



# Views From Taipei: Essays by Young Indian Scholars on China

Vijay Gokhale | Suyash Desai | Amit Kumar | Aadil Brar



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# About the Compendium

At the heart of the Security Studies Dialogue 2024 were critical discussions on China—its evolving role in global affairs and its implications for India. This compendium brings together three essays by scholars who participated in these deliberations, each examining a different aspect of China’s policies. Drawing on their expertise and experience of living in Taiwan, the authors offer fresh perspectives on key geopolitical challenges.

Carnegie India’s Security Studies Dialogue convenes scholars and practitioners to explore pressing global issues and India’s policy responses. Held in a closed-door setting, the event attracts participants from academia, think tanks, government, military, and industry. By highlighting the varied voices of India’s strategic community, the Dialogue aims to foster new and informed perspectives in the field of security studies.



# Introduction

Vijay Gokhale

The People’s Republic of China—a superpower of the twenty-first century—stands at India’s doorstep. Its behavior, actions, and policies will have a deep impact on India’s economy and national well-being. It is, therefore, indispensable that Indians from all walks of life develop a proper understanding of China. While the wealth of excellent writings from the West provides a good starting point, unless China’s polity, economy, and foreign policy are examined and understood from our national perspective, our understanding of China will be lacking, with consequent repercussions for the formulation of appropriate policy and measures to deal with them. Therefore, the development of a uniquely Indian perspective on China must rank high on the list of national priorities.

Carnegie India presents short essays by three young scholars who have focused their efforts on understanding China. Each essay is based on the authors’ deep research into the subject matter and is intended to provide a picture of the changes inside China and the motivations behind these changes.

Suyash Desai outlines the sweeping structural reforms that President Xi Jinping has initiated inside the People’s Liberation Army (PLA), highlighting four main elements—political control, civil-military fusion, the changing nuclear posture, and the modernization of training regimes. His nuanced essay brings out the substantial outcomes of these reforms as well as the practical shortcomings and challenges that the reforms have faced during implementation.

Amit Kumar focuses on the Chinese economy. His essay points to structural problems in the current economy created, ironically, by three decades of remarkable economic success. He explains how policy options that China exercised in past economic downturns, such as the application of fiscal stimulus to pump prime the sluggish economy, are not available due to shrinking fiscal space caused by the growing debt-to-GDP ratio. The global pushback over

Chinese exports and the sluggish domestic demand also act as drags on the economy at a time when China needs to restore growth and expand employment. Kumar explains why economic rebalancing without a fundamental change in both economic and foreign policy is a challenge.

Aadil Brar's essay highlights why China will continue to press upon India all along the Line of Actual Control (LAC) despite the resolution of the East Ladakh crisis by creating a "new normal" that provides the PLA with strategic depth along the land border. He uses examples from China's disputes with the Philippines and Taiwan to highlight similarities in Chinese behavior on its land-sea borders and draws lessons for what it might mean for future India-China relations in the border areas. Brar argues that the recent understandings reached by the two countries along the LAC are not likely to resolve deeper tensions and that the PLA will continue to build infrastructure and use grey-zone warfare means to agitate the LAC.

The three essays are a small beginning to what is, hopefully, a broader and sustainable effort by Indian think tanks and policymakers to encourage the small band of younger "China-watchers" to develop a rich and nuanced portrayal of China in all its dimensions, for the benefit of policymakers, businesspersons, academics, scientists, and the ordinary citizen of India. For without their support, this young band of China scholars might not have the resources and institutional encouragement to inquire on what is, undoubtedly, the greatest challenge that confronts India in the first half of this century—how to understand and deal with the People's Republic of China.

01

## The People's Liberation Army in the 2020s: Buoyed by Reforms, Limited by Roadblocks

Suyash Desai

The People's Liberation Army (PLA) has undergone notable structural reforms since the turn of the century. Accelerated after Xi Jinping became the Central Military Commission (CMC) chairman in 2012, these reforms are integral to his vision of "great rejuvenation of the Chinese nation" (*zhonghua minzu weida fuxing*).<sup>1</sup> Since 2015, the PLA made "above the neck" (*bozi yishang*) sweeping structural reforms—the first phase of these reforms—which include changes to its organizational and force structures, training regimes and military exercises, manpower, and military education.<sup>2</sup> The CMC also started "below the neck" (*bozi yixia*) reforms simultaneously in 2017—the second phase—which emphasizes the correction of systemic issues related to personnel policies management and political indoctrination of the army.<sup>3</sup> Unlike the first phase, the second phase of reforms is a long-term and continuous process. The PLA has encountered multiple challenges in this phase, first during the COVID-19 pandemic, followed by constant pushback from the military, as apparent from the 2023 suspension of military and rocket force leadership units.<sup>4</sup>

Nevertheless, the PLA appears to be faulting all the deadlines set by Xi, including military modernization, informatization, and becoming a world-class force by 2049—a term yet to be defined by the leadership. Given the incomplete reforms, the civilian and military leadership under Xi continue to harbor concerns over China's military readiness and have been pushing for the implementation of these reforms. As the PLA approaches its centenary in 2027, it faces increasing pressure to accelerate its reforms, strengthen its operational capabilities, and ensure ideological alignment with the Chinese Communist Party (CCP).<sup>5</sup> Simultaneously, it is also grappling with internal challenges, including bureaucratic inertia,



corruption, and gaps in technological modernization.<sup>6</sup> This essay analyses four key aspects that will define the PLA's path in the years ahead as it approaches its hundredth year: Party-army relations, the evolving nature of military mobilization, China's changing nuclear strategy, and newer training regimes. Together, they will define the PLA's strategic trajectory and operational readiness. These aspects will play a critical role in shaping the future of China's military capabilities and its position in global security dynamics as a world-class force.

### Party-Army Relations (*dang zhihui qiang*):

As Joel Wuthnow and Phillip Saunders highlight in their latest article on Party-Army relations, Xi has attempted to restore the CCP's control over the PLA by appointing himself chairman and controlling promotions and assignments.<sup>7</sup> He also increased the oversight of auditors, discipline inspectors, political commissars, and military courts—all of whom were his appointees.<sup>8</sup> He has repeatedly attempted to expand Party control and his authority through multiple forums and initiatives like the 2012 18th Party Congress, November 2014 Gutian Forum, 2017 19th Party Congress, 2022 20th Party Congress, 2024 Yan'an meeting, and elsewhere on multiple occasions.<sup>9</sup> However, despite repeated assertions, the 2023 military leadership sacking and the PLA Rocket Force (PLA RF) and the PLA Equipment Development Department (EDD) purge highlight the limitations of Xi and the Party's control over the armed forces.

The dismissal of PLA Defence Minister Li Shangfu, a CMC member who previously also headed the PLA EDD and military courts, indicates towards factionalism within the PLA. His removal was alongside the PLA Rocket Force (PLA RF) Commander Li Yuchao and Political Commissar Xu Zhongbo, previously handpicked by Xi. This implies that the “big four” departments—CMC Joint Staff, Political Work, Logistics Support, and Equipment Development departments—which were broken down into multiple smaller commissions by Xi during the first phase of military reforms, still wield considerable clout within the PLA.<sup>10</sup> On coming to power, Xi embarked on an “anticorruption drive,” which encompassed the PLA.<sup>11</sup> He used this campaign as a political weapon to replace “tigers and flies,” who had considerable clout over the army through these departments, with his “yes men.”<sup>12</sup> However, the recent PLA RF sackings highlight that the Chinese military remains autonomous, with little to no room for absolute civilian interference and control. It also implies that Xi's “yes men” prioritize their loyalty to the PLA and their internal factions above their allegiance to Xi and the CCP. If that's the case, then Xi's attempt to establish absolute political control on the PLA through the CMC chairmanship responsibility system (*zhongyang junwei zhuxi zeren zhi*), similar to the relationship between Mao Zedong and the PLA in the past, is far from being complete.<sup>13</sup> Furthermore, the military purges would have also impacted the morale of the armed forces, ultimately impacting the combat readiness of the PLA. Going ahead, party-army dynamics, Xi's military appointments, his interactions with different PLA factions, and the balance between party loyalty and combat operations capabilities would play a defining role in whether the PLA achieves its targets of becoming a world-class force.

### Newer Military Mobilization Patterns (*junshi dongyuan*)

*Prepare for war, prepare for famine, and serve the people. (beizhan beihuang wei renmin).*<sup>14</sup>

This was the slogan used during the Mao era that emphasized the importance of always being prepared for conflict, crisis, or escalation.

From December 2022, China started establishing National Defence Mobilisation Offices (NDMO) (*zhongyang junwei guofang dongyuan bu*) in Beijing, Shanghai, Shandong, Fujian, Wuhan, Hunan, Sichuan, Tibet, Inner Mongolia, Hubei, Xinjiang, and some other major cities and smaller villages.<sup>15</sup> This is the second mobilization reform since the turn of the decade as the Communist Party reorients the mobilization system towards supporting the PLA during war, escalation, and conflict. Under this newer system, there is a clear division of responsibilities between the civilian bureaucracies and the PLA.<sup>16</sup> The civilian bureaucracies at the local and provincial levels have been empowered with military administrative work so the PLA can focus on the development and execution of wartime operational capabilities.<sup>17</sup> Furthermore, these regional offices are also empowered with peacetime administrative work to support the PLA with civilian economic resources during escalation and conflict. These newly established offices are responsible for national defense mobilization planning, coordination, reserve personnel, militia management, civil air defense, and supporting border defense operations.<sup>18</sup> They are also empowered to recruit, educate, organize, and employ reserve forces and militia at local levels. For example, NDMOs in Tibet would possibly be responsible for recruiting Tibetans and employing them for national defense roles in the region.

These offices are further mandated to support theatre commands and military districts during escalation. Since 2021, the PRC has enacted multiple new laws to empower local and provincial agencies to create, train, and support “a new type of militia force” (*xinxing minbing liliang tixi*).<sup>19</sup> This new militia will recruit personnel with specific and professional skills to support informatized warfare and domestic emergency response requirements. NDMOs are empowered with these recruitment and training responsibilities at the provincial and local prefecture levels. Certain provinces and sub-districts have also mandated these units to have responsibilities like epidemic prevention and cure battles.

The changing patterns and institutions responsible for the PLA mobilization are perhaps among Xi's top three important civilian-military reforms. It directly impacts the PLA's combat operations capabilities since these mobilization offices and units are responsible for empowering the PLA during peace and offering support during conflict. However, its success will depend on two factors—the performance of the local offices and their dynamic with the PLA. Issues such as corruption at the local level, bureaucratic inertia, and local rivalries are some factors that could impact the implementation of these reforms, thus impacting China and the PLA's combat readiness. The effectiveness of these reforms will also hinge on how well the PLA can coordinate with civilian authorities and ensure seamless integration of resources and manpower across various regions. Possible ego issues or undercutting of

authority between civilian and military leaders could lead to miscommunication, delays in mobilization, and inefficiencies in resource allocation, thereby weakening the overall effectiveness of the reforms and the PLA's ability to respond swiftly and effectively.

## China's Changing Nuclear Strategy

It is apparent from recent developments that China's nuclear policy is changing. For decades, China has maintained credible nuclear second-strike posture and capabilities.<sup>20</sup> More recently, however, China has been modernizing and expanding its nuclear arsenal. Its nuclear strategy, based on a limited nuclear arsenal for assured retaliation and a no first use (NFU) policy, is also undergoing alterations. The indicators of these changes are China's construction of 250 to 300 new silos in three silo fields at Yumen in Gansu province, near Hami in Xinjiang province, and Hanggin Banner, Ordos City, Inner Mongolia.<sup>21</sup> Multiple reputed sources have repeatedly claimed that China's warheads have expanded from a modest 200 in 2020 to over 500 in 2024 and are estimated to reach up to 1500 in 2035.<sup>22</sup> This is a six- to seven-fold increase over fifteen years and a good premise to question China's "limited arsenal assured retaliation strategy."<sup>23</sup> Additionally, China might also be shifting a portion of its nuclear force to a more offensive launch-on-warning (LOW) nuclear posture.<sup>24</sup> This higher readiness alert could enable China to retaliate by launching its nuclear missiles before an enemy attack destroys them. Although it sounds defensive, the LOW posture introduces a greater element of risk, like a false alarm triggering unintended escalation, and questions the unconditional NFU posture.<sup>25</sup> Finally, China's nuclear modernization and diversification through the establishment of a nascent nuclear triad, newer dual-use hot swappable DF-26 intermediate-range ballistic missiles and newer nuclear-capable hypersonic glide vehicles, which could negate any current missile defense systems in the world, enables it to make more credible threats to use nuclear weapons at the time and place of its choosing.<sup>26</sup> Though all these developments together compel us to rethink China's nuclear strategy, these changes are still not enough to conclusively claim that the strategy has changed. But as Taylor Fravel et al. argue, over time, these changes might provide China with the tools to deploy its nuclear weapons in new ways, which, in turn, could prompt a shift in strategy.<sup>27</sup>

Corruption and factionalism are the two biggest limitations of the Chinese PLA. The corruption revelation in 2023 where the entire PLA RF leadership was sacked, highlighted the advent of a possible graft within the PLA.<sup>28</sup> Another plausible explanation for these sackings is the commanders' existing factionalism and allegiance to different and powerful cliques within the PLA. Whatever the reason, such sackings impact the morale and operational capabilities of the PLA. The recent test-firing of the intercontinental ballistic missile in the Pacific Ocean by the PLA was publicized by the Chinese Defense Ministry for the first time.<sup>29</sup> Publicizing such a launch is rare and unlike Chinese standard operating procedure, but it is widely believed to boost the morale of the PLA RF personnel.

## Changing Training Regimes

The PLA seeks to be capable of performing "integrated joint operations" (*yiti hua lianhe zuozhan*), described by authoritative PLA texts as a "system of systems" operational capability (*tixi zuozhan nengli*).<sup>30</sup> This will include an integrated C4ISR (command, control, communications, computers, intelligence, surveillance, and reconnaissance) structure that will link systems and forces, enabling jointness and information sharing within services, theatres, and institutions.<sup>31</sup> If implemented successfully, these concepts can help improve the PLA's warfighting capabilities, allowing it to move toward its stated and revealed objectives. Furthermore, 2019 witnessed a very minor alteration in Chinese military strategy. As confirmed by Taylor Fravel and Joel Wuthnow in their recent article, the "basis military struggle" (*jichu junshi douzheng*) remained "informatised local wars" (*zixun hua jubu zhanzheng*), the "basic form of operations" remains "integrated joint operations," and the "basic guiding thought" (*jiben zhidao sixiang*) is still information dominance, precision strikes on strategic points, joint operations to gain victory" (*zixun zhudao, jing da yaohai, lianhezhi sheng*).<sup>32</sup> However, changes in the strategy are related to the inclusion of "Xi Jinping Military Strategic Thought" (*xi jinping junshi zhanlue sixiang*) and encouraging the military to redouble its commitment to the current approach.<sup>33</sup>

The emphasis on redoubling is evident with the newer kinds of military training, drills, and joint exercises (*guanyu goujian xinxing junshi xunlian tixi de jueding*).<sup>34</sup> Under the CMC Training and Administration Department, newer training supervision bureaus (*junshi xunlian jiancha ju*) and military training supervision system (*junshi xunlian jiancha tixi*) were established to raise the standard of PLA training, drills, and operations and improve jointness with the armed forces.<sup>35</sup> As a result, unlike in the last decade, the PLA has added newer elements to its year-on-year military training. For instance, compared to the May 2024 Joint Sword A drills, the October 2024 Joint Sword B drills around Taiwan had an element of "anti-interventionism" against an outside force. These exercises were more targeted as they focused on training sea and air combat readiness patrols, sea and land strikes, and seizing comprehensive control rights to test the actual combat capabilities of the theatre troops in joint operations. In addition, in terms of equipment, this exercise deployed several advanced fighters, including the J-20 and J-16D, KJ-500A early warning aircraft, Y-20 tanker, H-6K bomber, 052D destroyer, "Eagle Strike"-62 shore-to-ship missile and other advanced weapons, providing a powerful weapon for this cross-service joint exercise.<sup>36</sup> Unlike in the past, the December 2024 PLA military exercises around Taiwan did not featured a twenty-four-hour prior notification, specific latitude or longitude designations, or an end date or time. These drills also breached 24 nautical miles of Taiwan's territory. Markedly distinct from the earlier Joint Sword A and B exercises, the latest December 2024 drills around Taiwan showcased a dramatic increase in scale, complexity, and strategic signaling. They involved over sixty warships and 130 aircraft sorties, expanded into the Western Pacific, and demonstrated seamless coordination across Eastern, Southern, and Northern Theatre Commands.



In contrast to previous air-centric exercises in Joint Sword A and B, the December 2024 drills incorporated a naval blockade simulation, with significant contributions from China's Coast Guard and paramilitary forces, reflecting China's broader integration of military and civilian resources to perform complex military exercises. Moreover, these unannounced exercises highlighted an escalation in China's sustained pressure on Taiwan and demonstrated the PLA's enhanced capabilities for multi-domain operations, aiming to deter potential third-party interference effectively.

With each major military exercise, the PLA has progressively increased the complexity of its training to enhance jointness. It has also begun conducting these intricate drills in the Western Theatre, Tibet, and Xinjiang military districts, on a sporadic basis, to integrate similar elements of jointness as seen in the Eastern and Southern Theatre Commands.

However, like any other armed forces, inter-service rivalries, lack of “unified thinking” (*tongyi sixiang*) across services, theatres, and support forces, incomplete implementation of reforms, and personnel egos have created hindrances in smooth and speedy implementation of joint operations.

## Conclusion

Under Xi Jinping's sweeping military reforms over the past decade, the Chinese armed forces have made gradual progress toward achieving their stated goals. However, these reforms are hindered by enduring challenges such as corruption, factionalism, turf wars, and internal insecurities. Furthermore, issues like political intervention in military operations, limited civil-military integration, and supply-demand mismatches in advanced weaponry and leadership may also slow the PLA's advancement. As noted by Deng Xiaoping, Hu Jintao, and Xi Jinping during their respective tenures, persistent problems—such as the “two inabilities” (*liangge nengli bugou*), “two incompatibles” (*liangge buxiang shiying*), “two big gaps” (*liang ge chaju*), “three whethers” (*sange nengbuneng*), and “five incapables” (*wuge buhui*)—still remain significant obstacles to the PLA's progress even in the 2020s.<sup>37</sup>

02

# The Pulls and Pushes Within the Chinese Economy

Amit Kumar

The Chinese economy has been under the scanner since the COVID-19 pandemic. Unlike other major and emerging economies, China's economy has yet to recover completely.

China's economy grew by 5.2 percent in 2023.<sup>38</sup> Consequently, the Communist Party of China (CPC) set a five percent growth target for the year in early 2024.<sup>39</sup> In the first two quarters, the economy grew by 5.3 and 4.7 percent, respectively.<sup>40</sup> A 4.6 percent growth rate in the third quarter later raised concerns regarding the feasibility of realizing the annual growth target.<sup>41</sup>

While there have already been questions regarding gross domestic product (GDP) accounting in China lately, other macroeconomic indicators, such as the unemployment rate, foreign direct investment (FDI) inflow, and the Purchasing Managers Index (PMI) for manufacturing, remain muted.<sup>42</sup> The economy is also experiencing deflationary pressures against poor domestic demand and overcapacity at home.<sup>43</sup> Amidst this churn, the Chinese leadership confronts the daunting challenge of reconciling several policy dilemmas.

## The Fiscal Stimulus Dilemma

While greater acknowledgment exists of the economic challenges confronting the second-largest economy, economists within the country are divided over plausible remedial measures. A fiscal stimulus has emerged as the key suggestion in this regard. Two broad constituencies have weighed in on the issue thus far: pro-stimulus and anti-stimulus.

Those in favor of a fiscal stimulus, in line with economists worldwide, argue that the subdued levels of domestic demand are at the heart of China's economic crisis.<sup>44</sup> In order to bring China's economic health back on track, the party leadership needs to undertake countercyclical measures.<sup>45</sup> They suggest increased fiscal spending by the government through cash transfers to address dwindling domestic demand and spur consumption. Experts also argue that these measures need to be combined with a slew of structural reforms, particularly *hukou* (household registration) and pension reforms.<sup>46</sup>

On the other side of the debate is the anti-stimulus constituency, which has cautioned against large-scale fiscal expansion by the government. Leading economist Xu Gao, a proponent of fiscal stimulus, has pointed out that this strand of thinking regards such an approach as exhausting the "ammunition."<sup>47</sup> Further, this constituency argues that large-scale fiscal measures should be a tool of last resort and that the Chinese economy isn't yet at the juncture where it requires such drastic measures. Xu further states that this strand espouses the "live within your means" principle.<sup>48</sup>

However, opposition to a large-scale stimulus also stems from legitimate economic reasoning. Beijing's fiscal space to unveil a stimulus package of the required scale is relatively limited owing to the burgeoning debt-to-GDP ratio.<sup>49</sup> Local governments are already reeling under the pressure of mounting debt and dwindling revenue. With a liquidity crunch ensnaring both provincial governments and the flailing property sector, the central leadership's hands are full. Against this backdrop, unveiling a large-scale fiscal stimulus commensurate with the size of China's economy threatens to worsen the debt-to-GDP ratio, thereby furthering macroeconomic instability. Moreover, China has witnessed declining revenue growth in the past decade. Its tax-to-GDP ratio has fallen from 18.5 percent in 2014 to 14.4 percent in 2023.<sup>50</sup> This further limits China's ability to unveil a large-scale stimulus package.

There also exists an ideological opposition within the CPC to these fiscal measures. Any meaningful expansion of domestic demand would require the party to put money toward the lower middle-income bracket. The propensity to spend with an increase in income is significantly lower for the rich and affluent than for the lower-income group, which tends to have a significantly higher expenditure-to-income ratio. The latter's sheer size further enhances the scale of the outcome. There are two ways in which the party can get low-income groups to spend more. It can either introduce tax breaks or initiate transfers (in kind or otherwise, like social security measures). The utility of tax breaks is significantly limited, given much of the low-income group remains outside the tax bracket. Thus, increased transfers to the low-income group emerge as the only effective means to expand demand. However, the party has a particular dislike towards such welfare measures as it fears that it will breed "lazy people," thereby constraining state resources.<sup>51</sup>

## Property Sector Dilemma

The real estate sector had contributed between a quarter and a third to the Chinese economy in the past three decades before its share slumped in the aftermath of the Evergrande crisis in 2020, followed by a heavy crackdown by the party.<sup>52</sup> The credit restrictions put in place by the Chinese leadership to deflate the property bubble unleashed a wide-scale liquidity crisis in the sector, triggering a series of defaults and dwindling housing sales.

The party regarded this crackdown as necessary to relocate the capital from speculative to productive forces in the face of deepening strategic contestation with the West and the drive to attain self-sufficiency. However, a downside of this approach manifested itself in average property prices falling across tier 1, tier 2, and tier 3 cities in China.<sup>53</sup>

The party's decision to affect a controlled demolition of the property sector immediately began to exert a drag on the economy, which has been evident in a recent fall in growth rates. The real estate crackdown also affected domestic consumption, as around 60 to 80 percent of the household's net wealth is locked in the property sector.<sup>54</sup> Furthermore, housing itself constitutes approximately 24 percent of China's private final consumption expenditure.<sup>55</sup> With housing prices falling, consumer confidence in China has sharply declined and households have consequently adopted a conservative approach towards spending and consumption.

As economists at home and abroad intensify pressure for demand-side measures to boost consumption, the real estate sector has emerged as the obvious choice for the party to intervene. This prompted a course correction by the party, with much of its subsequent measures directed towards addressing the housing crisis. These include easing credit to property developers and cutting down mortgage rates for first and second-time buyers.<sup>56</sup> Notwithstanding, these measures have failed to uplift the sentiment, and the property sector has continued to witness falling prices.

Despite this, the party leadership has refrained from addressing the core issues, such as the *hukou* system and social security reforms, which can boost housing demand in urban centers. The *hukou* system requires Chinese citizens to register as residents in their respective localities. These registrations, nearly permanent and almost impossible to change, prevent the migrant population from buying houses outside their domicile region. Due to this, new demand for housing cannot grow beyond a certain limit in large urban centers, which have already reached their saturation point. Additionally, the lack of social security coverage and extremely high out-of-pocket health expenditures (approximately 35 percent) in China have forced low and middle-income groups to save vigorously.<sup>57</sup>

Even though some provinces did scale back on hukou restrictions in September to boost housing sales, provincial governments have broadly resisted an overhaul of the existing system as many social security benefits are tied to hukou registrations. The local governments, however, have limited fiscal resources ever since the central leadership revised the revenue-sharing formula in 1994. The declining land sales in the wake of the property sector slump have further strained their resources. Forced to also heavily subsidize production and manufacturing in their respective provinces amidst cut-throat competition from fellow provinces, the fiscal space available with local governments to support social security measures for the migrant population is negligible.

## Rebalancing Dilemma

China's third dilemma relates to restructuring the economic model. In addition to other measures, experts have also suggested that Beijing carry out structural reforms to rebalance its economy away from an investment-led, export-oriented model to one that is consumption-driven.<sup>58</sup> There exists wide agreement among observers that the investment-led model has run its course, as evident in the declining credit expansion in China over the past decade.<sup>59</sup>

However, years of adherence to an investment-led model have made it very difficult to engineer this shift.<sup>60</sup> To begin with, this approach exacted a trade-off on the Chinese economy in the form of depressed domestic consumption. Economic logic dictates that an investment-led, export-oriented growth model cannot be compatible with a high-consumption economy. The two components are, in a way, antithetical to each other.

The investment-led model requires the Chinese state to siphon off the country's domestic savings and redirect capital towards industry and manufacturing. Hence, financial repression of one's population becomes a prerequisite to sustaining an industrial powerhouse capable of exporting to the world.

This explains China's state-heavy approach, where market forces play a subservient role in the allocation of resources. It is also precisely why industrial policies have been central to Beijing's economic planning. This trade-off has thus kept China's private consumption hovering at less than 40 percent of its GDP—significantly lower than other emerging or developed economies.

In order to remodel its current structure, China needs to free up capital to allow consumption to expand. However, recalibrating such a large economy will be an expansive exercise with a prolonged gestation period. The macroeconomic adjustments will inevitably lead to unstable growth figures during the transition years. The period may even witness a further decline in the already modest growth rates. Even with Xi's remarkable power consolidation, the requisite risk appetite for this maneuver may prove insufficient, especially as the party has vowed to keep the growth rates stable at 5 percent.

Furthermore, the rebalancing efforts pose an irreconcilable dilemma before the party leadership. Over the years, the existing economic approach has enabled China to amass enormous economic power and become a preponderant player in the global economy by creating dependencies.<sup>61</sup> The economic strength it has incrementally acquired over several decades rests on its current model. It equips Beijing with leverage in the global economy, which otherwise functions by the financial standards set by the U.S.-led West. China's dominance in the global supply chains was the sole reason that the calls for broad-based de-coupling weaned into advocacy for de-risking—a strategy that was much more specific and limited in scope.

Lately, China's investment-led, export-oriented approach has acquired more salience under Xi, owing to his incessant drive for national self-sufficiency. Viewing the entire spectrum of supply chains from a national security prism and vowing to build new capacity in key technologies warrants that China doubles down on the existing economic model more than ever.

In this light, rebalancing away from this approach towards a consumption-driven economy threatens to undermine China's global ambitions.

# From Land Border to the High Seas: Beijing Signaling at India, Taiwan, and the Philippines

Aadil Brar

## Introduction

The narrative of China’s national sovereignty and territorial integrity has shifted since Xi Jinping came to power in 2012–13. His staunch position on defending sovereignty and national borders introduced a new collective security framework that ties the security of land borders with the security of the high seas. The Chinese military’s recent coercive activities reveal that Beijing’s coercive activities against Taiwan and the Philippines can predict the future outcome of the India-China border.<sup>62</sup>

This essay argues that China seeks to establish a “new normal” along the India-China border, similar to the Taiwan Strait and the South China Sea. On October 21, India announced a new patrolling pact that would allow troops to resume patrolling at Depsang and Demchok. Media reports suggest that buffer zones created in other areas will remain to reduce escalation chances.<sup>63</sup> In December 2024, India’s foreign minister, Subrahmanyam Jaishankar, confirmed the disengagement of troops at key friction points.<sup>64</sup> Following this announcement, New Delhi and Beijing held high-level talks to reduce military tensions, including a visit by India’s national security advisor (NSA), Ajit Doval, to China to resume the Special Representative talks.

This paper argues that despite the limited patrolling pact, the People’s Liberation Army’s (PLA) construction of dual-use infrastructure hasn’t slowed down and will continue. The large deployment of soldiers on both sides of the India-China border will be the “new normal.”

China is expanding the scope of its military exercises from the Western borders with India to the Taiwan Strait and the South China Sea. It violated Japanese airspace and waterways on multiple occasions in 2024, further adding a new dimension to regional tensions.<sup>65</sup>

Regional tensions between China and its neighbors are unfolding against the backdrop of the U.S.-China great power rivalry, but the prognosis of China's military coercion against its neighbors can be contextualized through the long-held dilemma of its military strategists.

Chinese military strategists have always been concerned about a “chain reaction” (*liansuo fanying dai*) of conflicts erupting at the border frontier. The strategists analyze this “chain reaction as a situation in which certain external powers would use a crisis over Taiwan to seize China's territory along the western border.”<sup>66</sup> One set of Chinese military strategists argues that external powers, including India and the United States, could use the crisis over Taiwan as an opportunity to grab territory through a limited military operation. Others have suggested that external powers foment internal trouble in ethnic regions such as Tibet.<sup>67</sup>

Xi Jinping's recent speeches and military actions in the region can glean a new strategic framework that envisions securing China's territorial sovereignty across all the military theatres.

Some experts have argued that China's border dispute with India isn't a priority for Beijing as the Taiwan contingency remains the number one strategic goal.<sup>68</sup> The Taiwan Strait as the priority theatre for China remains broadly valid. However, China's extensive dual-use military architecture along the Line of Actual Control (LAC) has set the stage for the long-term deployment of the PLA along the border with India to address security challenges that could emerge along the land border because of conflict in the Taiwan Strait or the South China Sea.

As the discussion about resolving the border stand-off grows, the PLA's large deployment paints a different picture. China's infrastructure and military build-up point toward a long-term deployment of PLA forces in Ladakh.

During the Qing era, Chinese military strategists articulated the security dilemma of balancing land defense with the need to defend the maritime space. The colonization of foreign concessions in the late eighteenth and early nineteenth centuries revealed the flaw in China's military strategy as imperial dynasties had focused on land border defense.<sup>69</sup>

Xi Jinping—and even his predecessor Hu Jintao—have attempted to address the West-East security dilemma. Xi has sought to create a framework through a network of dual-use infrastructure and near-permanent military deployment along the LAC to counter potential military adventurism along the land border, thus seeking to address a long-held strategic dilemma.

“We must coordinate the promotion of border, sea, and air defense construction and the economic and social development of border and coastal areas, strengthen the interconnection and co-construction and sharing of infrastructure, and create a border, sea, and air defense construction pattern that can effectively maintain security and strongly support development,” said Xi Jinping at a Politburo session in July 2024.<sup>70</sup> The timing of this speech at the Chinese Communist Party's Politburo Standing Committee on border, coastal, and air defense is significant. Coinciding with the ninety-seventh anniversary of the PLA, the address served as a high-profile signal of China's resolve to deter perceived threats from the United States and its allies, including Taiwan. Beijing aims to reinforce its strategic deterrence posture amid increasing regional tensions by highlighting its commitment to defending sovereignty and territorial claims.

Blasko and Mei argue that Xi's emphasis on homeland defense may increase funding for dual-use infrastructure projects in border regions, encouraging local governments to participate in national defense initiatives under the military-civilian fusion strategy.<sup>71</sup>

For Xi, shaping the security situation along the border requires establishing a “new normal” (*xīn chángtài*). Since President Tsai Ing-wen assumed the presidency in Taiwan, China has sought to actively shape the security situation to establish this “new normal.”<sup>72</sup>

Xi Jinping's military modernization efforts since 2015 have pushed the PLA into a constant mode of exercise aimed at the 2027 military modernization target.<sup>73</sup>

Through military exercises and deployments, China is creating a new normal to extend its sovereignty claims, which has put the PLA in a reactive mode along the LAC and the Taiwan Strait.

## India-China Border

The India-China border stand-off is now in its fifth year as soldiers from the PLA and Indian Army continue to be deployed in Eastern Ladakh. Meanwhile, troops have disengaged from four locations after multiple military and diplomatic dialogues. Despite the limited patrolling pact in October 2024, which led to disengagement in Demchock and Depsang, the PLA soldiers remain deployed in large numbers at the two friction points, while other units are present in rare positions.

China's ongoing infrastructure construction at the LAC means that even if there is disengagement at the remaining points, the PLA will likely remain in their new positions for the foreseeable future. The PLA has taken the approach of changing facts on the ground as it has done in the context of the Taiwan Strait and the South China Sea.



The PLA's presence along the LAC is now to cement its claims on areas previously patrolled with a limited force posture. An open-source data analysis conducted for this paper has revealed that the PLA continued military exercises across Eastern Ladakh throughout 2023 and into 2024. An analysis of open-source data from Weibo and WeChat shows that military exercises in 2023, instead of taking a back seat amid border talks with India, continued unabated.

An analysis of the PLA-linked media shows that military units deployed across Eastern Ladakh remained in the exercise posture despite phased disengagement at four locations.<sup>74</sup> The author's own analysis of PLA incursions from March 2020 until October 2024 suggests that incursions saw military exercises of the PLA's light, medium, and combined arms divisions.

The PLA has extensively advertised its exercises in the Karakorum region, both to signal its stance to India and to internally establish a narrative of conflict resolve to its military. While China may not conduct land incursions against India as it does in the aerial and maritime domain, the PLA remains in a nearly constant exercise mode along the Ladakh border, pausing only during the winter months.

In Eastern Ladakh, China has expanded the dual-use Ngari Gunsai Airport while beginning the construction of the dual-use Ngari Purang Airport.<sup>75</sup> At least five new heliports have been built across the border, along with the construction of a new heliport in 2024. China has also built landing strips at ten other locations, which could be upgraded to a full-fledged heliport.<sup>76</sup>

China's dual-use infrastructure has been built to maintain PLA forces at the frontlines of Eastern Ladakh for the long haul. The infrastructure construction in Eastern Ladakh will cement the troops' permanent presence, marking a new phase of military build-up that increasingly appears like China's military installations in the South China Sea.

Blasko argues that the PLA's deployment in the Aksai Chin region, which has an estimated 20,000 soldiers, may not be adequate to launch an attack; however, the presence of PLA soldiers is a long-term strategy to create "facts on the ground," similar to its approach to changing the situation in the South China Sea.<sup>77</sup>

## Taiwan Strait

Military tensions in the Taiwan Strait have continued to escalate since former president Tsai Ing-wen assumed office in 2016. PLA aircraft, including bombers and fighters, circumnavigated Taiwan for the first time in July 2016.<sup>78</sup>

Incursions into Taiwan's Air Defense Identification Zone (ADIZ) increased to 1,703 in 2023.<sup>79</sup> This author's analysis suggests there was a rise in incursions into Taiwan's ADIZ

overlaps with the increasing land border violations at the LAC since 2016, especially following the Doklam stand-off in 2017.<sup>80</sup> Data analysis by Greene et al. shows that incursions have markedly increased in the eastern sector along the border with India since 2016.<sup>81</sup>

A gradual increase in PLA jets has also been reported in Taiwan's ADIZ after the election of Taiwan's current president Lai Ching-te in January 2024. The total number of PLA jets intruding into Taiwan's ADIZ since January 2024 is over 2,200 jets.<sup>82</sup>

In the case of Taiwan, ADIZ incursions have overlapped with political developments in Taiwan's politics and U.S.-Taiwan relations under Tsai Ing-wen. However, a closer analysis of these incursions during Tsai's presidency shows that they have become more random over time, primarily conducted for surveillance purposes.<sup>83</sup> While India has faced sporadic clashes, Taiwan experiences near-daily air incursions aimed at normalizing the Chinese military's presence. Randomizing the air incursions is a strategy to create a new normal in the Taiwan Strait while limiting the Taiwanese government's response options. Taiwan's defense minister Wellington Koo has expressed concern over the scale of the PLA's military activity. He told reporters, "It is harder to discern when they [China's military] might be shifting from training to a large exercise, and from an exercise to war."<sup>84</sup>

Beijing's military coercive aims to constrain Taiwan and India's geopolitical options by limiting their external balancing. China has shifted the narrative of defending borders from a maximalist approach to one of national sovereignty.

While increased intrusion into the Taiwanese airspace clearly correlates with significant political events, no such direct connection exists in the case of India-China tensions. However, China's coercive actions against Taiwan—through the navy, coast guard, and the air force—seek to deter Taiwan from declaring independence and counter the growing cooperation between Taiwan and the United States.

Beijing has signaled the desire to change the status quo in the Taiwan Strait and the LAC to exert territorial claims. The military strategy for each theatre may be adjusted based on the history of territorial disputes in the Taiwan Strait, the South China Sea, or the India-China border. However, the strategic goal is to forge a new normal that will create a long-term strategic space dominated by China.

## Tensions in the South China Sea

In 2013, China began constructing large islands in the South China Sea to project power and reinforce its claim of sovereignty over the disputed waters.<sup>85</sup> It has since pushed further into areas claimed by the Philippines, increasingly confronting Filipino fishermen and the Philippine Coast Guard (PCG). Tensions have escalated since 2023, marked by clashes between the Chinese Coast Guard (CCG) and the PCG.<sup>86</sup> The Philippines recently reported a record 251 Chinese vessels inside its territorial waters within a week.<sup>87</sup>

China has empowered the CCG, including Coast Guard Law, to extend its territorial claims in the South China Sea.<sup>88</sup> In 2023, the CCG rammed ships and used water cannons against PCG to restrict the Philippines' ability to patrol its claimed waters—forcefully extending its territorial claims.<sup>89</sup>

In September 2024, China conducted complex naval exercises in the South China Sea to deter growing maritime cooperation between the Philippines, the United States, Japan, and other allies.<sup>90</sup> Some analysts have called China's island construction a “salami-slicing” tactic that seeks to change the facts on the ground by extending territorial claims through infrastructure. However, through coercion and dual-use infrastructure, Beijing's sovereignty claims seek to create a new strategic space along China's territorial border—the “new normal.”

## Conclusion

India, Taiwan, and the Philippines have faced increasing territorial coercion by the PLA since Xi Jinping assumed office. From his first term, Xi began articulating a sovereignty framework that sought to address a long-held strategic dilemma for Chinese military strategists.

Unlike the Taiwan Strait and the South China Sea, China has not extended a clear sovereignty claim to the Ladakh region. However, Beijing has taken a maximalist approach to sovereignty, including constructing dual-use infrastructure along the LAC. China has sought to establish a new normal on its territorial claims through coercion on the land border and the high seas.

Is China's strategy to coerce its neighbor and limit its strategic options working? That's a different debate. However, Beijing appears to have set its mind on creating a strategic depth to ensure long-term security in a turbulent international environment.

Therefore, disengagement in the remaining sectors of the LAC may not lead to an immediate de-escalation of tensions. The examples of Taiwan and the Philippines reveal China's intentions to progress the land border issue with India into a Taiwan Strait or South China Sea-like scenario.<sup>91</sup> The recently announced patrolling pact has the likelihood to flare tensions once again as the troops will now face each other during the patrols.

Through the “new normal,” China is forging a strategic depth along its borders to address historical and future security threats posed by neighbors, regional, and external powers.

India's diplomatic position on resolving border disputes is heavily influenced by the resolution of past border stand-offs, such as the 2013 Dapsang stand-off. The current military stand-off, however, is taking place under a different geopolitical environment and under a leader unwilling to compromise on sovereignty. Therefore, the much-desired disengagement and de-escalation at the India-China border will not solve the tensions between the two Asian powers.

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