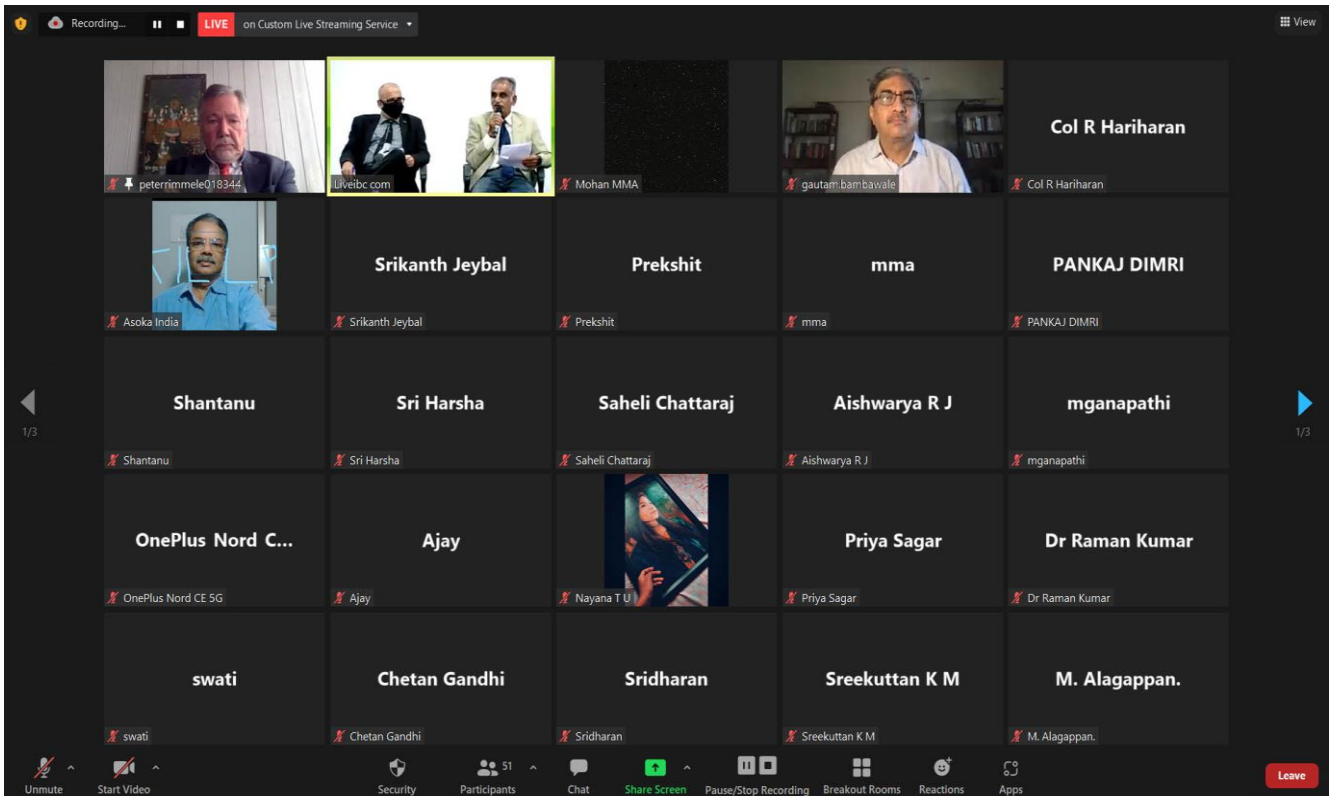
He thanked **Mr Pankaj Madan** of KAS, India office for his close coordination with MMA in organising the webinar and for his delivering the concluding remarks. He thanked the special invitees and all the online participants.

MMA Coffee Table books were presented as mementos to all the panellists. The session started at 5.30 pm ended at 7.45 pm. This was followed by a dinner.

PHOTOS

Photographs taken during the Conclave on “Dealing with CHINA - Strategic, Political & Economic Dimensions”





LINKS FOR THE RECORDING

Dealing with CHINA - Strategic, Political & Economic Dimensions

We are pleased to share that the recording of the event is available for viewing through the links indicated below:

Website:

www.liveibc.com/mma/

YouTube:

<https://www.youtube.com/watch?v=0uG4w6nl79s>

Facebook:

<https://www.facebook.com/mmachennai/videos/804857096735402/>



The response to the event was excellent and a larger number of viewers logged in live through Zoom, MMA Live webinar, YouTube and Facebook.

Total Number of Participants:

Zoom: 56

YouTube: 14,328

Facebook: 80

MMA Webinar: 510

At MMA Management Centre: 100

Total number of participants at the event – 15,074



THE PARTNERS

About Madras Management Association (MMA)

Madras Management Association (MMA) was established in 1956 with the prime objective of promoting management education, training and development activities in this part of the country. The vision of MMA is “To be the Fountainhead of World class Management Excellence in India”.

Over the past six decades, MMA has striven for development and nurturing management expertise, combining Indian ethos with International Management thoughts and practices. MMA has contributed immensely to the enhancement of management capability in this part of the country, and in particular Tamil Nadu and Puducherry. MMA has over 7000 corporate houses, industries, professionals, academics and executives on its rolls as members. MMA annually organizes about 725 executive development activities, including seminars for top management with a total participation of fifty nine thousand executives and entrepreneurs.

MMA is the largest affiliate association of All India Management Association (AIMA) in the country and has been adjudged as the Best Management Association in India by AIMA for ten times in a row including the “National Excellence Award” for the year 2017-18.

The activities of MMA are planned to achieve managerial excellence in the functioning of industries and professional managers in Tamil Nadu and Puducherry. In this direction, MMA chapters have been established at various towns in Tamil Nadu mainly to cater to the needs of SMEs. Nine such MMA Local Chapters at Ambur, Attur, Erode, Hosur, Namakkal, Salem, Sri City, Trichy and Puducherry are functioning effectively.

Apart from corporate leaders, MMA has, in its Managing Committee, the Vice Chancellors of Madras University & Anna University, the Directors of IIT Madras and IFMR and the Chief Secretary, Government of Tamil Nadu, as members.

OUR VISION

To be the Fountainhead of World Class Management Excellence in India

OUR MISSION

- Synthesise Indian Ethos with international management thought
- Be a reservoir of expertise in management
- Inspire individuals to actualise their potential
- Nurture creativity and originality

About Konrad-Adenauer-Stiftung (KAS)

The Konrad-Adenauer-Stiftung (KAS) is a political foundation. Established in 1955 as “Society for Christian-Democratic Civic Education”, in 1964 the Foundation proudly took on the name of Konrad Adenauer, the first Chancellor of the Federal Republic of Germany.

With 16 regional offices in Germany and over 120 offices abroad, the Konrad Adenauer Foundation is committed to achieving and maintaining peace, freedom and justice through political education. We promote and preserve free democracy, social market economy, and the development and consolidation of the value consensus. We focus on consolidating democracy, the unification of Europe and the strengthening of transatlantic relations, as well as on development cooperation.

The leitmotif of the Konrad Adenauer Foundation "Germany. The next chapter" is supported by a thematic focus. With the three main topics Innovation, Security and Representation and Participation, it is quite clear which topics the Konrad Adenauer Foundation will focus on in the coming years.

We cooperate with governmental institutions, political parties and civil society organizations, building strong partnerships along the way. In particular, we seek to intensify political cooperation in the area of development cooperation on the foundations of our objectives and values. Together with our partners, we make a significant contribution to the creation of a global order that empowers every country to determine its own developmental priorities and destiny in an internationally responsible manner.

The Konrad-Adenauer-Stiftung has organized its program priorities in India into five working areas:

1. Foreign and Security Policy
2. Economic, Climate and Energy Policy
3. Rule of Law
4. Political and Societal Dialogues focussed on multilateralism and Indo-German relations
5. Media and Youth

The India Office of the Konrad Adenauer Foundation takes great pride in its cooperation with Indian partner institutions who implement jointly curated projects and programmes.

About Chennai Centre for China Studies

The Chennai Centre for China Studies (C3S), registered under the Tamil Nadu Societies Registration Act 1975 (83/2008 dated 4th April 2008), is a non-profit public policy think tank with the following objectives.

- Carry out in-depth studies of developments relating to China with priority to issues of interest to India such as
 - Geopolitical, economic and strategic dynamics of India-China relations.
 - China's internal dynamics.
 - The Sino-Indian border issue.
 - China's relations with South Asian countries.
 - Prospects of Sino-Indian economic and trade relations.
 - Future evolution of China's politics and its impact on India and the world.
 - China – India – ASEAN relations.
 - China's emerging role in SAARC.
 - Growing importance of South India for Chinese interaction and economic investment.
 - India – China – Southeast Asia cultural links.
 - Suggest viable solutions/policy alternatives on the basis of studies to the strategic planners and decision makers in India, on issues of bilateral, regional and global importance.
 - Create public opinion, particularly in South India, on the implications arising out of China's emergence as a leading global power.
- Provide a forum for dialogue with China scholars in India and abroad and give space for the expression of alternate opinions on China-related topics.
- Provide a sound database for research on China with special attention to tapping information available in Chinese language material, so as to benefit scholars, media and think tanks in India as well as rest of the world.
- Address the requirements of the business community in India, particularly informing them about the nature of emerging business opportunities and problems while dealing with China.
- Liaise with think tanks specialising on China, both in India and abroad, with the objective of exchanging views.
- Organise lecture discussions and seminars on topics of current interest.
- Interact with institutions of higher learning in South India to create awareness about developments in China.
- Bring out publications relating to China – books, edited volumes, monographs and occasional papers.