China-India contemporary relations: Geopolitical challenges to the small states in South Asia [version 1; peer review: awaiting peer review]

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Abstract

**Background:** The two Asian giants, India and China, have shown unprecedented growth and development in recent decades. As neighbours, the bilateral relationship between the two countries has experienced turbulences, even wars, but their trade and economic relations date centuries back. These characteristics of cooperation and conflict between India and China as they aspire to become major powers globally have tuned up the competitiveness, which has further engaged them with collaborations in some areas, conflicts and contestations in others. This unique relation with antagonistic cooperation has implications for South Asian states, including India and other small states.

**Methods:** Thus, realising the research gap of future repercussions on the region and hypothesising that the contemporary China-India relations not only have consequences on each other but also brings challenges to the small states in South Asia, the paper primarily focuses on current China-India relations and the geopolitical challenges to the South Asian small states. Hence, it is crucial to comprehend ‘What is the nature and pattern of contemporary China-India relations?’ and ‘What are the geopolitical challenges to the small states because of this unforeseen relation?’

The study revisits the historical relationship between India and China to examine the trend of collaborations and contestations between the two. The paper also discusses the increasing forays of China into South Asia and the deepening US-India relationship to counter those looming Chinese influences.

**Results:** Notably, the research identifies the geopolitical challenges for other South Asian small states because of those fluctuations in the relationship and recommends strategies for the small states in South Asia to avert the increasing geopolitical challenges, generalising the challenges for the small states evolving due to the major power politics in different parts of the world.
Keywords
China, India, conflicts, BRI, geopolitics, South Asia, small states
Introduction

China and India, or the relationship between the two, are the pivot of the international politics and economy in the globe. The relationship between the two countries is and shall be the determinative factor of not only Asian politics but also international politics, along with security dynamics, global governance, and even global prosperity. China-India relations are essential because the relations are influential in the US-China global power competition and regions like South Asia, Southeast Asia, Africa, the Indo-Pacific and other parts of the world, but also for the future of international and regional organisations and the global economy.

The China-India relationship portrays patterns of both cooperation and conflicts. The changing political dynamics of both the countries and simultaneously the continuities and changes in their foreign policies have determined the circumstances and outcomes of the situation. Moreover, the economic and political aspirations of both the Asian giants have fuelled the competition and collaboration between the two. The third parties or countries play an essential role in the relationship between China and India and the future of continental and maritime geopolitics.

The USA, Russia, Japan, and Pakistan play significant roles in the China-India bilateral relationship as well as the states in Europe, Africa, Latin America, the Middle East, Southeast Asia and, most importantly, South Asia have an essential part.

However, the unprecedented growth and development of China and India have provided both countries with opportunities. The initiation of the Belt and Road Initiative (BRI) in 2013 by the Chinese President Xi Jinping and the Indian Prime Minister Narendra Modi after coming into power in 2014 has directed the bilateral relationship between the two at different levels. The ongoing border skirmishes and recent clashes in the Galwan Valley between the two militaries have increased the tensions between China and India; the Doklam standoff in 2017 increased the antagonism. With the increasing forays of China into South Asia with the BRI projects, the China-India contestation could be observed. The China-Pakistan economic corridor (CPEC), the Bangladesh-China-India-Myanmar Economic Corridor (BCIM), the Trans-Himalayan Multidimensional connectivity network, and the 21st century maritime Silk Road in the Indian Ocean have provided China with a unique opportunity to enter into South Asia.

Nevertheless, India has a predicament towards China’s BRI projects in several small states in South Asia. Similarly, with the deepening of the USA-India cooperation through the quadrilateral security dialogue (QUAD) to contain China, the USA’s support towards India as a leading major power and vital partner has a massive impact on China’s South Asia policy. As a counter initiative to BRI, other than increased participation with US-led partnerships, India launched Project MAUSAM to revive the ancient Indian trading routes, and in 2015, the Modi government launched the Security and Growth for All in the Region (SAGAR) concept.

The recent Afghan crisis after the withdrawal of the US troops in 2021 has posed huge challenges for the remaining South Asian states and Afghanistan because of the divergent interest of both India and China in the region. The initiation of close connections with China and the Taliban regime revolving around its geopolitical interest and India not recognising or being ready to initiate any dialogue with the Taliban has induced another clash between China and India in South Asia.

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3. Lintner, *China’s India War*, 5.
The following research questions shall guide this study: ‘What is the nature and pattern of contemporary China-India relations?’ and ‘What are the geopolitical challenges to the small states because of these unforeseen relations?’ To facilitate the flow of research, this study hypothesises that contemporary China-India relations not only have consequences on each other but also brings challenges to the small states in South Asia, which includes Bangladesh, Bhutan, the Maldives, Nepal and Sri Lanka. Therefore, due to the research gaps and the questions raised above, the paper aims to analyse present relations between India and China regarding retrospective ties. The critical objective of the research is to investigate the challenges ahead for the South Asian small states and the whole region because of the ongoing cooperation and conflict between India and China; and recommend the policies and strategies for small states to sustain themselves in these increasing geopolitical challenges.

**Methods**

**Data collection**

As a qualitative study, the research has focused on both primary and secondary data. Regarding the collection of preliminary data and information, the study does not undertake any interviews or fieldwork but is based on the data and information published by the government resources through official websites (listed among the References). The information gathered on the related theme of this study are available through primary sources (government data). The reference to the primary sources has been cited accordingly, with a full list of references provided at the end of the article.

Similarly, secondary sources like academic books, journals, and reports and documents published by different think tanks and research institutions are considered to collate the results and test the hypothesis of the study. The information and data from these secondary resources are within the periphery of the theme of the study. The details from these secondary sources were identified in line to the aims and theme of the paper. The information was extracted focusing on the functionality of the information (which means ‘what’) and the schemas (which means ‘how’) in the China-India bilateral relationships and linking the relationship between the two to discuss the repercussions on South Asian small states. The online media platforms (social media platform name, social media platform name, etc) have also been considered to acquire information about specific events and developments in South Asia and India-China bilateral relations. The reliability of the data obtained from these online media platforms were examined through the sources mentioned or used by the media piece; and similarly collated thematically according to the aims of the paper. The themes that emerged from the reviews are thematically analysed and interpreted.

**Data analysis**

The research has adhered to the inductive research approach, empirically analysing both the retrospective and contemporary China-India relations—the analysis focused on identifying the pattern of conflict and cooperation through those observations. The conflicts and cooperation patterns have resulted from the retrospective analysis of the historical and strategic bilateral relations between China and India. Historic cooperation in trade, commerce and culture were observed to be a constant and consistent factor. However, unforeseen phenomena in this relationship, and similarly, the regional power politics or struggle and geostrategic ambitions of both China and India, were observed and analysed accordingly, identifying the pattern of conflict. Also, through the inductive research method, the challenges posed by the China-India conflict, competition and cooperation were gathered for Bangladesh, Bhutan, the Maldives, Nepal and Sri Lanka and condensed to analyse the challenges for the small states in South Asia. After condensing the extensive data, considering the historicity of the strategic bilateral relations with patterns of conflict and cooperation, geostrategic and major power rivalry, and contemporary rise of both the countries simultaneously, the content has been categorised accordingly into different headings and sub-headings. Notably, the link was established between the categorisations by analysing the flow of significant developments in the relationship from historicity to contemporary to accomplish the research objectives.

The data and information were refined and revised by connecting two or more concepts or themes, or by adding the supportive information to the contents, or by excluding and eliminating some of the concepts realising the redundancy in contemporary China-India relations. For this, the strategic aims of the different strategies of the two countries and other actors were analysed thoroughly using primary and secondary sources related to the theme. Mutually exclusive and inclusive information were identified through condensation to recognise overlaps and redundancy. Because of the inductive research approach, the study is also aware of the limitations arising from condensation and generalisation of the information.

Furthermore, the study has hypothesised that these unanticipated relations have severe geopolitical repercussions on small states in South Asia. Through the analysis of the results, the study discusses that the small states in South Asia are vulnerable to geopolitical challenges due to conflict and cooperation between China and India. Due to this inductive approach, the study attempts to generalise the challenges for other small states due to power politics in the different parts of the world.

**Results**

After reviewing the contents from 6 official government portals, 12 books, 13 reports produced by different think tanks and research institutions, 11 academic journals, and 19 online media platforms related to the theme and aims of the study (which are all listed in the reference section below) through the aforementioned collection and analysis process, the results have been sub-divided into four different sub-headings below. The first deals with the retrospective view of the China-India bilateral relations, second with the simultaneous rise of both countries, subsequent analyses the contemporary rivalry between the two considering the US-India ties, and finally, the antagonistic cooperation as an unforeseen phenomenon in...
the present China-India relations. The coherency among these categorisations is established by analysing the flow of significant developments in the relationship from historicity to contemporary to accomplish the research objectives.

A brief retrospection of China-India relations

The relations between China and India are unique and historical. The historical relations can be characterised by silent interaction with each other through transcultural exchanges. This created cultural and economic networks through the land routes into and from India, later dubbed as the ‘Silk Road’. These transcultural interactions between mainland China and India were fabricated with the Buddhist culture. Later, the Chinese side showed interest in learning Buddhism and sent missionaries to India to assimilate Buddhist ideas and concepts, social institutions, and ritual practices which took place nearly from 6BC to 589AD. However, after this, the Islamic rule spread in the northern part of India, establishing the Delhi sultanate in 1206.

Consequently, the trade routes between India and China, mainly Tibet, was blocked because of the incessant fighting. Buddhism-inspired foreign trade shifted to commercially motivated trade through the maritime routes in the eleventh century. The early twelfth century was the vibrant phase for interaction between India and China with the looming global cotton and wool trade. After the arrival of the European military and commercial vessels to the Indian shores in the late fifteenth century, the transcultural and commercial exchanges changed for India and China, and the primary source of interaction shifted to Europe. The small princely states in the Indian sub-continent were affected by this China-India relation evolving from silent exchange to commerce.

However, the fall of the Qing Empire in 1911 and the discourse on Tibet among the British, Chinese, and Tibetan representatives in 1913–1914 catalysed the diplomatic exchanges between Guomindang (GMD) and British-India, and also with the representatives of GMD and the Indian National Congress. The historical political dimension between India and China developed through the interactions concerned about the Japanese expansion from 1937–1945, and the issue of Indian independence remained prominent from 1945–1947, and in between 1947–1949, the issue of Tibet remained the primary concern regarding the relationship between Communist regime in China and independent democratic India. The 1950s decade for India-China relations initiated with the development of the Five Principles of Peaceful Coexistence (also known as Panchasheel) and the ‘Agreement between the People’s Republic of China and the Republic of India on Trade and Inter-course between Tibet Region of China and India’, a symbolic desire of peace with the slogan ‘Hindi-Chini Bhai-Bhai’. However, the contradictions in the borders, the status of Tibet, the differences in the political system, and different world outlooks eventually led to conflict, in 1962, to war. The next decade after the war, the China-India relationship was at its lowest; China was itselfrocked by the Great Proletarian Cultural Revolution initiated by Mao Zedong. When Deng Xiaoping started reforms after 1978, a better bilateral relationship was established between China and India.

Many high-level visits took place afterwards with different proposals to resolve the disputes between the two countries with continuous strategic support for peace and prosperity based on Panchasheel with important commitments towards traditional and non-traditional security. The Himalayan states like Nepal, Bhutan, and Sikkim (before 1975) faced severe geopolitical challenges in South Asia and at the global level because of Cold War power politics. However, after the start of the twenty-first century, simultaneously China became the second-largest economy and India became the world’s fastest-growing economy; the relationship in the present decades can be characterised with cooperation with the realisation of the immense potential and opportunities of each other, as well as conflicts because of the competitiveness developed through the aspirations of development and economic prosperity.

Rise of China, rise of India

Undoubtedly, one of the remarkable phenomena of the twenty-first century is the rise of China and India. With the rapid economic growth, the populous countries in the world have been lifting the quality of life of their citizens. This phenomenon is sure to shift the political and economic centre to Asia in the next decade. However, the rise of the two Asian giants in the region is not free with challenges and opportunities. The rise of China has already questioned the US dominance, and India’s rise is not far longer when it starts affecting China’s

20 Bhattarai, Nepal-China All Weather Friends.
23 Wagner, “China and India pre-1939”.
24 Wagner, “China and India pre-1939”.
25 Wagner, “China and India pre-1939”.
26 Wagner, “China and India pre-1939”.
29 Das, “India, China and Pakistan”.
30 Sharma, “A Retrospection of Sino-Indian War of 1962”.
resurgence\textsuperscript{34}. Moreover, the advent of both countries has installed fears into the small states in the region\textsuperscript{35}. Nevertheless, the rise of China and India can act as economic engines to the economy of the whole region\textsuperscript{36}.

The position of China today can be attributed to the economic reforms in 1978 by Deng Xiaoping by moving cautiously towards economic liberalism with Chinese characteristics\textsuperscript{37}. The norm for these three decades of economic reforms was a tight political grip for political stability by the Communist Party of China (CPC) and a vital check and balance in the economic policies\textsuperscript{38}. The possession of the “privilege of historical backwardness” in the Chinese society was taken as an advantage by the CPC to leap over the stages of development that have helped China develop as an economic powerhouse\textsuperscript{39}. China’s adherence to state capitalism, where the government has the authority over the economy pursuing a wide range of industrial policy and intervening to mitigate risk, has added benefits for China’s development\textsuperscript{40}. The GDP per capita based on Purchasing Power Parity (PPP) of China in 2020 was recorded at 24,142.83 billion international dollars, and China’s economy is projected to grow by 8.5 percent in 2021\textsuperscript{41}. Similarly, China has the second-highest military spending in the world after the USA\textsuperscript{42}; in 2019, China’s military budget was USD 175 billion\textsuperscript{43}.

Moreover, the rise of China can be simultaneously discussed with the advent of the Belt and Road Initiative (BRI) in 2013 by President Xi Jinping. As the BRI stretches from East Asia to Europe and Africa through its land and sea corridors, it has leveraged China’s rise. China’s geopolitical and economic aspiration through BRI opened up different avenues for investment, markets, and geopolitical leverages\textsuperscript{44}. The links that China aspires to create between Asia and Europe come with the promotion of development in the western province of Xinjiang, where there is an upsurge of separatist movements, the creation of the domestic product market, and the securing of long-term energy supplies through Central Asia and the Middle East\textsuperscript{45}. With the aim of development, economic integration and interconnectedness have aided China in its rise by re-establishing the relationships, rerouting economic activities, and primarily shifting the power towards itself. By leveraging such, the financial gains could be turned into political profits by China, helping it rise much higher than now. The rise of China in the future seems imminent with developing BRI projects rerouting a more significant part of the world economy to China\textsuperscript{46}. The creation of dependency through Chinese investments, trade, and connectivity, has shaped the rules and norms of the economic sphere and the political domain.

Likewise, China is not the only one with the rise. Its neighbour, India, with its long historical connectedness with the strategic implication, is also in the run. After its independence in 1947, India adopted the Indian version of state planning, which included control over the economy, strict regulation on state enterprises, foreign trade, and foreign direct investment resulting from the trauma of colonialism\textsuperscript{47}. From 1950 to 1980, the economic growth rate of India was below 4\textsuperscript{48}. However, India tested its first nuclear weapon in 1974 and joined the countries that possess nuclear weapons. Since then, India has not only risen economically, but militarily as well; India has aspired to be a regional power owing to its disputes with neighbours\textsuperscript{49}. During the rule of Indira Gandhi (1980–1984) and Rajiv Gandhi (1984–1989), there were economic reforms with deregulation of the market within the Indian economy, increase in private industries owned by private sectors, lower restrictions on the production of goods already produced by other companies, the establishment of policies to stimulate service exports related to the high-technology industry, and tariff reductions to increase the level of internationalisation and competitiveness of the Indian economy\textsuperscript{50}. After the economic liberalisation in 1991 by Prime Minister P.V. Narasimha Rao, there was the privatisation of the state-owned industries, the end of the License Raj, and many other deregulation reforms on enterprises and industries\textsuperscript{51}. The economic reforms after the liberalisation contributed to the emergence of the dual economy, which relates to the existence of a high-productivity and capital-intensive sector\textsuperscript{52}.

\textsuperscript{34} Krishnan, India’s China Challenge: A Journey Through China’s Rise and What It Means for India.


\textsuperscript{36} Seneviratha, China’s twenty-first-century Maritime Silk Road and its influence on the development of South Asia: a geopolitical perspective.


\textsuperscript{38} Guo, Understanding the Chinese Economies.

\textsuperscript{39} Guo, Understanding the Chinese Economies, 145.

\textsuperscript{40} Hongjun Zhao, China’s Long-Term Economic Development: How Have Economy and Governance since 500 BC? (Cheltenham: Edward Elgar Publishing Limited, 2018).


\textsuperscript{42} Nan Tian and Fei Su, A New Estimate of China’s Military Expenditure (Solna, Sweden: Stockholm International Peace Research Institute, 2021).

\textsuperscript{43} Tian and Su, A New Estimate of China’s Military Expenditure.

\textsuperscript{44} Suisheng Zhao, China’s New Global Strategy: The Belt and Road Initiative (BRI) and Asian Infrastructure Investment Bank (AIIB) (Milton Park: Taylor & Francis Limited, 2021).

\textsuperscript{45} Zhao, China’s New Global Strategy.


\textsuperscript{48} Virmani, “India’s Economic Growth History”.

\textsuperscript{49} Virmani, “India’s Economic Growth History”.

\textsuperscript{50} Rahul Mukherji, “The State, Economic Growth, and Development in India,” India review, no. 1 (2009).

\textsuperscript{51} Mukherji, “The State, Economic Growth, and Development in India”.

\textsuperscript{52} Mukherji, “The State, Economic Growth, and Development in India”.

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However, after Prime Minister Narendra Modi came into power since 2014 elections, his active foreign policy with the expansion of the Indian soft power through cultural diplomacy by reaching to the Indian diaspora, efficient engagement with the regional blocs at regional and multilateral levels, and role towards the non-traditional security threats such as climate change has enhanced the rise of India53. India’s presence in the Indian Ocean also increased massively in recent years, either for security purposes or humanitarian responses. India has started investing heavily in the neighbouring countries and also in countries in Africa. India has also become the aspirant for the permanent seat in the United Nations Security Council. However, India had several setbacks in these years, like several border clashes with China, an unofficial economic blockade against Nepal in 2015, and border issues in 202044. Today, India’s GDP per capita based on Purchasing Power Parity (PPP) in 2020 is 6,461 international dollars, and India’s economy is projected to grow at 8.3% in 2021 and 7.5% in 202255. Also, the military spending of India went up by 2.9% in 2020 than the previous year and is also the second-highest importer of arms56.

Contemporary Sino-Indo rivalry and deepening US-India ties

India and China’s growing economic and military might have worried themselves more than any other country. Additionally, the rival history characterised by the 1962 Sino-India War and military skirmishes have added to the contemporary competition and rivalry on several occasions. The pragmatic leadership by Deng Xiaoping of China and Indian Prime Minister Rajiv Gandhi took the relation to a new stage of normalisation, with settlement, peace, and tranquillity in the borders57. The following years were of positive developments with formal acceptance by China of Sikkim as a part of India, peace and tranquillity agreements in 1993 and 1996, and the 2005 Agreement on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question, which left both the countries with a little sense of securities58.

However, in the later years, the changing nature of the foreign policy of both China and India had some implications for each other. Significantly, the change in the leadership of both India and China have furthered the rivalry between them. When President Xi Jinping officially assumed office in 2013, and Narendra Modi became Prime Minister of India in 2014, the relationship continued with some stresses59. The initiation of the Belt and Road Initiative (BRI) gained economic benefits for China, becoming the core concern for India’s foreign policy. The declaration of the China-Pakistan Economic Corridor (CPEC) through the disputed area of Jammu and Kashmir, and the Chinese assertion of power in the South China Sea fuelled concerns for India60. Similarly, India’s dominance on the small states in South Asia through India’s ‘neighbourhood first policy’, the perception of China’s involvement in South Asia as a zero-sum game, active engagement in the Indian Ocean region through the India-led maritime defence chain, and a shift from ‘look East to act East’ policies primarily concerned China61. The development of ‘Security and Growth for All in the Region’ (SAGAR) and the ‘Indo-Pacific Vision’ by India showed the true intentions of India towards China62.

In 2020, the border standoff between India and China in the Galwan Valley of Ladakh between Indian and Chinese armies amidst the COVID-19 pandemic, followed by the banning of the 59 Chinese apps by India, has worsened the situations for India and China63. Although many rounds of talks have been conducted to settle the dispute, the lack of a concrete and permanent solution have led nowhere but made the border issue again a part of the conflict between the two. Recently, the Afghan crisis has been a severe issue for both India and China. The divergent interest of China and India in Afghanistan with the Taliban in the rise after the withdrawal of US troops have added to the conflict64. China hosting Taliban delegation in July 2021 and offering Afghanistan USD 31 million as emergency aid depicts China’s willingness to communicate with them to influence Central and South Asia65. Nevertheless, India has been reluctant towards the Taliban concerning the rise of the terrorist activities with the Taliban’s resurgence and their


58 Banerjee and Choudhury, “India-China Relations: A Sino-Indian Perspective”.


61 Faisal, “CPEC and Regional Connectivity: Navigating the South Asian Politics”.


perception of the Taliban as a proxy of ISIS. These divergent views about the Afghan crisis were seen in the Shanghai Cooperation (SCO) summit in September 2021 in Dushanbe, Tajikistan.

Moreover, the deepening India-US relations spurred by Chinese rivalry is enhancing the Sino-India rivalry even more significantly. The US-India cooperation in the Indo-Pacific region to contain China is one of the reasons for contemporary India-China resentments. As China has tried to increase its presence in the Indo-Pacific region, the maritime policy of India, in line with the support of the USA's Indo-Pacific strategy, has challenged China's position. The Indo-Pacific strategy is a more interconnected security network that includes India than the Asia-Pacific alliance system. Furthermore, the participation of India in QUAD- between the USA, Australia, Japan, and India, have made clear to China about India's participation in the containment initiatives. China's 21st Century Maritime Silk Road leading its way into the Indian Ocean have overlapped with India's strategic backyard- the Indian Ocean and have made it clear for both about the rising tensions in the future. Also, the China-India competition in the Indian Ocean serves the USA's motives, and hence, is becoming China's factor for distrust India. Also, QUAD poses a threat to the naval expansion of China in the Indo-Pacific region. The Biden administration now has doubled its commitment to the Trump administration towards QUAD and its objective, as the QUAD summit in September 2021 specified, is four countries working on green shipping networks, building high-standard infrastructure operationalising and enhancing cooperation.

Previously, on 27 October 2020, India and the USA signed an agreement known as the ‘Basic Exchange and Cooperation Agreement’ (BECA) as a result of a 2+2 ministerial dialogue between India and USA foreign and defence chiefs. This agreement was signed after the border skirmishes between India and China. The Biden administration is likely to grow the bilateral engagement with India more than the previous administration regarding China’s increasing military and economic presence. Therefore, the deepening US-India relationships will increase the rocky relationship with China in the future. India’s growing concern and the USA's policy towards China have coupled with the increasing partnership in the Indo-Pacific region. This might have a considerable effect on the other countries in the region to balance the major powers. The small states might have huge implications on the power rivalry in the Indo-Pacific region owing to the fact that it might threaten their sovereignty and sustenance in the future.

Recently, after the withdrawal of US troops in August 2021 and the resurgence of the Taliban in Afghanistan, resentment has been seen between India and China as previously mentioned. China has shown diplomatic leverage towards the Taliban by hosting the Head of the Afghan Taliban Political Commission in Tianjin in July 2021. The difference in the interest was seen between the two states regarding the Afghan crisis in the Shanghai Cooperation (SCO) Summit in September 2021 in Tajikistan. President Xi of China expressed a willingness to guide Afghanistan to develop an inclusive political structure, whereas India was sceptic about the Taliban government in Afghanistan and fearful about the regional security complex about the rise in the terror activities, separatism, and extremism. Therefore, this difference in the interest between India and China have incited further rivalry between them.

Unforeseen phenomena in the contemporary China-India rivalry: Antagonistic cooperation

Although China and India have felt security and geostategic threats, enhancing economic prosperity and garnering

influence is the common interest between the two. Despite the recent border skirmishes between China and India, and the call to boycott Chinese goods after that, their bilateral trade has increased significantly. The imports of Chinese goods to India have averaged 141.90 INR billion from 1991 to 2021, and the highest reached 524.33 INR Billion in July 2021. Similarly, the Indian exports to China have averaged 37.28 INR billion from 1991 to 2021, and the highest record was 192.92 INR billion in March 2021. The trade volume between the two is expected to rise more than this until the end of 2021. This increase in trade was all after the Galwan valley clashes and the boycott, thus, making this huge subsequent trade significant because both the countries were appearing to go to a stalemate after these clashes. This unforeseen phenomenon is important because this adds challenges to the small states of South Asia in calibrating the foreign policy goals and strategies.

The flow of foreign direct investment (FDI) to India from China was very low post-2014, but Chinese investments have increased by 12 times from 2014–2019. The largest growing markets in India with huge potential and creativity, the lack of capital in those markets, and the flow of investments from China have been increasing rapidly to counter the US tech penetration in India. This has boosted the Indian economy and growth and supported the Indian youths and their ideas. Against this, the Indian government banned FDI under the ‘automatic’ route from countries sharing land borders with India, considering the hostility of China’s takeover of Indian companies. After the nine-month freeze, from early 2021, the Indian government has started clearing Chinese FDI proposals for ‘smaller cases’.

Similarly, amid the growing antagonism between India and China, the investment flow from the Asia Infrastructure Investment Bank (AIIB), which China proposed to establish for infrastructural financing in Asia and considered to finance the projects under BRI, has been increasing, and India remains a deeply involved member. There are 16 proposed projects and 27 approved projects from AIIB in India. In 2021 only, eight projects of approximately USD 1,410.67 million has been approved. All these projects are more than USD five billion, and it is reported that about one-third of the AIIB funding has gone to India.

Therefore, the cooperation between India and China has been increasing in the economic and investment sectors, although the two countries’ conflicts in different sectors and regions are growing. The economic aspiration of both countries has made them cooperate and shifted the realm of geopolitics towards geo-economics not only in the region but also in Eurasia. Hence, Indo-Sino cooperation is characterised by conflicts and rivalries and collaboration in economic and investment sectors.

**Discussion**

China’s increasing forays in South Asia and geopolitical challenges to the small states

After the end of the Cold War, the rise of India, the India-Pakistan conflict, the development of nuclear weapons by India and Pakistan, and the rise of terrorist activities in the region have attracted the attention of the world and China as well. South Asia is essential in China’s diplomatic and neighbourhood strategy, and small states like Nepal, Sri Lanka, Bangladesh, Maldives, and Bhutan are essential pillars. China has thought that a peaceful and prosperous South Asia is the common interest of all states. President Xi Jinping also highlighted the importance of neighbouring countries, especially South Asian small states, for realising the strategic aims of two ‘centenary goals’ and the great rejuvenation of China. President Xi’s signature BRI has emphasised the infrastructural development and connectivity and people-to-people connectivity in small states in the South Asian region. Overall, China’s South Asia policy is economically and geo-strategically driven along with security concerns for the Tibet Autonomous Region (TAR) and Xinjiang. China aims to enhance the economic, political, and strategic interest to influence South Asian small states and ensure the security and economic development of the Xinjiang and Tibet autonomous regions. The South Asian peripheral diplomacy is concerned with decreasing...
the political instability and jihadist threats in Xinjiang, economic growth in Tibet, countering the rise of India, and resisting the USA’s influence91.

Today, China has been increasing its footsteps in South Asia through the BRI projects by providing increased trade incentives and transport connectivity. The BRI has taken a customised stance towards each small state in South Asia92. With cooperation with Nepal, China aims to enhance the trans-Himalayan connectivity routes to overcome the geographical impediment forever. As such, China has invested in the hydro-power sectors and road constructions93. It also allowed Nepal to use its four important ports to reduce Nepal’s heavy dependency on India and make Nepal a land-linked state94. Another crucial small state for China in South Asia is Bangladesh. The Bangladesh-China-India-Myanmar (BCIM) economic corridor is developing railways and highways and leveraging to integrate three geopolitical sectors of South Asia, East Asia, and Southeast Asia95. Similarly, the 21st Century maritime silk road has different motivations in Sri Lanka, the Maldives, and Bangladesh under the periphery diplomacy. Debt-ridden Sri Lanka has been a concern for the South Asian small states and China, but China has been heavily investing in Bangladesh, and tourism have been both stick and carrot for the Maldives96.

China’s growing forays in South Asia is being realised through its involvement in the Afghan crisis. The security-driven approach towards Afghanistan, which was aimed at curbing terrorist and jihadist activities, has shifted to the resource-driven approach97. After the resurgence of the Taliban to power, they will have a hard time running the domestic economy; thus, China could intervene and offer them aids and loans to enhance their interest. China has recently provided Afghanistan with USD 31 million, including food supplies and coronavirus vaccine. The peace in Afghanistan is essential for China overall, but China could take the alternative way of stability through the Taliban regime98. Beijing has already invested heavily in Sri Lanka and Bangladesh through BRI; thus, now its goal would be to incorporate Afghanistan into the fold, which would give China leverage inside South Asia and Central Asia. Recently, Bhutan and China also signed a Memorandum of Understanding (MoU) in October 2021 on a three-step roadmap to facilitate the boundary talks between the two99. This MoU might be a breakthrough for the two countries to lay the diplomatic foundations between China and Bhutan. In recent years, Bhutan’s independent stances and China’s willingness for negotiations in the borders might lead to a different scenario for both the countries and the whole region.

Moreover, China’s interest in South Asia has also increased due to the COVID-19 pandemic. The crisis created by the pandemic is also a new drive towards South Asian small states. When India halted exports of COVID-19 vaccines, most countries like Nepal, Sri Lanka, and Bangladesh turned to China for the vaccines. In return, China also gave millions of vaccines to these countries as support to fight the pandemic. Thus, China’s interest in South Asia could be driven by the post-pandemic recovery of the countries in the region100. If China’s policy towards the immediate neighbours does not change according to the aspirations of its neighbours, then China has a tremendous opportunity or space to increase its influence, especially in the South Asian small states. Therefore, the post-pandemic economic recovery could be a new driver for China towards South Asia.

Similarly, with the increasing China-India rivalry in continental and maritime South Asia, the small states’ geopolitical vulnerabilities in the region are increasing simultaneously. The shift to geoeconomics from geopolitics has been identified, which the small states should deal with. The geopolitical challenges for the small states remain very pertinent in this Sino-India rivalry. The rivalry, in which China is trying to penetrate inside small states economically through trade and infrastructural investment, and India considering small states under its traditional sphere of influence, it is the challenge for the small states to choose the right foreign policy for their sustenance101. Due to the process of globalisation, interconnectedness and interdependence, the small states do not have the liberty to choose between the two and conduct their state affairs. Because of the rivalry between the Asian giants, the small states in

South Asia have fewer alternatives ahead. The small states like Nepal, Bangladesh, Bhutan, Sri Lanka, and the Maldives are trapped in a geopolitical conundrum and dilemma. The small state’s strategies or diplomacy are not a wide range of which the small state can choose to ease their sustenance in regional and world affairs. The geopolitical challenges also invite security challenges, impacting the sovereignty and territorial integrity of the small states.

Similarly, the China-India rivalry or conflict in the region have attracted several other extra-regional actors like the USA and Japan, and the different alliances and strategy surrounding the region such as the Indo-pacific strategy, QUAD, and the 21st Century Maritime Silk Road pose challenges for the small states. The balance between the major powers in the developing geopolitics of the region becomes a major test for the South Asian small states to accommodate the interest of the major powers in the region. For instance, Kathmandu is facing a highly punitive situation when India, China, and the USA, through the Millenium Challenge Corporation (MCC), are trying to increase economic influence. In 2017, Nepal faced a difficult situation in the Doklam crisis; however, it was difficult for Nepal to be neutral, not alienating either side. Moreover, in Sri Lanka, China has made significant inroads by its infrastructure development drivers, particularly by securing the Hambantota port on the southern side of the island state in a 99-year lease. The final part of the agreement was a perfect indication to India to deliberate the deal as not to intimidate India’s security interests in the Indian Ocean, which has brought severe maritime geopolitical repercussions for Sri Lanka. Furthermore, Bangladesh has played a subtle balancing game between China and India. China has promised considerable economic assistance to Bangladesh, and it has been eager to join the BRI and India-Japan initiative linking Northeast India and Southeast Asia. India is commanding the Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation (BIMSTEC). This has created a considerable challenge for Bangladesh as a small state to deal with the surging rivalry between India and China, and other extra-regional actors. Also, the lack of an active and functional regional organisation in South Asia makes it difficult for the small states to balance the Sino-India rivalry and their rise as significant powers. The inability of the South Asian Association Regional Cooperation (SAARC) to perform at its fullest due to several reasons has ousted it as the alternative small state strategy for the South Asian small states.

Moreover, the shift in the geoeconomic order in South Asia because of the growing trade and transaction of the South Asian small states with China have created policy-related challenges. Previously, Nepal, Bangladesh, Sri Lanka, and the Maldives had asymmetric dependence with India. India used to be the largest trading partner and most prominent investor in the small states. Nevertheless, in the past few years, China has become an alternative trade and investment partner for most small states and, in some cases, has become the largest trading partner, for example, Bangladesh. China has been successful in creating a wedge between India and its neighbouring small states traditionally closer to New Delhi. This has hugely constructed geopolitical challenges for the small states to balance the power rivalry. Therefore, many policy-related barriers have risen because of this issue. The policy and structural constraints in the small states have problematised balancing the trade and transactions with both the countries. The intersection of the Chinese and Indian interest in the small states have put them in a zone of geopolitical and geoeconomic vulnerabilities. China and India have shared interests regarding non-traditional security threats like terrorism, extremism, separatism, and illegal migration; the common interest in promoting the sea lanes ensuring the maritime trade routes has created problems for small states and their regime stability. The maritime interest of India and China to link South Asia with East Asia has brought opportunities and challenges for the South Asian small states. However, it has equally created geopolitical opportunities and challenges for the small states.

102 Pflegmann, “Small states and competing connectivity strategies: what explains Bangladesh’s success in relations with Asia’s major powers?”


107 Paul, “When balance of power meets globalization: China, India and the small states of South Asia”.

with the presence of an intense balance of power game which has enabled small states to play off China and India.

In contrast, China through BRI is more interested in inter-regional trade and connectivity, whereas India is more interested in sub-regional integration because of the Pakistan factor. Thus, this difference in the interest of India and China pose obstacles for the small states while participating in the regional or inter-regional trade and connectivity frameworks. Notably, the uncertainty in the aims and objectives of the BRI in South Asia owing to its geopolitical and geoeconomic ambitions and India’s reluctance in the participation in BRI makes it equally hard for the small states to reorient their strategies.

Hence, the pertinent challenge for the coexistence of the small states in the competitive South Asian neighbourhood, the balance of power or hedging by the small states against India and China, would not be sufficient for them. All the South Asian small states have adhered to the non-alignment, neutrality, and omnidirectional economic engagements with independent foreign policy; however, these strategies will not be sufficient for the states in the increasing geopolitical developments. Thus, the challenge for the small states is to formulate a comprehensive foreign policy strategy to guide and tackle the forthcoming obstacles. Although the India-China rivalry cannot be compared to the Cold War-style competition, it will be a challenge for the small states due to their own economic and infrastructural aspirations.

Recommendations
Some of the recommendations for countering the geopolitical challenges by the South Asian small states are:

- The realisation of ‘balancing’ and ‘accommodation’ in the foreign and strategic policy of the small states is essential amidst the China-India rivalry and growing Chinese influence in the region;
- The economic and development aspiration of South Asian small states should be based on the principles of Peaceful Co-Existence, protection of sovereignty, territorial integrity, mutual benefit, cooperation and non-interference;
- Resisting to the geopolitical realities may originate the situation of misunderstanding, misperception, and discomposure. Thus, small states should focus on comprehensive and ‘meticulous diplomacy’;
- South Asian small states should focus on increasing the soft power capabilities to increase their influence in the shifting regional order not only because of the India-China rivalry but also because of the rise of extra-regional actors;
- The political, strategic, military, and even economic overtures of the major powers should only be dealt with based on the principles and values of mutual cooperation and respect;
- The small states in South Asia should focus on enhancing and strengthening the regional organization in the region based on the rule-based regional order;
- Amidst the growing debate on the insecurity of citizens of South Asian small states from the development imperatives from the major powers, the small states can enhance the development partnership with the major powers adhering to the policies of mutual cooperation and respect so that the small states and donor country both can mutually benefit through collaboration;
- The South Asian small states can stay neutral and non-aligned in the growing alliance practices in the region.

Hence, due to South Asia’s changing regional dynamics and the competitive and conflicting nature of the China-India bilateral relations, the strategies of the smaller states in South Asia have limitations. Even though China is offering greater economic assistance, they are unlikely to bandwagon or form an alliance with China militarily because if they do so, they are likely to receive the wrath of India, the dominant power of the region and the United States, the global power who still have a robust naval presence in the Indian Ocean Region. But it is essential to realise the opportunities prevailing amidst these geopolitical vulnerabilities. In the future, it is to be observed that how small states will accommodate the interests of the major powers.

Conclusion
China and India have historical relations characterised by political, economic, and strategic implications. This relation as a neighbour has continuously developed with different regimes and changes in the political structures of both countries. Nevertheless, the unprecedented growth of both countries has limited their relations within themselves and has been a pivot to the emerging discussions of geopolitics and geoeconomics in the globe. China’s BRI has been a critical concern for India through which China has been increasing its forays to the other states in South Asia. Similarly, the reluctance of India to participate in BRI, its growing economy, and military development in the Indian Ocean have threatened China. Also, the deepening India-US relations contemporarily have strained the relations between China and India. As a member of QUAD, India is a crucial member of the Indo-Pacific region to contain China, and the recent border skirmishes with China have contested the friendly notion of relations between them. However, amidst the looming conflict and crisis between India and China, the cooperation between the two is also increasing. After the Galwan Valley clashes, the trade between India and China reached the highest and is anticipated to grow more in the coming days. The Chinese investment in India is increasing equally, and the projects from AIIB are also growing in India.

Amidst this unforeseen relationship between China and India, the small states in South Asia like Bangladesh, Bhutan, Nepal, and the Maldives have severe geopolitical challenges. China has been significantly increasing its investments into these small states in the region following the development and economic aspirations. This has introduced a power rivalry between India and China in the region and invited extra-regional actors such as the USA. Small states have experienced challenges from this strategic climate between China and India.
forming balancing coalitions. It is yet to be seen how long this trend will continue and whether the small states will develop highly asymmetrical influential relationships with the two rising powers in the years to come or manage the geopolitical vulnerabilities accordingly.

Thus, observing the geopolitical challenges induced for the South Asian small states due to the power rivalry between China and India proves that the hypothesis is accurate or correct. The empirical observation on the patterns of conflict and cooperation in contemporary China-India relations have facilitated the proving the hypothesis correct. Proving this hypothesis has enabled the research to develop the generalisation of the challenges for the South Asian small states for all other small states in the world developing from the power politics between the two major powers. However, because of the inductive research approach the proven hypothesis of the present study obtained from the analysis might be invalidated by the future researches.

Similar to the small states in South Asia, like Bangladesh, Bhutan, the Maldives, Nepal, and Sri Lanka, the small states in the different parts of the world also face similar challenges. The major powers, especially the USA and China, have grown economic, geopolitical, and strategic interests in the small states in Europe, Africa, Latin America, and the Pacific Islands states. The increasing BRI investments in Eurasia and Africa and the USA Indo-Pacific strategy to contain China has created pressure on the small states and limited the alternatives. The power rivalry can be observed in every part of the world. The power politics between the USA and China in different parts of the world followed by the major powers such as the UK, EU, Japan, and Australia, has invited security challenges for the small states as in South Asia. The development imperatives of small states have also asked for aid politics of the major powers shifting the geopolitical challenges to the geopolitical. The asymmetric dependence with the major powers has increased, which has leveraged the major powers to influence the states’ policies. These have invited geopolitical vulnerabilities for the small states. Therefore, observing the China-India relations and challenges to the South Asian small states, the study generalises the geopolitical repercussions on small states due to major power politics, and similarly, the strategies recommended in this study can be employed for their sustenance.

Data availability
No data are associated with this article.

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