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**“Soft Power Game: A Study of China, India and South Asian Association for
Regional Cooperation (SAARC) Tripartite.”**

Introduction:

In the twenty first century, the incredible rise of China is altering the landscape of the world, both politically and economically. Since China opened to the world under the leadership of Deng Xiaoping, the economic growth it has achieved is staggering. Already the world’s second largest economy, the economic miracle has transformed China from a peasant, agricultural society to a highly industrial one. If the 20th century belonged to the USA, many policy makers across the world predict that the 21st century will be a “Chinese century.” This rapid growth of China’s economy in turn has catapulted China to a position where it has become one of the great powers in international politics. Further, China is also in position to be the one and only serious challenger to the post-Cold War unilateral world order where US hegemony remains unassailable. Therefore for many, China’s rise represents a threat to the stability of the established world order.

The research conducted in this paper is neither about China’s rise nor the threat it poses. Rather, it is about the “charm offensive” of China’s foreign policy. This “charm” of China is its “soft power,” which may have an impact on the world in terms of how China pursues its national goals and global objectives. The term was first coined by Joseph S. Nye Jr., who argued that the future of international politics would rest on the

attractiveness of a country and not necessarily its economic or military power (Nye 2004). China has understood that harnessing soft power through attractive features of “brand China” may play a consequential role in China’s ascendance in the hierarchy of global power. This paper will particularly look at China’s foreign policy “charm” in South Asia.

Both China and South Asia share rich cultural and historical linkages (Banerjee 2011). Traditionally, China’s relations with South Asian countries were constituted through bilateral relationships. South Asia as a collectivity hardly figured in China’s foreign policy towards this region. Of late, however, with Chinese foreign policy taking a multilateral hue and the increasing role of regional identities in global politics, China has started taking a regional approach to its foreign policy objectives in South Asia. This is most evident in China’s inclination to join the South Asian Association for Regional Cooperation (SAARC).¹ SAARC is the only pan-Asian regional organization which provides a forum for all South Asian countries to come together in a multilateral setting to discuss the political, financial and social issues concerning the region as a whole. Chinese appreciation for regional organizations has been a recent development. China has understood that regional organizations are arenas in which a state’s growing influence in the region plays out and where region-wide politics and strategy are mostly clearly in play (Frost 2010). Lanteigne also argues that China’s increasing confidence over the past decade has motivated Beijing to undertake a proactive role in regional regimes and organisations (2009: 68). This is exemplified in the Chinese interest to join the South

¹ SAARC is an organisation of South Asian nations and it was founded in December 1985. The member countries are India, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka, Maldives and Afghanistan.

Asian Association for Regional Cooperation (SAARC). India, on the other hand, the “regional hegemon” in South Asia, vehemently opposes Chinese attempts to establish its footprints in India’s backyard.

The objective of this study is to locate first, why China, one of the big players in the global scene, has expressed her desire to be part of South Asian Association for Regional Cooperation (SAARC)? Second, why soft power has gained so much momentum in Chinese foreign policy? And, finally, what are China’s long term goals in the South Asian region?

Unlike the realist framework which restricts power struggles to alliances and war, this study, by taking the case of China, India and SAARC, seeks to explore the context in which regional organisations become the location of power rivalries between rising regional powers. The use of the regional organisation, as a soft power strategy for spreading regional influence merits attention in so far as this strategy fundamentally questions the use of hard power in international politics – an assumption which has been received in international relations as an unquestionable truth since Thucydides narrated the history of the Peloponnesian war.

This essay is divided into six sections to answer the questions raised earlier. The first section will look into the theory of soft power. The second section will focus on China’s interest in SAARC and the South Asian region. The third section will discuss the growing Chinese soft power initiatives in South Asia and also reflect upon how soft

power has become important for China's external relations in the region. In the fifth section of the paper, I will try to see how India, the dominant actor in the SAARC and South Asian region, perceives Chinese expansion and influence in its own backyard and what it has done about this. Following which, in the sixth section, I will discuss some of the challenges that China could face in the region. Finally, in the concluding section, I will try to bring more focus to China's long-term goals in South Asia.

What is Soft Power?

The idea of soft power in its present manifestation is the brainchild of one of the most well known liberal faces of current international relations scholarship – Joseph S Nye, Jr. Over the last two decades, Nye has been the *tour de force* behind the proliferation of the concept both in academic and policy circles. Today, it will not be an exaggeration to say that soft power is one of the most visible components of foreign policy strategy of many states around the world. Five major works of Nye define the history of the idea of soft power. These are: *Bound to Lead* (1990), *The Paradox of American Power* (2002), *Soft Power* (2004), *Power in Global Information Age* (2004) and recently *The Future of Power* (2011).

Nye defines soft power as the “ability to get preferred outcomes through the co-optive means of agenda-setting, persuasion and attraction” (2011: 16). The successful application of soft power depends on an agent's “ability to attract, create credibility and trust.” A variety of different actors – corporations, institutions, NGO's transnational

actors, and even individuals – possess the ability to exercise soft power, and the concept is not restricted to states. However, Nye consciously chooses to make states his primary object of analysis. Exploring the idea of attraction, Nye calls this facet of soft power “allurement” that springs from three attributes of the agent: benignity, which describes how an agent behaves with others, especially in terms of generating credibility and trust; competence, which corresponds to how far an agent can be an example for others and hence become a focus of admiration; and finally beauty, which illustrates the attractiveness of an agent's ideas (2011: 92). All these three factors make agents attractive and therefore give him soft power capabilities.

In the context of states, Nye finds three important sources of soft power: culture, political values, and foreign policies (2011: 84). As we shall see with China, its rising status might promote certain attractive values like sovereignty, economic growth, etc.. In the same way, a country's foreign policy may also attract other countries when it promotes trade, mutual relations, human rights, and good governance. The working principal of soft power sources rests on context, consistency, and legitimacy. Culture attracts but often such attraction depends upon the context: who is getting attracted and by what? Nye cites the palpable disconnect between American popular culture and radical Islam as an example to drive home his point. (2011:84). Similarly, political values are a soft power resource to the extent that a state “lives up to them at home and abroad” (2011:84). Inconsistencies in dealing with two similar kinds of situations would often lead to disgust rather than attraction for a state's political agenda.

This brings us to the question of how soft power works? (Nye 2011: 94).

According to Nye, sometimes soft power is inherent in the history, culture, and political organisation of a state. In such a situation, attraction is inherent to the existence of the state. Nye calls such attraction the “passive approach” to soft power. On the other hand, in an active consolidation of soft power, states consciously try to make themselves attractive and persuasive by availing themselves of a number of policy tools, such as public diplomacy, economic assistance, cultural exchanges, and media broadcasting. Also, regional organisations can be used as a platform for pursuing specific foreign policy goals. There is no doubt that a strategy to use the influence of regional organisations changes the structural conditions in which foreign policy objectives can be pursued successfully.

The concept is further elaborated by Joshua Kurlantzick in his book *Charm Offensive* (2007), where he explains that “soft power has changed overtime” (Kurlantzick 2007: 6). He goes on to add that soft power means “anything outside of the military and security realm, including not only popular culture and public diplomacy but also more coercive economic and diplomatic levers like aid and investment and participation in multilateral organisations” (2007: 6). Having elaborated on the conceptual apparatus of soft power as developed by Nye, we will now move on to see how soft power – known in Chinese as *ruan shili*, *ruan lilian*, or *ruan quanli* – is received in the Chinese discourse and why China is concerned about its soft power capabilities in order to be a new great power (*ruan shili daguo*).

Chinese Perspective on Soft Power:

There is no doubt that the increasing debates surrounding China's soft power resources and strategies sprang primarily from the dominant position China has acquired in international politics in recent times, especially in the last decade or so. Today, the concept of soft power has been adopted officially by the Chinese Communist Party (CCP), and leaders of the CCP often invoke the concept in delineating China's foreign policy strategies (Mingjiang 2008: 289-90). However for many, Chinese soft power is a not a modern phenomenon insofar the notion of soft power, as many would claim in China, interestingly dates back to the times of ancient Chinese philosophers such as Confucius, Lao Tzu, and Sun Tzu (Chan 2010). Historical interpretations notwithstanding, and before embarking upon the elaboration of the Chinese take on the idea of soft power, it is extremely important to understand the contemporary context and the reasons behind this sudden embrace of the concept of soft power in the official corridors of the CCP.

According to Suzuki, there are three primary factors behind the official recognition of soft power in Chinese foreign policy discourse (2010: 200-201). First, with the rise of China, most Chinese statesman are more and more interested in understanding the primary constituents of power: what makes a state a great power in international politics. Increasingly, soft power is seen as a primary constituent of a state's power matrix. Second, with globalisation and interdependence making wars obsolete, the Chinese have started believing that competition among states will now be carried over in the realm of attractiveness rather than heavy weaponry. In this context, Raghavan argues, "China is expanding its use of cultural, educational and diplomatic tools to increase its appeal across the world," and therefore, "the concept of soft power has made a strong

impression in China” (2007: 2). In other words, hegemony, from here on, can only be cultural. Lastly, soft power has been embraced as an instrument in fighting the China threat theory. By going soft, Chinese decision makers think that they can co-opt other states to their agenda rather than scaring them away by the use of hard power resources.

Now that we have examined Nye and Kurlantzick’s understanding of soft power, let us see how the concept is understood from the Chinese point of view. Although not much of a big difference, soft power in China’s context becomes a little complicated. Literature on soft power in China in Western academia demonstrates a wide and often a contradictory range of views. There are three schools of soft power discourses within China that emphasize different aspects of soft power. First, China is a country with long history of civilization. Chinese culture in this case is regarded as the essence of its soft power (Yang 2010). Second, the rapid economic development in the past two decades makes China the new star among developing countries. It is possible for less developed countries or even industrialized countries to learn from China’s achievement (Yan 2007). Most illustrative of this attractiveness of the Chinese model of development is the notion of the Beijing Consensus (Ramo 2004). Ramo explains the Beijing Consensus as a “desire to have equitable, peaceful high-quality growth which does not believe in uniform solutions” (2004: 4). Third, China’s political system is also regarded as an important part of China’s soft power. The Chinese economic model cannot be understood without understanding the Chinese political system (Yan 2007). The attractiveness of the Chinese political system is constituted by two important elements: first is the ancient Confucian philosophy of state, which emphasises harmony without suppression of differences;

second is the contemporary political discourse, where the new Chinese political system is considered “socialism with Chinese characteristics (*Zhonggou tese shehui zhuyi*)” rather than a mere offshoot of liberal capitalism.

Mingjiang distinguishes the Chinese discourse from the Western discourse on China’s soft power. To be more precise, he states that while Western discourse mainly focuses on how Chinese soft power is influenced by international systems, Chinese discourse analyzes its sources and its application in relation to the country’s foreign strategy (2009). Thus, the influence of China’s own domestic culture, economy, and politics is shaping China’s soft power. Its soft power instruments range from culture to economic engagement. The political report of the 16th Chinese Communist Party (CCP) Congress points out that “in today’s world, culture intertwines with economics and politics, demonstrating a more prominent position and role in the competition for comprehensive national power” (Quoted in Mingjiang 2008: 2). The Chinese government often advertises its soft power through its several official documents and policies by using phrases like “friendly and good neighbourly” (*mu lin youhao*), “benevolence towards and partnerships with neighbours” (*yi lin wei shan, yu lin wei ban*) and “enrich, harmonise and reassure the neighbourhood” (*fu lin, mu lin, an lin*) (Mingjiang 2009; Palit 2010: 4-5). Daniel Bell rightly points out that, “copying western ways won’t be sufficient for China to project its ‘soft power’” (2008: 19).

Another constructive initiative of China’s soft power is its increasing engagement with regional organisations. This new effort of China’s increased participation in regional

organisations is a direct indicator of China's desire to increase influence in the regions (Free Online Research Papers). Furthermore, regional organisations can be described as the best soft power network and an ideal global platform in the twenty first century. Chinese leaders see an opportunity to pursue certain regional goals by participating constructively in regional organisations (Frost 2010). For the apparatchiks in Beijing, regional organisations provide a platform to calibrate China's image in order to mould the perceptions of the other member countries vis-à-vis China. The growing participation of China in various international and multilateral organisations is a case in point (Lampton 2000).

Most recently, Beijing has embarked on several initiatives like “confidence building measures (CBMs), resolving existing border disputes, reassuring neighbours about benign intentions, enhanced economic engagement along with fawning of cultural outreach” in Asia, clearly indicating its preference for soft power diplomacy (Palit 2010: 5). This also highlights the fact that the Chinese understanding of soft power and its strategy to use it is markedly different from western nations. Magnanimity, which comes from the old Confucian philosophy of China being the Middle Kingdom, underlines the Chinese practice of soft power.

Arguably, soft power remains an important asset in China's foreign policy strategy to engage with its neighbours to maintain stable relationships and successful cooperation in Asia and abroad, as is evident in China's growing soft power initiatives in the South Asian region. The next section, therefore, will deliberate upon the myriad

interests China pursues in the South Asian region and how soft power initiatives are largely the instruments which China employs to win the hearts and minds of the South Asian states. I will argue that among other soft power strategies China employs in the region, its increasing appetite to be part of the SAARC reveals a preferred soft power strategy of using regional organisations as an instrument for increasing its influence in the region.

China's Interest in South Asian Association for Regional Cooperation (SAARC):

In this section, I will try to discuss why China is interested in a moribund institution like South Asian Association for Regional Organisation (SAARC), and the motives behind its active role. Malik states that “South Asia ranks third in importance after the North East and South East Asian regions in China’s Asia policy” (2001: 73). Although China is a latecomer to the South Asian region as compared to the United States, it has caught up fast. The region is increasingly important in China’s foreign policy plan, as it becomes more critical to the stability and development of China in various ways. Today, South Asia is one of the most volatile regions around China and at the same time the most relevant region with regard to the rise of China. As a matter of fact, China shares common borders with four South Asian countries: Bhutan, India, Nepal, Pakistan, and Afghanistan. The Pakistan-Afghanistan border regions and the political instability in some South Asian states can pose serious threats to China. In the words of Shesheng, “The political turbulence and the fragile security in some South Asian countries have somewhat hampered China’s endeavours in building up sound

political, security, and economic relations with these countries, especially discouraging people-to-people exchanges bilaterally and have prevented Chinese private investments in these countries” (2010: 294). Hence, China’s South Asia policy is to safeguard the following factors for meeting its foreign policy goals.

First, South Asia is important for stability in China’s south-western frontier regions of Tibet and Xinjiang. South Asia geographically borders Tibet and Xinjiang, and the political and security instability of South Asia has spill-over effects on the Chinese territories. What concerns Beijing is that the East Turkistan Islamic Movement (ETIM)² and other anti-China insurgent groups have found shelter in the Pakistan-Afghanistan tribal regions and thousands of exiled Tibetans along with their leaders are sheltered in India and Nepal (Xinhua 2008). Moreover, the drug business in the Golden Crescent also poses serious threats to China (Chouvy 2002). According to the statistics of the Xinjiang Anti-Drug Office, the annual consumption and distribution of heroin in the city of Urumqi increased from one ton in 2000 to seven tons in 2007 by the end of August (news.xinhuanet.com 2008).

Second, China has to maintain the security of the energy trade and the sea lanes of communication around South Asia passing through the Indian Ocean. Most of China’s imported oil comes from Africa and the Gulf region via the Indian Ocean. Also, its increasing trade with Europe, the Middle East, and Africa further increases the stakes in the security of its shipping which passes through the Indian Ocean region. With rapidly

² ETIM is a Waziri based mujahideen organisation. Its demand goals are the independence of East Turkistan and the conversion of all Chinese people to Islam.

increasing business links, China has become extremely dependent on the security and safety of its trade and energy routes. Hence, the necessity of South Asian stability and the development of good neighbourly relations with its SAARC members is paramount concern of Chinese foreign policy.

Third, Shesheng mentions that “Chinese mining companies are investing a lot in Pakistan (copper and iron), Afghanistan (copper), and Myanmar (oil and gas). China also looks forward to investing in the gas fields of Bangladesh” (2010: 292). In recent times, the turbulence in these resource rich regions has made Chinese investors and companies cautious. Also, given the fact that China is largely a manufacturing economy that requires large amounts of raw material, the stable supply of these resources is a necessity for the Chinese economy.

Fourth, access to markets in the South Asian region is an important goal for China. China and South Asian countries, particularly India, do enjoy complementarities in trade that help the development of both sides and continue to do so. For example, China’s economic development is impressive mostly because of its large-scale manufacturing sector, especially in electronic appliances and textiles; whereas, in the case of India it is its excellent performance in knowledge-based industries like IT and pharmaceuticals that has helped India’s economic resurgence. If the two countries cooperate, they can take full advantage of their large cheap and skilled labour pools and their technological advancements. They can create their own ‘Chindia’ brands,³ which is definitely a worthy opportunity for both the states (Emmott 2006). Since 2008, China has

³ ‘Chindia’ was first mentioned by Jairam Ramesh in 2005.

also proposed various free trade agreements and Free Trade Areas (FTA) between China and the SAARC countries (Lanteigne 2009). In the year 2008, China's trade with South Asia climbed to US\$65.7 billion, an increase of 29% compared to the previous year (Ministry of Commerce, PRC).

Finally, South Asia is also vital to break the United States' strategic encirclement of China. The US presence and influence can be felt everywhere in South Asia. The US has been engaged with India and China's "all-weather friend" Pakistan, especially in the war against terror. This has brought the US – China's principle contender – to its doorsteps. Having been already encircled in East Asia, China would definitely not like continued US presence and influence in the region.

Given China's interest in South Asia, it is not very hard to imagine its preference in becoming an active member of SAARC. For a long time, China has continuously expressed her desire to be fully involved in SAARC but to no avail. Historically, India has not been enthusiastic regarding Chinese participation in SAARC. However, of late, India had to agree to grant China observer status⁴ in the face of immense pressure from other South Asian countries like Sri Lanka, Pakistan, Bangladesh, and Nepal. Playing the China card helps the smaller states in balancing the enormous influence that India has on the region and SAARC. In the words of Jetly, "China is seen by many of India's smaller neighbours as an effective counterweight to India's preponderant power" (2010: 13). Most of the SAARC members are eager for far deeper Chinese engagements in the

⁴ States seek Observer status in regional or international organizations when they do not meet the criteria for full membership. Observer member states' leverage is that they would attend Summit meetings, watch proceedings and make statements.

region. The Chinese foreign ministry also sends some of their best diplomats to South Asia and to attend SAARC meetings. These diplomatic officials take advantage of platforms such as SAARC to pursue China's regional goals (Frost 2010). These goals gradually can reduce Indian influence in the region.

In the 13th SAARC Heads of Government Conference held at Dhaka in 2005, India agreed with other members to grant observer status to China (SAARC Official Website 2005). Moreover, Wagner claims that “the growing number of observer countries of SAARC like China, Japan, the US, the EU and South Korea indicated a new interest of the outside world with regional developments in South Asia” (2010: 340). This shows the crucial importance of the South Asian region for political, economic and strategic goals for the outside world.

In the 14th SAARC Summit held at New Delhi in April 2007, for the first time China was invited to this summit as an observer (SAARC Website 2007). During this summit, Chinese Foreign Minister Li Zhaoxing led a delegation to participate in the 14th summit and initiated five point suggestions on developing China–South Asian Cooperation in his Opening Speech. Minister Li says that, “China respects the position of SAARC countries and the principles of equality, mutual trust and win – win cooperation, and is ready to carry out exchange and expand practical cooperation with SAARC to contribute to the cooperation process of SAARC and peace and development in South Asia.” (Ministry of Foreign Affairs of PRC, 2007) This 14th Summit clearly demonstrates the People's Republic of China's (PRCs) multilateral diplomacy. Chinese Professor Jiali

says that, “China wants to make good neighbours, respectful friends and cooperative partners with SAARC. Bearing in mind the goal of mutual benefits and a win – win outcome, we are willing to work hand in hand with SAARC to contribute to the peace and development of our region” (2003: 82).

Hailin goes on to state that, “China treated the South Asia as a regional entity with desire for integration and is cherishing this opportunity to make active contributions in this process.” (2011: 223) In his speech, Minister Li also highlights China’s policy towards SAARC as one of “constructive engagement.” Banerjee also states that “China’s participation through SAARC will also be seen as more constructive and cooperative than its earlier bilateral arrangements” (2011: 214). Foreign Minister Li further says that, “China is ready to discuss with SAARC the possibility of establishing a cooperation mechanism for poverty alleviation and of establishing a China–SAARC regular meeting mechanism for cooperation on disaster relief and mitigation to share experience and information. China is also willing to strengthen cooperation on human resources training, personal contacts and academic exchanges with SAARC countries and enhanced collaboration with those countries in the sectors such as infrastructure construction, economy and trade, and energy based on equality and mutual benefits.” (Ministry of Foreign Affairs PRC, 2007) This quotation clearly demonstrates China’s exercise of “soft power” diplomacy through the SAARC to achieve its political, economic, and strategic goals in the South Asian region. To make it more apt, Shesheng states that:

Before China’s acceptance as an observer of SAARC, China’s South Asia policy was fundamentally based on bilateral relations. But now the observer status has

provided China more facility to deal with South Asian countries in a holistic perspective. Diplomatically, each SAARC summit not only provides good opportunities for China to enhance its relations with every SAARC country but also enables China to understand more clearly the major concerns of individual country and the region as a whole. Consequently, China's South Asia diplomacy would be more effective and more oriented (2010: 294).

In the 15th and 16th SAARC Summits held at Colombo 2008 and Thimphu 2010 respectively, the People's Republic of China has consecutively participated in the Summit's meetings (SAARC Website, 2008 & 2010). It has been mentioned in the Conference proceedings of the last two summits that the Heads of States and leaders of SAARC appreciated the interest shown by China as an Observer to work with SAARC in the common pursuit of the partnership for growth of the region. Chinese Ambassador to Nepal, Sun Heping, once remarked:

We appreciate that SAARC has made positive efforts to (further) economic development, social progress and cultural exchange in South Asia. Being a close neighbour of South Asian countries, China has always attached great importance to the cooperative relations with SAARC. The Chinese government is ready to work together with the governments of all South Asian countries to promote the cause of peace and development in the region. The time is now basically ripe to establish relations between China and SAARC. (Quoted in Adhikary 2004)

This statement made by the Ambassador still holds true. Having reflected on the Chinese interests in South Asia and its preference for being a part of the SAARC, the next section will delineate various Chinese soft power initiatives in South Asia.

Chinese Soft Power Initiatives in South Asia:

In this section, I will try to analyze Chinese soft power initiatives in South Asia and how this soft power diplomacy has made a strong impression in the region. It has often been argued by foreign policy observers that China's growing influence in South Asia and other parts of the world can be attributed to its use of soft power: diplomacy, foreign assistance, trade and investment, and the perception of China as a vast, potential market (Morrison and Vaughn 2008). Soft power diplomacy is China's most important foreign policy tool to acquire a worldwide network of friends and allies to achieve the status of a global great power and gain access to global natural resources, raw materials, and overseas markets to sustain China's economic expansion (Malik 2009:178). To validate this point in relation to China's involvement in South Asia, the old Chinese proverb "yang wei zhong yong" (make foreign resources, goods and technology help China become strong and powerful) is apt.

Chinese premier Li Peng once said that, "Along with South Asian countries, China is ready to write a new chapter of friendly relations and cooperation" (Quoted in Tang, Li and Acharya 2009: 159). According to the National People's Congress deputy of PRC, "We should never underestimate the importance of building soft power as economic miracle is only one side of China's rising in the world area" (People's Daily Online, 14 March 2007). An argument can be made that the PRCs "Charm Offensive" in South Asia is meant to project itself as a benign actor in the region through adopting

accommodating foreign policies, participating in regional organisations, providing foreign assistance and increasingly boosting its economic ties. The various soft power tools that China has used in the region, therefore, require a thorough evaluation.

Chinese Cultural Diplomacy

China's rich civilisational and cultural heritage is a readymade soft power tool for Beijing. The government has been actively exporting these tools overseas through various cultural engagements and exchanges. The attendance of the Sixth Asian Art Festival held in China in 2004 reached almost 1,000 artists from seventeen Asian countries and attracted 500,000 spectators (People's Daily Online, 21 December 2004). During the seventh annual ministerial meeting of the International Network on Cultural Policy, the Chinese government successfully initiated the "Convention on protection of cultural and artistic diversity" and issued the "Shanghai Declaration" (Ibid.). The 2008 Beijing Olympic Games was also a pressing demonstration of Chinese soft power on the global stage. And, before the Beijing Olympics took place, the inflow of tourists had risen to 17 million a year. The number of foreign students in China has increased from 36,000 to 110,000 over past decade (Nye 2008).

The growing numbers of Confucius Institutes in South Asia to promote Chinese language and culture have been key instruments of Beijing's soft power. Chief Executive of the Confucius Institute Headquarters, Xu Lin declared that the number of Confucius

Institutes is expected to be 500 by the year 2010 worldwide (People's Daily Online, 13 March 2009). In this regard, Professor Yinlian, Director of the Confucius Institute in Bangladesh, says that "learning language is the best way of building strong relationship and minimising gap with people of different countries as it works like a bridge" (Xinhua, 16 December 2009) The PRC government wants to make Confucius Institutes into the Chinese equivalent of the German Goethe Institute or the French Alliance Francaise. China established a Confucius Institute in Nepal in 2007 to strengthen bilateral relations in the fields of education, culture, and tourism. They also established a China Study Centre in east Nepal to promote business with China (Xinhua News Agency, 14 June 2007; Embassy of the PRC in Nepal, 19 October 2009; Palit 2010: 7). The promotion of Chinese language and culture in Sri Lanka through the Confucius Institute at the University of Kelaniya is another example of Beijing's growing soft power for building ties with the region (Hanban News, 26 September 2010). Subsequently, a Confucius Institute was also established in Afghanistan and the China Radio International launched on-air Confucius Institutes in Pakistan, Maldives, Nepal, Bangladesh, and Sri Lanka to further deepen Chinese language and culture links in South Asia (Shanghai Daily, 7 December 2007; Palit 2010: 7). Though Confucius Institutes have been established in most states of South Asia, not much progress has been made in India. The Indian government has often been critical and suspicious of any Chinese initiatives in its backyard (People's Daily Online, 30 October 2009). The Confucius Institute has been introduced at Vellore Institute of Technology in Tamil Nadu; and Jawaharlal Nehru University in Delhi also has been designated to host a Confucius institute (Confucius Institute Online).

Beijing is becoming a popular host for international students from Asia for higher education. The PRC government has been offering an enormous number of scholarships to South Asian students for the study of Chinese language and culture, higher learning in science, medicine and technology, and research in China. Successful agreements have also been signed between the Chinese and Indian governments “to consolidate and strengthen mutual cooperation in the field of education” (China Report, 23 June 2003). 2005 statistics show that more than 141,000 foreigners were studying in China, out of which 75 percent of students came from Asia, 12 percent from Europe, 9 percent from America, 2 percent from Africa and 1 percent from Oceania (Xinhua News Agency, 6 June 2006).

Chinese art, literature, films, fashion, martial arts, and cuisine have succeeded in promoting a strong Chinese footprint in South Asia. Also, the famous Chinese movie “Crouching Tiger, Hidden Dragon” has become one of the most successful non-English language movies at the box-office. In 2000, novelist Gao Xingjiang became the first Chinese author to win a Nobel Prize in literature, and other public figures like actress Gong Li and painters Fang Lijun and Zhang Xiaogang have also received worldwide acclaim. Several agreements were signed between China and individual South Asian countries to facilitate cultural exchange programs, sports, people-to-people contacts and Track Two diplomacy summits. Apart from official visits, China has also been encouraging private visits by political figures, journalists and academics as part of its public diplomacy initiatives (Hooghe 2007).

Chinese Economic Diplomacy

According to Palit, economic diplomacy as a tool of foreign policy has two faces. First, economic sanctions like restricting trade and imposing tariffs constitute an application of “hard” power. On the other hand, the “softer” version would be providing development assistance through grants and loans, carrying out bilateral or regional trade and cross-border economic investments (2010: 11). Chinese engagements in South Asia employ the second “softer” version, as a result of which its economic investments are increasing. According to the 2007 budget draft, the Chinese government plans to increase diplomatic spending by 37.3 percent from 12.3 billion Yuan to 23 billion Yuan (US\$3 billion) and claims to use this money to fund overseas aid programs, peacekeeping operations and increased membership fees at international organisations (People’s Daily Online, 14 March 2007). Even before joining SAARC as an observer member, China’s economic strategic ties with South Asian nations were impressive. The following table will show economic trade relations between China and SAARC nations from 1999 to 2006 period.

Table: Bilateral Trade between China and SAARC nations (Millions of US \$)

Countries	1999	2000	2001	2002	2003	2004	2005	2006
Bangladesh	715	919	975	1100	1368	1963	2483	3189

Bhutan	1	2	2	1	2	-	-	0.16
India	1985	2911	3603	4947	7595	13604	18717	24861
Maldives	1	1	2	3	3	8	17	16
Nepal	215	204	154	110	127	171	196	268
Pakistan	971	1162	1300	1800	2430	3061	4256	5250
Sri Lanka	268	458	401	349	524	718	978	1141
Total	4156	5655	6437	8310	12049	19525	26647	34725

Sources: 2006, International Monetary Fund: Direction of Trade Statistics Yearbook, China Customs Statistics. [Cited also in Yang Dali and Zhao Hong, 2009]

Therefore, we can argue that the successful Chinese economic and strategic ties with the South Asian nations have paved the way for Beijing's entry into the Thirteenth SAARC Summit, and eventually allowed it to receive observer status.

Trade and Investment

In comparison to other states, India is the most economically prominent state in the South Asian region. It is therefore not surprising that China is India's largest trading

partner today, even surpassing the United States. India has grown into one of China's top ten trade partners, while China has become India's largest merchandise trade partner (A. Palit and S. Nawani 2009). The economic relationship has been further strengthened through the operation of Chinese companies such as Huawei Technologies, ZTE, TCL and Haier from India and Indian IT companies such as Infosys, Satyam, APTECH, NIIT and Reliance Industries working in China (Palit 2010). Given the historical and political complications between the two, the economic relations between China and India have been remarkably sanguine. Various other initiatives like the China-India Year of Friendship (2006) and the Year of Tourism (2007) have also been launched by the two sides.

China and Pakistan share strong political and economic ties. The two countries signed the Free Trade Agreement (FTA) in November 2006 and Free Trade Zone (FTZ) that facilitated access of Pakistani goods into the Chinese markets and boosted larger trade between the two in goods, services, and investments (China Free Trade Agreement Network, 27 October 2009). As a result, Sino-Pakistan trade reached US\$7 billion in 2008. In addition, China Mobile invested US\$1.7 billion in Pakistan which has created 41,700 job opportunities (China Tech News, 18 February 2009).

Bangladesh is China's third largest trade partner in South Asia and in 2006 bilateral trade reached approximately US\$3.2 billion. Under the Asia-Pacific Free Trade Agreement (AFTA), China removed tariff barriers on eighty-four key commodity exports

from Bangladesh and efforts are on to slash on jute and textile exports (The Economic Times, 23 July 2007).

Beijing's economic ties with the rest of the countries in South Asia are relatively minor. China-Sri Lanka bilateral trade in 2008 amounted to US\$1.7 billion and China-Maldives bilateral trade was around US\$18 million (Palit 2010). China's trade and investments with Nepal and Bhutan are also on the rise. However, India still continues to be the major trading partner.

Development Assistance and Infrastructural Growth Programmes

Most of China's engagement with smaller South Asian countries has been in the form of providing development assistance for building infrastructure and enabling reconstruction. China has been giving Pakistan assistance in energy, infrastructure, and mining projects under the Pakistan-China Joint Five Year Economic and Trade Cooperation Plan. Its development assistance figures increased by 50 percent from 2005 to 2009, from US\$14 million to US\$21 million (Economic and Commercial Counsellor's Office of PRC in Pakistan, 16 October 2009). China's generous assistance to Nepal increased by 50 percent and touched US\$22 million, focusing on the development of hydro power, roads, and tourism sectors (Nepal news.com, 28 October 2009).

When natural disasters hit the South Asian region, China demonstrated its support and concern. In the year 2007, when Bangladesh was hit by Cyclone Sidr, Beijing donated US\$1 million for relief and reconstruction (CCTV.com, 21 November 2007).

China also offered aid, medical assistance, and urgent food supplies to Maldives and Sri Lanka after the Tsunami catastrophe.

Chinese involvement in ongoing infrastructure projects in South Asia has been gradually expanding. China offered US\$1 billion to finance five projects in Bangladesh in areas of telecommunication, infrastructure, energy, and health (Byron 2009). An agreement was signed in 2007 between Pakistan Railways and Dong Fang Electric Supply Corporation to link Havellian and Khunjerab, which not only facilitates better rail connectivity within Pakistan, but it also provides Beijing faster access into the energy rich Central Asian and Persian Gulf states (Haider 2007). China's economic relation with Afghanistan is also ascendant. For the reconstruction of the Afghani state, China invested US\$3.5 billion in the Anyak copper field. It has also supported projects that built 400 MW power plants and a rail link from Tajikistan to Pakistan's Gwadar Port via Afghanistan (Ministry of Foreign Affairs of the PRC, 27 March 2009). It also provided US\$180 million economic aid and further cancelled all debts that Afghanistan owed to Beijing (Ibid.). Finally, Chinese investment in infrastructural development in Nepal has been extensive. Presently it is building a rail line to link Lhasa with Khasa on the Sino-Nepal border (Ramachandran 2008). India has been particularly critical of Chinese investments in Nepal because Nepal has often been willing to play the China card in South Asia to offset India's influence (Jetly 2010: 14). Last but not the least, China is also supporting infrastructure development in the Maldives, and in Sri Lanka it is involved in the development project of the strategically located sea port of Hambantota (MarineBuzz.com, 2 November 2007).

Over the last decade, China's growing economic and strategic influence in the region has been extensive and impressive. It has also "outpaced India in deepening ties" with other South Asian states (Ghoshal 2010: 2). In the words of Hooghe, "There are 'no strings attached' to this aid, no expensive consultancy fees and Chinese workers do not shy away from difficult construction projects in remote areas. This all adds to a positive impression" (2007: 34).

India's Perspective on China's Growing Influence in the Region

This section will look into how India has viewed the growing influence of China in SAARC and in South Asia. Being the two most powerful contenders for Asian leadership, the frictions between India and China are more than evident. This is true not only at the level of Asian leadership but the memory of old conflicts also strains relations between the two countries. Moreover, India doubts China's friendship with Pakistan and perceives it as security threat. No doubt, therefore, any Chinese involvement in SAARC does not go down well with New Delhi.

Loudon claims that since China obtained observer status in SAARC in 2005 it has strived to "dilute India's hold in the region as a major economic power" (2007: 7). Many in India would agree with such an interpretation of Chinese eagerness to participate in SAARC. Therefore, it is extremely important to take into consideration the Indian

perspective over China's involvement in SAARC and South Asia, as India remains the predominant power in the region, in terms of its size, economic capabilities, power potential, and geopolitical standing. India has been concerned and suspicious regarding the growing Chinese 'soft' power foreign policy strategy evolving in its regional sphere. In the words of Jetly, "India has a stake in not only playing a pivotal role in the region but also keeping it free from external powers' presence and interference" (2010: 9). Traditionally, India has always attempted to keep China out of the SAARC and the subcontinent, but given the strong support for China from other countries, it has not been very successful. Pakistan, Bangladesh, Nepal, and Sri Lanka support China's full membership in the SAARC, something which India will not accept.

India and China are engaging in a competition for soft power supremacy in Asia (Pocha 2003). Malik states that Chinese soft power is state driven and is a function of its economic success. On the other hand, Indian soft power is mostly "culture-driven" – "its music and movie industry, art forms, literature, print and electronic media" (Malik 2009: 205 – 206). India also seems to exercise a "defensive" soft power approach, and it is reluctant to transform its capacities into capabilities to improve its international stature (Wagner 2010: 341). Unfortunately, the Indian foreign policy makers do not perceive their own political values as an attraction for others, unlike in the case of China (Wagner 2010: 341). However, even when the soft power approaches of India and China are quite different, the more pertinent question remains, what has India done to resist the creeping Chinese influence in South Asia?

India's response to China's diplomatic and economic strategies has often been "desultory, characterized by ad hoc policies and more often reactive, rather than proactive and failed to leverage its available resources and comparative advantage to gain economic and diplomatic benefits." (Ghoshal 2010: 1). India has not paid much attention to SAARC since the establishment of the organization. Shesheng goes on to argue that "India has been much more enthusiastic in pursuing its 'Look East' Policy and now 'Enter East' policy, concerned with building close relations with major players in Asia-Pacific" (2010: 299). Pant further emphasises that, "What is astonishing is the diminishing role of India and the rapidity with which New Delhi is ceding strategic space to Beijing in the subcontinent. Even as China is becoming the largest trade partner of most states in South Asia, including India, New Delhi is busy repeating the old mantra of South Asia being India's exclusive sphere of influence" (Pant 2010). China's strategic policies represent a real challenge to India. One of the major barriers to closer economic cooperation in South Asia is the South Asian Free Trade Agreement (SAFTA), which has not succeeded much in removing the obstacles of protectionist sentiments and the unwillingness to lower tariffs on goods and services by individual countries (Asian Tribune, 26 June 2011). India-Pakistan rivalry in the region also shifts South Asian trade towards China.

However, India has the economic and political potential to do much better. As a matter of fact, Garver notes that South Asia very much remains dominated by "Indian power" and its "geographic centrality" (Garver 2005). Deeply aware of China's ever expanding influence in its neighbourhood, India has sought some pragmatic baby steps to

strengthen its economic and political ties with its neighbouring countries. India has taken significant steps to engage with the Bangladeshi, Nepalese, Pakistani, and Sri Lankan governments on a number of issues that include bilateral trade, financial aid, and assistance and cooperation on terrorism. India tried to offset Chinese investment in Nepal's infrastructure by granting US\$361 million for development of transportation links in Nepal's Terai region and US\$1 billion of credit to Bangladesh (Jetly 2010: 15). In addition to this, after realising its deliberate distancing from Myanmar was benefiting Beijing, India has in the past few years tried to improve its relations with Myanmar (Bhatia 2010). India has extended US\$20 million credit for development purposes after realising that Myanmar is important for India's strategic interests on its land borders and maritime security in the Indian Ocean (Jetly 2010: 16).

In spite of all these growing steps adopted by India, it still has a long way to go. India will face more competition and challenges from China in South Asia in the coming days. However, the road for China will be equally difficult if not less so. China still faces a number of hurdles in realising its national objectives in the region. The next section will delineate on the future challenges which Chinese diplomacy will encounter in the region and why the road will not be so smooth for China in South Asia.

Challenges for China in the Region

In spite of all the Chinese soft power success stories in the SAARC, it might still face certain problems in the South Asian region that might weaken its position. Today

China has the confidence to take ample initiatives in the South Asian region in order to develop cooperation and amity with SAARC countries. However, the very attractiveness of a “rising China” if not handled properly can become a bane for Chinese foreign policy. As China’s influence grows in the region, some may be suspicions regarding its national objectives (Yunling 2011: 5). Some of the challenges that might block China’s healthy development in South Asia are:

First, the traditional geopolitical dispute between India and Pakistan has hijacked the development and expansion of SAARC and also the integration process of the region. India has enough economic strength to lead the regional integration, but it seems that this is not acceptable to its other members. Judging from the integration achievement levels, SAARC is far behind the European Union, ASEAN, and NAFTA. Hence, the integration process of South Asia is slow and insufficient. How China can ameliorate the situation is not very clear either. More active involvement of China could actually transform SAARC into a platform for struggle for influence between India and China. Debilitating shadowboxing for power might replace the objective of constructive engagement among SAARC countries, if China becomes a full member of the organization.

Second, South Asia is a strategically important region for the United States of America. For the USA, Southeast Asia is the front for countering terrorism and containing China. Thus, USA’s special role in the region might be a hindrance for China.

Third, China's increasing commercial links with South Asia have suffered from trade disputes with India, Pakistan, and other South Asian countries in the recent years. China also received complaints about its cheap goods and products from local manufacturers. At the same time, India has launched many anti-dumping investigations against China (Global Times, 8 June 2010).

Finally, terrorism and local violence in the region can also pose serious threats to Chinese overseas investments. Pakistan is one example where Chinese investments have been threatened occasionally. Since 2004, Chinese engineers and workers have been targeted by militant groups in Balochistan province and North West Frontier Province several times. These militant groups are not opposed to Chinese investments but they target the Chinese as a means to meet their demands from the Pakistani government. In 2006, just few days before President General Musharraf's visit to Beijing, three Chinese engineers were assassinated in Hub by the Baloch Liberation Army (BLA). Beijing is also concerned about Islamic militants infiltrating their western borders (Hailin 2011: 228).

How will China respond to these growing challenges? China's "all – weather friend" Pakistan is a crucial partner in China's counter terrorism struggle and a bridge to the Middle-East and the Islamic world. It is also a potential energy corridor to meet China's growing energy demands. On the other hand, China and India are no longer unfriendly neighbors. India is China's biggest trade partner in the region and also one of its main competitors in Asia. So opposition between Pakistan and India is a dilemma for

China. Hence, “peace between India and Pakistan is in China’s interest” (Garver 2005). In the words of Jiali, “China sincerely hopes that with the adjustment of its own South Asian policy, it can vigorously promote its ties with India while maintaining good relations with Pakistan. Besides this, China also sincerely hopes that India and Pakistan can improve their relations through peaceful negotiations and make a joint contribution to the peace, stability and development of South Asia” (Jiali 2011: 186). Thus, the political stability and economic integration of the region will count as a Chinese foreign policy success in South Asia.

Conclusion:

Reviewing the arguments of this paper, we see that China’s influence has grown enormously in the region. It is quite clear that “as long as China’s economy keeps growing, the growth of Chinese influence in the region is inevitable” (Frost 2010). Chinese influence in the region is directly connected to the growth of the Chinese economy. The discussion also makes clear that China has vital national interests at stake in the region, and its preferred strategy is to use its “soft power” resources in attaining its national objectives. The use of SAARC for increasing the influence of China in the region fits well in the soft power framework of Chinese foreign policy.

Some may argue that China might eventually dominate the SAARC and use its influence to undercut India’s interests. To a certain extent, it cannot be denied that China’s gain is India’s loss. However, the risk is not that China will push India out. The

main concern is that overtime, India's voice in the region might gradually fade, and Beijing will become more vocal and also more heard. Therefore, the biggest challenge for both the countries – India and China – is to engage themselves in a cooperative framework, though the larger context of geopolitical rivalry and competition between the two Asian giants will persist. Interestingly, Banerjee points out that “Competition is indeed not a negative phenomenon as it is spurring growth and invention” (2011: 216). What is important is how this complex relationship is managed. Both China and India require each other in exercising their influences in the region for a peaceful environment. It is high time that India should acknowledge the Chinese rise in South Asia and act upon it appropriately. On the other hand, China must understand that India holds the leadership position in South Asia, and it should not be challenged. In fact, the whole of Asia and the world will look forward to these developments between the two Asian giants in the coming years (Banerjee 2011).

Finally, it is not very clear whether China just wants mutual cooperation in the region or is seeking a more dominant role for itself in the future. As China's capabilities rise, the latter interpretation might come true. However, at this stage it is clear that China's larger goal is to develop greater cooperation with all of its neighboring regions, which includes the Asia Pacific, East Asia, Central Asia and South Asia. That is why China has been playing an active and positive role in promoting South Asian regional cooperation, as it wants to be recognised as an Asian leader. What is interesting is that the Chinese are pursuing these goals in a friendly manner, avoiding any kind of hegemonic and aggressive behaviour. That is also one of the reasons why Chinese “charm” is

growing fast in the region. One consequence of China's rhetorical non-interference is that no one knows what Beijing's long-term goals in South Asia are. This uncertainty about China's ultimate intentions is definitely a key factor in South Asia's strategic environment. However, some uncertainties will always remain and this will not paralyse small South Asian states in acquiring the benefits that China's involvement in the region will bring forth.

Therefore, it would be apt to conclude that the nature of China's SAARC involvement is constructive and diplomatically skilful, from which India should also learn. As a matter of fact, India should also expand its soft power tools, show commitment at the highest level, try to avoid arrogant behaviour, be responsive to South Asian concerns, and show more commitment to SAARC.

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