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Q9

'China is using its economic relations and positive trade surplus as tools to develop potential military power status in Asia', In the light of this statement, discuss its impact on India as her neighbor.

UPSC Civil Services Mains 2017 · GS II · 10 marks · India and its Neighbourhood

India and its neighborhood - relations.

Core demand of the question

- In the light of the statement that China uses economic relations and a positive trade surplus as tools to develop potential military power status in Asia, discuss the impact on India as her neighbour
- Cover the bilateral deficit, connectivity and ports, the boundary, and India's economic and security replies

Revision summary

A trade surplus funds China's military modernisation and overseas infrastructure, which is the core of the statement.

India faces a large goods deficit, a live LAC, and Chinese ports and corridors around the subcontinent, including CPEC in PoK.

Doklam in 2017 showed that commerce does not cancel Himalayan military pressure.

AIIB membership and BRI refusal show India's split between economic forums and sovereignty.

The reply is diversified supply, indigenisation, neighbourhood alternatives and border infrastructure, not naive decoupling or naive partnership.

Introduction

China's rise in Asia is both commercial and military. A large merchandise surplus funds modernisation of the People's Liberation Army, and trade, credit and infrastructure create dependence that can be used in a crisis. India shares a disputed land border with China and a growing trade deficit. The statement is a fair description of Beijing's method; the impact on India is strategic, not only commercial.

Body**Economic tools and military status**

- China's positive trade surplus with much of Asia, including India, supplies foreign exchange and industrial scale; that scale supports shipbuilding, missiles, and dual-use technology.
- **Belt and Road projects, cheap credit, and port leases convert surplus capital into presence:** Gwadar in Pakistan, Hambantota in Sri Lanka, and other Indian Ocean footholds sit in the "string of pearls" debate that New Delhi watches as a naval problem, not as ordinary FDI.

- The China-Pakistan Economic Corridor runs through Pakistan-occupied Kashmir, so an economic corridor is also a sovereignty affront to India and a logistics spine for a partner military.
- Export of telecom, rare-earth dependence, and industrial overcapacity let China set standards and prices; in a sanction or wartime scenario those commercial ties become pressure.

Impact on India as neighbour

- **Trade:** India runs a large goods deficit with China, importing intermediates, electronics and capital goods, and exporting fewer manufactures. That deficit is a vulnerability if supply is politicised, as border tensions already showed in calls for boycotts and tighter FDI screening.
- **Boundary:** the 1962 war, the **Line of Actual Control**, and the 2017 Doklam stand-off with Bhutan in the background show that economic partnership did not freeze the military contest in the Himalaya.
- **Neighbourhood:** Chinese finance in Nepal, Sri Lanka, Bangladesh and Myanmar competes with Indian connectivity (BBIN, Kaladan, port projects). Delhi cannot treat a surplus-funded port as a private commercial fact when it sits on India's sea lines.
- **River and ecology:** Brahmaputra (Yarlung Tsangpo) dams and data-sharing are another dual-use file; upstream infrastructure is economic development with downstream security meaning for India's Northeast.
- **Multilateral space:** AIIB and the Shanghai Cooperation Organisation give China institutional weight in Asia; India is a member of AIIB and SCO but resists BRI and CPEC, which is a split between economic forum and sovereignty line.
- **Domestic industry:** cheap Chinese imports hollow out some Indian manufacturing, which weakens the defence-industrial base that a neighbour of China needs.

India's responses

- Diversify imports, use anti-dumping and safeguard duties where WTO-consistent, and raise **Make in India** and defence indigenisation so surplus-funded Chinese scale is not India's only source of components.
- Tighten FDI rules in sensitive sectors (as later border-linked screening did in spirit), without closing ordinary trade that Indian firms still need.
- Deepen the Quad-leaning maritime partnerships, Malabar exercises, and Indian Ocean presence, and complete border infrastructure that the China study group and later road projects have long flagged as lagging.
- Offer neighbourhood alternatives - credit, power, and port calls - so smaller States are not locked into one creditor.
- Keep diplomatic channels (WMCC, Special Representatives) because economic decoupling cannot be total, yet do not let the trade surplus buy silence on the LAC.

Flow diagram

China trade surplus -> PLA and dual-use scale
 China trade surplus -> BRI ports and CPEC
 BRI ports and CPEC -> Pressure on India neighbourhood
 LAC and Doklam -> India security cost
 Diversify Make in India Malabar -> Manage the neighbour risk

Conclusion

China does use surplus, credit and infrastructure as tools of comprehensive national power, including military reach in Asia. For India the impact is a sticky trade deficit, a militarised LAC, and a contested neighbourhood sea. Good policy is not a slogan of boycott; it is diversification, border readiness, and enough domestic industry that a neighbour's surplus cannot double as a veto.

Facts & figures

China-Pakistan Economic Corridor

BRI flagship through Pakistan, including Pakistan-occupied Kashmir, which India rejects as a sovereignty violation.

Doklam stand-off, 2017

India-China military face-off near the Bhutan tri-junction, showing that trade ties did not freeze the boundary contest.

String of pearls

Description of Chinese maritime facilities and relationships around the Indian Ocean, from Gwadar to Hambantota and beyond, watched in Indian naval planning.

Asian Infrastructure Investment Bank

China-initiated multilateral bank of which India is a major shareholder, even while India stays out of BRI.

Line of Actual Control

De facto boundary with China; infrastructure and patrols on this line are the military face of the neighbourhood relationship.

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